

Half Year Report

Financial Year 2005



FONDIARIA-SAI S.p.A.

FONDIARIA-SAI S.p.A. – HEAD OFFICE IN FLORENCE – PIAZZA DELLA LIBERTÀ 6 – HEAD OFFICE IN TURIN – CORSO G. GALILEI 12 – SHARE CAPITAL € 171,625,375 FULLY PAID UP – TAX CODE, VAT REGISTRATION NUMBER AND NUMBER UNDER WHICH THE COMPANY IS REGISTERED IN THE COMPANIES REGISTER OF FLORENCE, 00818570012 – AUTHORISED TO OPERATE AS AN INSURANCE COMPANY BY ARTICLE 65 OF ROYAL DECREE LAW NO. 966 OF 29 APRIL 1923, CONVERTED INTO LAW NO. 473 OF 17 APRIL 1925.

BOARD OF DIRECTORS

Salvatore Ligresti	<i>Honorary Chairman</i>
Jonella Ligresti *	<i>Chairman</i>
Giulia Maria Ligresti *	<i>Vice Chairman</i>
Massimo Pini *	<i>Vice Chairman</i>
Antonio Talarico *	<i>Vice Chairman</i>
Fausto Marchionni *	<i>Managing Director and Chief Executive Officer</i>
Andre Broggini	
Carmelo Caruso	
Mariella Cerutti Marocco	
Carlo d'Urso	
Vincenzo La Russa *	
Gioacchino Paolo Ligresti*	
Lia Lo Vecchio	
Siro Lombardini	
Enzo Mei	
Giuseppe Morbidelli	
Cosimo Rucellai	
Oreste Severgnini	
Salvatore Spiniello	
Oscar Zannoni	
Alberto Marras	<i>Secretary to the Board and to the Executive Committee</i>

BOARD OF AUDITORS

Benito Giovanni Marino	<i>Chairman</i>
Giancarlo Mantovani	<i>Auditor</i>
Marco Spadacini	<i>Auditor</i>
Sergio Castellini	<i>Alternate Auditor</i>
Giorgio Di Giuliomaria	<i>Alternate Auditor</i>
Maria Luisa Mosconi	<i>Alternate Auditor</i>

INDEPENDENT AUDITORS

DELOITTE & TOUCHE S.p.A.

GENERAL MANAGEMENT

Fausto Marchionni

*Members of the Executive Committee

The Chairman, Signora Jonella Ligresti and the Managing Director, Prof. Fausto Marchionni in addition to representing the company as stated in article 21 of the Company's bye-laws, shall be vested with all the powers of ordinary and extraordinary administration, to be used with a single signature and with the possibility of conferring mandates and powers of attorney, with the exception of the following exclusively:

- transfer and/or purchase of immovables with a value greater than € 10m for each transaction;
- transfer and/or purchase of shareholdings with a value greater than € 25m for each transaction and controlling shareholdings;
- taking on financing at a sum greater than € 50m for each transaction;
- issue of non-insurance guarantees in favour of third parties.

All the powers not already vested in the Chairman and Managing Director are conferred upon the Executive Committee, with the exception of those expressly reserved to the said Board by law or statute and without prejudice to the Board's exclusive competence for each resolution concerning transactions with related parties as identified by the Board.

The Board of Directors was appointed by the meeting on 29 April 2003.

The Board's term will end at the same time as that of the Board of Statutory Auditors, with the meeting to approve the accounts for 2005.

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Half Year Report of the Parent Company

as at 30 June 2005

Introduction

In the course of the first half of 2005, the world economy was going through a period of slowdown in growth in line with the forecasts made at the time.

The rise in the price of oil is undoubtedly one of the main reasons for the slowdown, which made it necessary for the United States to adapt accounting and monetary policies in the medium term. In Europe, performance was different in the individual countries: in France and in Spain, the slow growth is attributable mainly to the negative contribution of foreign trade which appears to be suffering from the increase in the value of the Euro; in Germany, growth is being depressed by internal demand, while the overseas contribution is definitely positive; in Italy, internal demand and the overseas sector are both penalising growth.

In Italy, the Government introduced the "Dpef" – "documento di programmazione economico-finanziaria" (economic and financial planning document) which forecasts growth in GDP for 2005 close to 0% and a GDP deficit ratio of 4.3%.

In 2004, the economic results in the national insurance sector were positive overall thanks to the improvement in the technical results in the non-life business and good performance in the life business portfolio. That result should be partially confirmed also in the first months of 2005, as it is influenced by modest economic growth and expectations about the performance of the economy which currently forecasts a further contraction of the Gross Domestic Product in the remainder of the year.

According to forecasts from the trade associations, growth in premium income for 2005 will not be very different from last year: the volume of premiums should increase by approximately 5% with an albeit slight effect on the increase in GDP (7.7% against 7.5% in 2004).

In particular, growth is more modest in the non-life business, due to the negative influence of the performance in the automotive classes: in fact, the fall in the number of motor vehicle registrations, the containment in the dynamics of rates contributes to the estimated rate of increase expected to be around 3.5% for a volume of premiums of approximately 36 billion euro. With regard to performance in the Motor TPL class, the first available data for the current year show a modest rise in the frequency of claims, at around 9%; on the other hand, the rapid growth in the average number of claims settled in the current year is continuing and, restricted to the data recorded in the first quarter, shows an increase of approximately 7%, again well above the rate of inflation.

The sector was characterised by greater dynamism in 2005, which should come from the non-marine classes, although penalised by the accident and health classes due to the modest growth in the individual component.

The spread of life products in Italy has grown considerably compared with recent years. The life insurance sector was in fact characterised by greater dynamism with the creation of products which allow three crucial aims to be met: welfare, savings and investment. According to the forecasts, uncertainty about the economic background will influence investment and welfare choices this year again, directing policyholders towards types of insurance with a limited risk profile and a guarantee of income. Total premium income should reach 70 billion euro, an increase of approximately 6.5% and life policies should represent approximately 17% of total financial wealth.

The first data available by June 2005 confirm strong growth in new life policies, with the rates of increase exceeding the forecasts: in the first half of 2005, new premium income from individual policies was in excess of €28bn, an increase of 23% compared with the similar period in the previous year. The largest increases in products were for conventional policies in class I and class V giving guaranteed interest rates. Uncertainty about the definitive introduction of the law on supplementary pensions contributed to the restricted growth in pension funds.

On 1 March 2005, ISVAP, the sector's supervisory authority, issued a circular introducing new obligations on transparency in the life insurance market, comparing life policies with the other sectors of the financial market. The fundamental new aspects compared with the circular circulated last year (533/D) is that pensions policies were subject to regulatory obligations on transparency and the delegated legislation on the reform of supplementary pensions transferred ISVAP's competencies on transparency to Covip (the Supervisory Commission for Supplementary Pensions).

The new rules, which will come into force gradually during the year, contain principles on:

- greater transparency, through a set of detailed information provided to policyholders which must accompany the placement of the policy;
- possible comparisons, using standardised performance for all policies to allow investors to have an objective basis on which to compare the products offered by the different companies;
- the adequacy of policies, in order to offer policyholders products which meet consumers' actual interests.

A) Business Information

Performance

This half year report has been drawn up in accordance with the information given in the ISVAP Instruction no 1207-G of 6 July 1999 and in the successive Circular no. 380/D of 19 July 1999 from this same supervisory body.

When drawing up the interim data, the application of the mandatory drafting principles and valuation criteria for the accounts for the financial year shows a greater use of estimates in projections, as pointed out later on in this report.

The correct function of the data, therefore, is to represent in a reasonably reliable manner the economic situation and the financial position of the Company as at 30 June and to provide information on the business outlook for the second part of the year.

For the first half of the 2005 financial year, total income was €2,716,071K (+5.86%), and this was made up as follows:

(€K)	1 st half-year 2005	1 st half-year 2004	Variation %
DIRECT BUSINESS			
Non-life business	2,000,420	1,984,694	0.79
Life business	701,945	551,731	27.23
TOTAL	2,702,365	2,536,425	6.54
INWARD REINSURANCE	13,706	29,364	(53.32)
OVERALL TOTAL	2,716,071	2,565,789	5.86

The fluctuation in inward reinsurance is attributable to the non-fulfilment of the reinsurance treaty with the merged entity Azzurra Assicurazioni S.p.A. in 2005, which was still operating in the first half of 2004.

The following table shows the summary of the results for the first half-year 2005 compared with similar data from the corresponding period for 2004 and with the whole of the previous financial year.

(€K)	30/06/05	30/06/04	Variation	31/12/2004
Result of the non-life technical account	162,365	137,044	25,321	324,646
Result of the life technical account	12,217	9,225	2,992	12,327
TOTAL	174,582	146,269	28,313	336,973
Net income non-life business (less shares transferred to the technical account)	94,386	78,957	15,429	116,151
Shares transferred from the life technical account	(72,677)	(65,640)	(7,037)	(89,469)
Sundry income and charges balance	28,274	15,060	13,214	30,382
	(83,460)	(59,171)	(24,289)	(149,406)
RESULT OF ORDINARY BUSINESS	141,105	115,475	25,630	244,631
Extraordinary income and charges balance	26,322	16,101	10,221	139,254
PRE-TAX RESULT	167,427	131,576	35,851	383,885
Tax on income for the financial year	(48,000)	(50,000)	2,000	(125,412)
RESULT for the PERIOD	119,427	81,576	37,851	258,473

The result for the first half of 2005, of € 119m, is much higher than that recorded in the corresponding period last year: although operating in an economic context of contained growth, the results are very satisfactory due to the good performance in the non-life business, the interesting development in the life business and the recent greater stability in the financial markets, which has enabled the use of extraordinary headings to be restricted for rebalancing the negative performance of stocks and shares in previous financial years.

The performance in the non-life business was satisfactory again and the technical balance exceeded € 160m. The result achieved shows the competitive advantage obtained from the leadership dimensions of the parent company. This includes the construction of highly customised rates, vast knowledge of the market and achievement of synergies on costs and improvement of the internal efficiency of the claims settlement processes. In particular, the Motor TPL class is again characterised by substantial stability in the number of claims reported and the frequency of claims, although in a context characterised by a significant increase in the external costs of the claims settlement process.

Performance in the Land vehicles - own damage or loss class is also good as it is not yet experiencing the seasonal effects of increased traffic and atmospheric phenomena which generally characterise the summer period. The technical performance in the non-marine classes is improving compared with the first half of 2004, mainly due to the effect of the usual strict reserves policy in classes which provide the main problems, such as General Public Liability, which has enabled insufficiencies in the reduction of the number of claims made in previous years not to be shown. The first half of 2005, however, was quite critical for the Other Damage to Property sector due to a widespread increase in the number of claims reported and due to some claims for large amounts.

In the non-marine classes, the strategy continued to be one of selective growth with the consequent cancellation of unprofitable policies.

In reinsurance, the policy of reforming all the existing treaties is continuing and being consolidated: the negative balance on reinsurance follows the good performance in inward reinsurance and the specific structure of the reinsurance programme which gives preference to levels of protection for particularly serious events. The result of acceptances has improved significantly due to the effect of the ending of some forms of infra-group reinsurance.

The life business is reporting good performance in terms of growth of premium income and returns, with the technical result for the half year already equal to the final result for the whole of the last financial year. That was achieved by lower devaluations made in the course of the half year and a higher level of trading activity in the portfolio and a general containment of general expenses.

Overall, the technical reserves amount to € 14,243m (€ 13,873m as at 31/12/2004) with an increase of approximately 2.6%: of this € 6,492m was for the non-life business (€ 6,520m as at 31/12/2004) and € 7,751m for the life business (€ 7,353m as at 31/12/2004).

Work continued on containing management costs and the increase was kept to 0.80% with amounts in absolute terms substantially in line with the data for the previous financial year. Consequently, the incidence on gross premiums fell from 16.50% in the first half of 2004 to 16.20% in the current period.

Ordinary investment income is in line with that in the previous half year, although in a context of falling interest rates, in turn partially offset by good trading activity in the shares portfolio and a higher contribution from dividends of participating interests. Overall, net ordinary income reached € 230m (€ 213m in the first half of 2004), while net profits from trading exceeded € 64m (€ 60m as at 30/06/2004). The contribution of the valuations of certificates of indebtedness and capital securities was very positive and shows increases in value exceeding the total devaluations reported for the whole year.

The balance on other ordinary headings, negative by € 83m, includes € 43m of depreciation of intangible assets (of which approximately € 24m attributable to goodwill). Consequently, the result for ordinary business exceeds € 141m against € 115m as at 30/6/04.

The balance on other extraordinary headings is virtually nil as the amount shown in the half year profit and loss account is mainly attributable to net realisations of long-term securities.

Compared with the previous half year, the benefits relating to the adoption of tax consolidation are having a positive influence on the tax burden in the period as well as a higher incidence on some income components which are fiscally insignificant following the IRES reform such as, for example, those linked to capital gains and capital losses and the valuation and realisation of exempt shareholdings ("PEX"), as well as a higher amount of dividends received.

However, considering the fact that the regulations are still being developed and, subject to possible corrections which are already being looked at, the corresponding reduction of the tax burden might not be confirmed in the results at the end of the financial year.

NON-LIFE INSURANCE BUSINESS

Premium income

Premiums written totalled € 2,006,620K compared with € 2,008,539 for the 2004 half-year, a decrease of 0.10%.

The subdivision by class is shown below:

(€K)	1 st half-year 2005	1 st half-year 2004	Variation %
<u>DIRECT ITALIAN BUSINESS</u>			
Accident	118,857	113,630	4.60
Health	83,752	85,905	(2.51)
Land vehicles – own damage or loss	216,880	221,406	(2.04)
Railway rolling stock	560	1,084	(48.34)
Aircraft – hull	2,389	2,720	(12.13)
Marine – hull	15,421	12,478	23.59
Goods in transit	91,451	88,223	3.66
Fire and other natural forces	99,160	93,437	6.12
Other damage to property	1,204,438	1,210,451	(0.50)
Motor TPL	171	321	(46.73)
Aircraft – TPL	1,820	1,477	23.22
Marine TPL	130,385	122,052	6.83
General TPL	364	974	(62.63)
Credit	19,972	17,023	17.32
Bonds	4,750	4,725	0.55
Pecuniary losses	3,804	3,546	7.28
Legal Protection	6,239	5,236	19.14
Assistance			
TOTAL	2,000,420	1,984,694	0.79
<u>INWARD REINSURANCE</u>			
Of which			
Italy	1,724	20,127	(91.43)
Overseas	4,476	3,718	20.39
OVERALL TOTAL	2,006,620	2,008,539	(0.10)

The only overseas sub-office, which operates out of Holland, is in run-off.

The level of insurance business conducted under the heading of the free provision of services is not significant.

Claims paid and reported

The following table shows the amounts of compensation paid and the number of claims reported in the direct Italian business, non-life business, compared with similar data recorded in the corresponding period of the previous financial year, reclassified in homogeneous terms following the merger of Azzurra Assicurazioni S.p.A.:

	Claims paid			Claims reported		
	1 st half 2005	1 st half 2004	Variation	1 st half 2005	1 st half 2004	Variation
	(€K)	%		(Number)	%	
<u>DIRECT ITALIAN BUSINESS</u>						
Accident	64,028	64,702	(1.04)	26,541	27,635	(3.96)
Health	74,453	66,971	11.17	79,918	82,421	(3.04)
Land vehicles – own damage or loss	91,904	94,520	(2.77)	66,815	70,152	(4.76)
Railway rolling stock	4	-	-	-	-	-
Aircraft – hull	1,066	36	2,861.11	2	6	(66.67)
Marine – hull	2,213	1,370	61.53	76	89	(14.61)
Goods in transit	5,918	5,381	9.98	1,444	1,886	(23.44)
Fire and other natural forces	51,906	50,660	2.46	14,647	15,768	(7.11)
Other Damage to Property	57,123	55,781	2.41	38,080	36,242	5.07
Aircraft – TPL	63	4	1,475.00	7	-	-
Marine – TPL	-	-	-	44	143	(69.23)
General TPL	100,218	84,254	18.95	29,239	31,512	(7.21)
Credit	1,187	1,118	6.17	105	351	(70.09)
Bonds	10,536	5,654	86.35	215	231	(6.93)
Pecuniary losses	1,869	1,577	18.52	1,758	1,832	(4.04)
Legal protection	451	472	(4.45)	556	547	1.65
Assistance	2,237	1,702	31.43	11,377	10,481	8.55
TOTAL	465,176	434,202	7.13	270,824	279,296	(3.03)
Motor TPL	988,329	869,997	13.60	263,660	275,764	(4.39)
TOTAL NON-LIFE BUSINESS	1,453,505	1,304,199	11.45	534,484	555,060	(3.71)

TECHNICAL PERFORMANCE OF THE MAIN INSURANCE SECTORS

Motor and Marine Third Party Liability

Premiums recorded amount to € 1,206.3m, a decrease of 0.50% compared with the first half of the 2004 financial year.

The slight fall in premiums is due mainly to the bonus effect on the portfolio, not offset by the low rate changes introduced in February and June 2005, made in compliance with the stipulations of the Protocol of Agreement on TPL Insurance between the Government, ANIA and the Consumers' Association on the general containment of motor rates signed on 5 May 2003.

The trend was also influenced by the strong contraction recorded in the half year of registrations of motor vehicles and the economic situation in the country.

The number of vehicles insured by Fondiaria Sai in total reflects the volumes for the previous year and growth of 0.5%. Fondiaria Sai is also continuing work on improving the quality of the portfolio by increasing cancellations of policies of policyholders making several claims and introducing greater rate customisation.

Claims frequency continues to fall, albeit slightly, due to selection of the vehicles insured and economic reasons characterising the motor vehicle market, such as, for example, the considerable increase in vehicle running costs, due mainly to the increase in the price of petrol. In May 2005, compared with the same month in 2004, the price of petrol increased by 12% and the price of diesel by 21.7%.

This further steep rise in prices affects the number of kilometres driven to a certain extent and, therefore, the frequency of claims.

With regard to the integration of SAI and Fondiaria, it is pointed out that, from 1 February 2005, a single new motor vehicle product, determined on the basis of the combined experience of the two companies before the merger which provides the TPL rate and equivalent land vehicles – own damage or loss class underwriting conditions for both Divisions, is available to the whole sales network and, therefore, to customers.

The new product, Nuova Prima Global, covers two lines: motor vehicles and motor vessels.

The strong points are the wider range of cover, the flexibility and modularity of content and price, the clarity of the contractual wording and the introduction of the more recent regulatory developments such as the ANIA – Government – Consumers' Association Protocol of Agreement and the points system driving licences.

With regard to TPL, the Bonus/Malus was introduced for each type of vehicle.

There are plans to extend the Bonus/Malus family initiative to companies and provide the possibility of choosing the "only driver" rate formula.

With regard to the land vehicles – own damage or loss class, the policyholder can choose between three types of cover: value as new (with settlement in the case of partial damage without wear and tear), commercial value (with wear and tear) and total damage.

Furthermore, the policyholder can choose from several types of cover. There are three separate types of cover – according to their propensity for insurance: the "compact" line aimed at customers less likely to buy insurance, the "Global" line aimed at customers who want full cover and the "VIP" line aimed at customers with higher insurance requirements. Finally, five packages of additional cover and a wide range of road assistance cover are planned.

The class is showing a fall in the number of claims reported of 4.4%, an increase in claims paid of 13.6% and an increase in the cost of claims in the current year of 2.6%.

The average cost of claims paid increased by 8.26% for claims made in the current year and by 11.03% overall. Correspondingly, the average cost of the reserved claims increased by 7.54% in the current year and by 14.35% overall.

The speed of settlement varied from 42.03% in the first half of 2004 to 49.55% in the current half year; the latter consists of 54.43% of the claims made in the current year and 45.24% for those made in previous years.

With reference to the significant new regulations which might affect the sector, it is pointed out that, within the scope of the review of the regulations on the sector resulting from the introduction of the new Private Insurance Code, the possibility of making use of direct compensation of claims may be extended.

In conclusion, the new system could provide for the extension of the possibility of insurers paying compensation to policyholders, subsequently adjusting the recovery of what was advanced on behalf of the responsible party's insurer, according to procedures established by agreement.

That settlement method could represent an opportunity with rewarding effects for the more efficient companies and could contribute to the containment of the average cost of claims, extending the use of preferred car repairers and reducing the cost of possible disputes.

For the Fondiaria-SAI group, that would definitely represent an advantage in terms of greater efficiency and speed in the settlement processes, with benefits which could also be passed on to policyholders in the medium term through a containment of the insurance premium.

Moreover, Fondiaria-SAI is continuing work on extending the IES claims settlement application to all companies in the group, in order to guarantee standardised management and computerisation in the claims settlement process. Therefore, the excellence target is still in place and consists of eliminations of claims made in previous years and of careful claims management in the current financial year.

Land vehicles – own damage or loss

Premiums € 216,880K (-2.04%)

Claims reported 66,815 (-4.8%)

The number of claims paid – 61,601 – fell by 2.4% compared with the first half of 2004.

The cost of claims made in the current year amounts to € 93.4m, a fall of 9.0% compared with the first half of 2004.

The speed of settlement, net of unresolved claims, is 75.58% for claims made in the current year (72.71% as at 30 June 2004) and 69.04% for claims from previous years (63.49% as at 30 June 2004).

Other damage to property

Premiums written in the Italian direct business amount to € 577m, an increase of 4.7% compared with the first half of 2004. Collections amount to € 595m, an increased of 0.6% compared with +2.8% in the corresponding period in 2004.

The number of claims reported – 203,965 - fell by 2.50%.

The cost of claims made in the current year amounts to € 370.5m, a decrease of 6.3%. It is stated that the first half of 2004 was strongly influenced by a claim delegated to other companies of € 15.5m (virtually totally reinsured) under the Aircraft hull class

In 2005, alignment of the undertaking policies and rates in the two Divisions continued and the interaction of technical assistance structures on the territory was completed.

In the Corporate sector, for some specialist classes, for specific customer segments and types of business, centralised technical structures were created at Group level.

Although aimed at developing more profitable areas, the underwriting policies were kept selective and careful from the point of view of maintenance of claims to premiums ratios which produce technical returns.

Looking at the individual classes in the accounts:

Accident

Premiums € 118,857K (+4.60%)

Claims reported 26,541 (-4.0%)

The number of claims paid – 19,953 – fell by 10.5% compared with the first half of 2004.

The cost of claims made in the current year amounts to € 55.9m, an increase of 4.7% compared with the first half of 2004.

The positive performance of the technical balance of the classes was confirmed and remains in line with the good results last year.

The speed of settlement, net of unresolved claims, was 23.70% for claims made in the current year (28.54% as at 30 June 2004) and 42.34% for claims from previous years (40.88% as at 30 June 2004).

Health

Premiums € 83,752K (-2.51%)
Claims reported 79,918 (-3.0%)

The number of claims paid – 73,531 – increased by 1.3% compared with the first half of 2004.
The cost of claims made in the current year amounts to € 70.7m and remained stable compared with the first half of 2004.
The technical balance has deteriorated compared with the corresponding half year in 2004 mainly because of the reduction in premiums attributable, on the one hand, to more selective underwriting in the Corporate and, on the other, in Retail, to the introduction of new Group products produced specifically from the point of view of greater technical rigour with a consequent slower circulation on the market.
The speed of settlement is 79.84% for claims made in the current year (75.68% as at 30 June 2004) and 71.52% for claims from previous years (70.85% as at 30 June 2004).

Fire and other natural forces

Premiums € 91,451K (+3.66%)
Claims reported 14,647 (-7.10%)

The number of claims paid – 14,102 – increased by 6.4% compared with the first half of 2004.
The cost of claims made in the current year amounts to € 45.9m, an increase of 19.4% compared with the first half of 2004.
The speed of settlement was 57.81% for claims made in the current year (53.23% as at 30 June 2004) and 59.28% for claims from previous years (53.88% as at 30 June 2004).

Other Damage to Property

Premiums € 99,160K (+6.12%)
Claims reported 38,080 (+5.1%)

The number of claims paid – 33,153 – increased by 4.3% compared with the first half of 2004.
The cost of claims made in the current year amounts to € 66.8m, an increase of 50.2% compared with the first half of 2004.
The technical balance is negative and has deteriorated considerably, due to the increase in the number of serious accidents and an increase in the number of claims reported and above all in the average cost of claims by Acqua Condotta and the negative performance in some sections of theft cover.
The speed of settlement was 55.40% for claims made in the current year (54.89% as at 30 June 2004) and 60.00% for claims from previous years (56.58% as at 30 June 2004).

General TPL

Premiums € 130,385K (+6.83%)
Claims reported 29,239 (-7.2%)

The number of claims paid – 22,242 – increased by 4.4% compared with the first half of 2004.
The cost of claims made in the current year amounts to € 104.8m, an increase of 3.1% compared with the first half of 2004.
The speed of settlement was 39.12% for claims made in the current year (36.33% as at 30 June 2004) and 24.19% for claims from previous years (21.19% as at 30 June 2004).
The technical balance remains negative. The trend in late claims remained positive with the number of claims reported lower than forecast.

Other Damage to Property

Premiums € 53,677K (+11.56%)
Claims reported 15,540 (+0.75%)

The number of claims paid – 14,549 – increased by 10.67% compared with the first half of 2004.
The cost of claims made in the current year amounts to € 26.4m, a fall of 33.9% compared with the first half of 2004.
The speed of settlement net of unresolved claims was 58.46% for claims made in the current year (49.99% as at 30 June 2004) and 30.59% for claims from previous years (34.62% as at 30 June 2004).

The speed of settlement for the main non-motor classes for the first half of 2005 is summarised below:

CLASSES	Current year %	Previous years %
-Accident	23.70	42.34
-Health	79.84	71.52
-Fire and other natural forces	57.81	59.28
-Other Damage to Property	55.40	60.00
-General TPL	39.12	24.19
-Other classes	58.46	30.59

Reinsurance

Outward reinsurance

Risks ceded in the non-life business were placed with leading international operators by the subsidiary The Lawrence Re Ireland Ltd.

On the basis of consolidated practice and experience, arrangements were made for non-proportional cover for the classes: Fire, Theft, Accident, Motor TPL, and General TPL, while proportional cover was confirmed for the Technological Risks portfolio.

However, with regard to the Bonds and Credit classes, it was preferred to opt for a mixed form of protection, proportional and non-proportional, similarly with what has been carried out already and reconfirmed for this financial year for the Transport and Aviation classes.

Finally, the Hail class, continued to have catastrophe cover on a stop loss basis.

Inward reinsurance

With reference to inward reinsurance, activity in the Italian business relates mainly to acceptances of business from Companies in the Group.

LIFE INSURANCE AND PENSION FUNDS

The ANIA statistics indicate that, taking the Italian insurance sector as a whole, the life business represented 9.8% of the portfolio of Italian families at the end of 2004 (9.3% in 2003), whereas the incidence of life premiums on GDP, increasing strongly in the last decade, remains substantially unchanged compared with 2003 (4.85%).

The increase in conventional type policies (class I and class V), characterised by guarantees of minimum return, however, have more than offset the fall in income from products where the investment risk is borne by the policyholders.

In the months ahead, the sector will presumably be characterised by a reduction in volumes for large single premium capitalisation policies, produced for institutional customers, and a consolidation of the trend which already emerged in the last financial year, that is, the containment of the weight of linked type products and exclusively financial products, compared with an increase in the segment of risks, assistance and pension products.

Alongside that trend, prospects for growth through agency channels are greater compared with substantial stability on the banking insurance market.

One can definitely expect a boost as supplementary pensions take off. In fact, on 1 July 2005, the Council of Ministers adopted a plan for a Consolidated Body of Laws on Supplementary Pensions, produced in respect of the criteria of delegation and on the basis of the general principles contained in Law 243/04. The wording is currently being scrutinised by the social partners involved for comparisons and amendments: however, a few weeks from the deadline for the delegation stipulated in law, there still seem to be serious structural problems relating to the draft Legislative Decree adopted by the Government with regard to the procedures for granting employee severance indemnities accruing and to the requirement to keep forms of individual savings separate from Group funds.

In this context, the parent company has shown particularly excellent rates of growth in income, as shown in the table below:

Premium income

Premiums written in the first half-year of 2005 reaching a total of € 709,451K (+27.31%) and are broken down as follows:

(€K)	1 st half-year 2005	1 st half-year 2004	Variation %
<u>DIRECT BUSINESS</u>			
I – Life insurance	325,568	263,887	23.37
III – Life insurance linked to investment funds	30,745	23,871	28.80
IV – Health insurance	20	25	(20.00)
V – Capitalisation operations	335,095	253,275	32.30
VI – Pension fund management operations	10,517	10,673	(1.46)
TOTAL	701,945	551,731	27.23
<u>INWARD REINSURANCE</u>			
Of which	7,506	5,519	36.00
Italy	6,777	5,223	29.75
Overseas	729	296	146.28
TOTAL	709,451	557,250	27.31

Premium income from the Italian direct business is split as follows:

(€K)	30/06/2005	30/06/2004	Variation %
-Individual policies	337,494	274,117	23.09%
-Group policies	353,934	266,881	32.62%
-Pension funds	10,517	10,673	(1.46)%
TOTAL	701,945	551,731	(27.23)

Sums paid and related charges

Sums paid in the direct business recorded an increase of 5.3%, totalling € 385,330K (as at 30/06/2004: € 365,940K) and are split as follows:

(€K)	30/06/05	30/06/04	Variation %
-Claims	10,384	10,406	(0.2)
-Matured policies	224,245	191,215	17.3
-Surrendered policies	150,702	164,319	(8.3)
TOTAL	385,331	365,940	5.3

The increase in sums paid is consistent with the dynamics of a mature portfolio.

Technical performance

Similarly to the previous financial year, the first half 2005 was characterised by a strong demand for insurance products with the characteristic features of cover or protection of capital consistent with the general framework of the national savings market where products with a high level of liquidity are sought, providing a guaranteed minimum return and investment protection.

In such a context, in responding to customer demand, the distribution networks have directed production to a large extent towards the company's products linked to separate management.

The unification of the computer platforms was completed in January and also implemented in the SAI Division network for the Fondiweb procedure for all agencies, allowing for effective decentralisation of numerous pre- and post-sales activities carried out directly from the points of sale.

With the entry into force of ISVAP Circular 551/d in March this year, the company worked in all areas of intervention to plan the adaptation to the new regulatory provisions.

The scope of individual policies was characterised by continued protection for the segment of capital accruing on life and capitalisation policies.

From the point of view of the progressive unification of the range of products, the company launched two new products onto the market (Open Unico and Open Risparmio) linked to the separate businesses aimed at customers' specific savings and investment requirements.

Both products are characterised by a costs structure aimed at rewarding, firstly, constant payments and, secondly, the size of payments made by the customer.

An index-linked tranche was also launched in May, characterised by the presence of annual coupons for a predetermined amount and variable amount.

With reference to Individual Pensions, similarly to the previous financial year, the whole market was still experiencing demand above expectations.

With regard to the "Corporate" sector, in the first months of 2005, the sale of capitalisation products, now reserved, continued and there was strong demand in particular from institutional customers with large sums to invest.

In order to respond to that requirement better and from the point of view of the progressive unification of the range of products, the company launched the new capitalisation product "Conto Aperto Corporate", aimed at companies, organisations, associations and small-scale entrepreneurs intending to diversify their investments in the current economic and financial situation.

As for the previous financial year, the consolidation and development of the customer portfolio continued through operations to recover sums due and customise the products on offer.

This involved the substantial capacity of the conventional type collective portfolio (pensions for employees and employee severance indemnity schemes).

Constant monitoring of the supply on the market led to the incorporation into pure risk cover of the amendments made in the Industrial Company Directors' Collective Agreement, implementing an initiative with the commercial management aimed at existing policies.

Within the scope of Open Pension Funds, in the first six months of the financial year, on a market characterised by a situation of anticipation and stagnation, the company consolidated the collection of contributions, recording production in line with that produced in the first half of 2004.

Outward reinsurance

The whole portfolio of individual and collective policies was protected by a proportional excess programme; that structure has enabled the less exposed part of the portfolio to be preserved, with a consequent cession to reinsurers of the part which could have imbalanced the result. The result of this cession, which is positive for reinsurers, was in any case strongly mitigated by profit-sharing which allowed for a strong recovery in premiums ceded.

The net withholding was protected by an adequate non-proportional catastrophe programme.

Inward reinsurance

Underwriting continued to be carried out within the Group, although considerably reduced, according to the requirements of the individual companies.

Managed savings

Activity in the managed savings sector continued through specialised companies in the Group. Please refer to the consolidated report for a description of the restructuring and company reorganisation schemes implemented by the subsidiaries operating in the sector.

ASSETS AND FINANCIAL MANAGEMENT

Investments

The volume of investments reached € 16,003,857K, an increase of 5.99% compared with the investments existing as at 31 December 2004.

The structure of these investments is as shown in the following table:

(€K)	30/06/2005	Comp. %	31/12/2004	Comp. %	30/06/2004	Comp. %
Land and buildings (1)	1,095,088	6.84	1,085,550	7.19	1,328,563	8.90
Debentures and fixed income securities	8,814,665	55.07	8,114,041	53.74	7,715,679	48.26
Shareholdings and investment funds	4,570,411	28.56	4,514,090	29.90	4,336,702	29.05
Financing	97,564	0.61	101,025	0.67	95,767	0.64
Deposits with credit Institutions (2)	288,987	1.81	162,884	1.08	245,866	1.65
Deposits with ceding companies	374,109	2.34	381,149	2.52	402,600	2.70
Sundry financial investments	22,621	0.14	15,491	0.10	156,915	1.05
Class D investments	740,412	4.63	725,228	4.80	643,831	4.31
TOTAL	16,003,857	100.00	15,099,458	100.00	14,925,923	100.00

(1) gross of the provision for depreciation (€ 95,912K as at 30/06/2005; € 92,658K as at 31/12/2004)

(2) also includes the amounts referred to under class F of the assets

The following table provides a breakdown of the class D investments by type:

(€K)	30/06/2005	Comp. %	31/12/2004	Comp. %	30/06/2004	Comp. %
Fixed income securities	560,948	75.76	536,353	73.96	453,004	70.36
Stocks and shares	163,565	22.09	178,926	24.67	181,552	28.20
Cash at bank / in hand	10,271	1.39	6,809	0.94	4,996	0.78
Other net assets	5,628	0.76	3,140	0.43	4,279	0.66
TOTAL	740,412	100.00	725,228	100.00	643,831	100.00

The following table shows the results of the financial and property management activities relating to class C and class D investments.

(€K)	30/06/05	30/06/04	Variation %	31/12/04
Income from stocks and shares	67,987	31,060	118.89	115,008
Income from land and buildings	19,348	28,373	(31.81)	49,202
Income from other investments	165,641	174,358	(5.00)	336,150
Total income	252,976	233,791	8.21	500,360
Management charges	(22,579)	(20,364)	10.88	(57,120)
Net income	230,397	213,427	7.95	443,240
Profits realised on land and buildings	5,036	16,346	(69.19)	39,865
Profits realised on short-term assets	38,035	55,243	(31.15)	41,256
Profits realised on other long-term investments	26,695	5,771	362.57	50,120
TOTAL	300,163	290,787	3.22	574,481

The average rate of return, calculated on the half-sum of investments and with any distortions removed, was 2.96% (2.94% in 2004).

Financial management

In the first half of 2005, the macro-economic background shows economic data which readjusted growth forecasts for the current year with a downturn in American returns on the long section of the rates curve while the German Bund fell to a historical low producing a return of 3.11%, a further half point lower compared with the start of the year.

The trend on the main world stock markets started positively on the European Stock Exchanges, relatively better than Japan and the American Stock Exchanges.; low interest rates are sustaining investments in stocks and shares, on which the returns and historically low values of the price/earnings ratio Constitute the main appeal.

In this half year, the Euro fell below the critical threshold of 1.20 against the Dollar for the first time in ten months due to the effect of the ECB decisions not to raise the reference rates. In that context, the relative strength of the American economy compared with the European economy shown by the poor data on confidence contributed further towards the weakening of the single currency.

The rise in the price of oil, which has continued at a constant rate since the end of 2003, has negative implications for growth in the world economy.

In this context characterised by considerable uncertainty, the Company's financial activity in the first half of 2005 followed a trend closely linked to prices in Europe in the last ten years, aimed at seizing trading opportunities to offset falls in the ordinary returns on the portfolios following the fall in interest rates.

In order to maintain a substantially contained total duration, the prudential component of the portfolios is usually represented by repurchase agreements and Treasury Bills (CCT).

The presence of investments in fixed income securities with a rating within the investment grade allows diversified management to be maintained and allows higher returns to be provided on parity of duration in the life business.

In detail, the non-life sector is showing a more prudent allocation of assets, with a fixed rate component of 51.1% with a duration of 3.58. The variable rate component, however, is 45.5% with a duration of 0.74. Repurchase agreements are reaching 3.4%. The total duration of the non-life portfolio is 2.17, a slight increase compared with the 2004 half year (1.88) and at the close of the 2004 financial year (2.08).

The return on the non-life portfolio including the extraordinary component, calculated on the average deposits in the first half of 2005, is 3.76%.

The life sector shows a total duration of 4.62 with longer term liabilities increasing considerably compared with the 2004 half year (4.24) and at the close of 2004 (4.32). The composition can be sub-divided into a fixed rate component of 60.5% with a duration of 6.66 and a variable rate of 39.5% with a duration of 1.51. The return on the life portfolio including the extraordinary component, calculated on the average deposits in the first half of 2005, is 4.56%.

In the first half of 2005, financial management pursued a careful balancing of the share and debenture mix also incorporating types of assets which are less affected by low rates: property and structured bonds with returns linked to macro-economic variables are showing positive values at the current time.

The continuation of this downward trend in interest rates on the one hand increased the latent capital gain on the portfolios and, on the other, reduced the level of ordinary returns with a negative impact especially on the life sector which has a reference market which shows average returns on separate management of 100 bps above the ordinary returns.

This gap in returns was filled in the first half of 2005 with operations capable of increasing the return on the portfolio such as p/t equity operations, trading, in the stocks and shares sector and longer term temporary investments of available sums.

With regard to the foreseeable trend in financial management in the next few months, the activity will be planned in such a way as to reduce rate risks to a minimum by maintaining the current duration levels of portfolios.

Significant financial transactions

With regard to the listed shareholdings:

- BNL SPA: sale of the entire holding of 3,597,431 shares, realising a capital gain of € 714K.
- CASSA DI RISPARMIO DI FIRENZE: sale of the entire shareholding of 2,998,750 shares, realising a capital gain of € 2,355K.
- ITALMOBILIARE SPA: sale of 202,792 shares, realising a capital gain of € 5,228K. The direct holding is 4.08%.
- MILANO ASSICURAZIONI RISP NC: sale of the entire shareholding of 723,790 shares, realising a capital gain of € 1,800K.
- MILANO ASSICURAZIONI ORD.: sale of 7,600,000 shares, realising a capital gain of € 12,790K. The direct holding is 59.33%.
- MONTE DEI PASCHI DI SIENA SPA: sale of 8,360,000 shares, with a capital gain of € 533K. The direct holding is 1.70%.
- PIRELLI E C. SPA: underwriting an increase in the share capital by 47,498,142 shares for an outlay of € 33,249K; sale of 59,017,500 rights, realising a capital gain of € 1,944K. The direct holding is 4.35%.
- TORO ASSICURAZIONI: purchase and sale of 900,000 shares for an outlay of € 10,125K and realising a capital gain of € 1,145K.

Mention must also be made of the principal transactions involving shareholdings in unlisted subsidiaries:

- BANCA SAI: settlement of losses for an outlay of € 7,501K. The direct holding is 80.47%.
- CASA DI CURA VILLANOVA: payment on account of the increase in share capital for an outlay of € 800K. The direct holding is 100%.
- EFFE GESTIONI, settlement of losses for an outlay of € 1,275K. The direct holding is 100%.
- FINITALIA: subscription of an increase in share capital for an outlay of € 604K. The direct holding is 40%.
- MERIDIANO RISPARMIO: payment on account of an increase in the share capital for an outlay of € 24,000K. The direct holding is 100%.
- NUOVE INIZIATIVE TOSCANE: payment on account of an increase in the share capital for an outlay of € 3,875K. The direct holding is 96.88%.
- PRONTO ASSISTANCE: payment on account of an increase in the share capital for an outlay of € 500K. The direct holding is 100%.
- SAI MERCATI MOBILIARI: settlement of losses for an outlay of € 2,852K. The direct holding is 100%.
- SASA ASSICURAZIONI: purchase of 2,612,356 shares for an outlay of € 5,400K. The direct holding is 99.99%.
- VILLA RAGIONIERI: payment on account of an increase in the share capital for an outlay of € 2,100K. The direct holding is 100%.

Own shares and shares in the holding company

Own shares

In the course of the first half of 2005, 881,000 ordinary shares were acquired for an outlay of € 17,668K. Therefore, as at 30/06/2005, there were 6,710,212 ordinary shares in the portfolio equivalent to 5.213% of the ordinary share capital.

After 30/06/2005, no transactions were carried out, therefore, as at 26/08/2005, there were 6,710,212 ordinary shares in the portfolio equivalent to 5.17% of the ordinary share capital, whereas the subsidiary Saifin-Saifinanziaria S.p.A. holds a further 1,060,000 ordinary shares equivalent to 0.817% of the ordinary share capital and the subsidiary Milano Assicurazioni S.p.A. holds a further 4,992,557 ordinary shares equivalent to 3.846% of the ordinary share capital.

Shares in the holding company

In the course of the first half of 2005, 827,500 ordinary shares in the holding company were acquired for an outlay of € 1,269K. Therefore, as at 30/06/2005, there were 18,340,037 ordinary shares in the portfolio equivalent to 5.846% of the share capital.

After 30/06/2005, no transactions were carried out, therefore, as at 26/08/2005, there were 18,340,027 ordinary shares in the portfolio equivalent to 5.840% of the share capital, whereas the subsidiary Saifin-Saifinanziaria S.p.A. holds a further 66,588 ordinary shares equivalent to 0.021% of the share capital and the subsidiary Milano Assicurazioni holds a further 7,067,710 ordinary shares equivalent to 2.251% of the share capital.

Property Management

In the first half of 2005, property prices in the main Italian cities confirmed the upwards trend of the last few years, however, with more contained growth rates compared with the past.

Further important price increases recorded in the last half year follow those which were just as significant as those in the last seven to eight years although, in the international context, Italy is certainly not among those countries which have shown signs of more marked increases.

The scenario changes if we go on to look at the individual segments where we find the residential sector is continuing to sustain the market and the industrial sector is still completely in crisis.

After such a strong trend, although the market is still growing, it is still showing signs of fatigue, such as the longer time it takes to sell and the larger reductions in sales prices.

The tiredness on the market appears to be even more marked in the rental sector as shown by the very contained trend in values, especially in metropolitan areas.

The high market values (prices and rentals) achieved are starting to influence sales and rental volumes which should be following a downward trend.

In the course of the first half of 2005, property transactions by companies in the Fondiaria-SAI Group were aimed at improving returns and increasing the value of the assets through maintenance and marketing activities. The main transactions realised in this half year are listed below:

- the subsidiary Meridiano Risparmio purchased a property to be used as a tourist hotel called GRAND HOTEL FIERA MILANO, for the price of €20,000,000, following competitive bidding announced by the company SISTEMA SVILUPPO FIERA, as the agent of the FONDAZIONE FIERA MILANO. The parent company arranged to provide its subsidiary with the necessary assets and financial resources for this transaction.
- on 28/06/2005, the subsidiary Nuove Iniziative Toscane purchased areas in Florence involved in the "Il Castello" initiative, a large-scale project to redesign the urban structure of Florence;
- the subsidiary Milano Assicurazioni acquired 48% of the share capital of the vehicle Company Caprera which entered into an agreement with the Commune of Milan to develop the private section of the area called "Città della Moda" (fashion city). The business plan forecasts investment of approximately € 650m in the development of more than 110,000 square metres in the Garibaldi-Repubblica zone in Milan;
- the subsidiary Milano Assicurazioni sold the building situated in Assago-Milanofiori to the subsidiary Meridiano EUR for €34,000,000;
- the subsidiary Progestim S.p.A. concluded an operation to purchase in the future the construction of a residence situated in S. Donato Milanese for an amount equivalent to €18,000,000; the transaction was concluded with a "related" party and the relevant legal and financial assessments were acquired from independent experts;
- the subsidiary Progestim S.p.A. concluded an operation to purchase in the future the construction of a hotel situated in Parma for an amount equivalent to € 28,160,000; the transaction was concluded with a "related" party and the relevant legal and financial assessments were acquired from independent experts;
- the subsidiary Progestim S.p.A. acquired 19% of the share capital of Progetto Alfiere S.p.A.. That company will acquire a representative share of 50% of the share capital in a vehicle company, which will own the property complex situated in Rome called "Torri dell'EUR", currently held by FINTECNA, for a value equivalent to approximately € 161m.

In order to develop and increase the value of the property transactions carried out by the Group, the merger of the subsidiary Progestim Spa with Immobiliare Lombarda S.p.A., a company listed on the Italian stock exchange, is currently at the completion stage. The Group will control the majority of the share capital of the company resulting from the transaction.

The transaction comes within the scope of wider growth and an increase in the value of the activities currently carried out by Progestim within a framework of maximising value for shareholders. The integration with Immobiliare Lombarda will provide for a strengthening of the strategic plan of the company being merged in a framework where the property service managed is developing and the value of the assets of Immobiliare Lombarda are increasing.

Immobiliare Lombarda and Progestim are two property companies with highly complementary characteristics and their integration will provide significant synergies with positive repercussions for all the different business areas. The merger will produce one of the main listed property leaders on the Italian market operating in all lines of business.

The transaction comes within the strategy of developing property service activities on the market, strengthening and improving Progestim's current mission as a company in the Fondiaria-SAI Group specialising in property services. The company produced by the merger will also own important property initiatives which will be carried out in the course of the coming years and property assets which today apply to Immobiliare Lombarda, which require upgrading in order to increase their value.

In particular, it is planned to strengthen and expand the operation of the company produced by the merger to all areas of activity in which the major Italian and international property companies are present. The current services activity of the company being merged, Progestim, will be strengthened with a clear strategy to widen the scope of operations on the market. Special attention will also be paid to increasing the value of the property assets which will have to be managed in the new situation and also increase their value with specific emphasis on the current property assets of Immobiliare Lombarda which require renewal and upgrading in order to realise their full business potential.

With regard to the property assets, the company produced by the merger will have assets of approximately

€ 720m consisting as follows: 23% properties for residential use, 34% properties for use in the tertiary sector, 19% properties for commercial use and 24% areas for development, disused industrial areas and land.

The financial resources which will be contributed by Progestim, together with the reduction in the debt position of Immobiliare Lombarda to be realised through the planned capital increase and the refinancing of the residual debt position will allow the company produced by the merger to optimise the financial structure and be able to implement the investment plan required to achieve the management objectives.

The Boards of Directors of Immobiliare Lombarda and of Progestim determined the exchange ratio following a weighted valuation of the companies involved in the merger, taking account of the nature of the transaction and adopting valuation methods normally used for transactions of this type and for companies operating in the property sector.

For further information on the technical aspects of the merger transaction, please refer to the Consolidated Management Report.

Debts

As at 30/06/2005, the debt situation of Fondiaria-SAI S.p.A. was as follows:

(€m)	30/06/2005	31/12/2004	Variation
Subordinated loan	400.0	400.0	-
Sundry borrowings and other financial payables	309.9	310.1	(0.2)
TOTAL	709.9	710.1	(0.2)

On 12 December 2002, the acquiring institution SAI entered into a financing agreement with MEDIOBANCA on the basis of which the latter had granted € 400m in favour of the company, in order to increase the component elements of the solvency margin. On the basis of the understandings reached with Mediobanca and with authorisation from ISVAP, a new subordinated loan was acquired by FONDIARIA-SAI in July 2003, for the same amount, with concomitant early repayment of the existing loan.

Subsequently, again subject to authorisation from ISVAP, some of the terms of the loan were renegotiated to give greater stability to its structure.

For more detail about the terms of the loan, please refer to the accounts documents.

The heading "Sundry borrowings and other financial payables" consisted mainly of the loan granted by the subsidiary Sainternational S.A. for € 180,400K, which referred to the liquid assets emanating from the Mandatory Exchangeable Guaranteed Notes with BANCA INTESA ordinary shares owned by FONDIARIA-SAI maturing on 29 September 2010. For more details, please refer to the consolidated report on debts.

The remainder of the heading "Sundry borrowings and other financial payables" consists of loans as at 31/12/2004 with subsidiaries. For more details, please refer to the information on the balance sheet.

OTHER INFORMATION

Management and development of human resources

As at 30 June 2005, the Company employed 2,746 staff, of which 69 executives, 2,662 insurance officers and clerks and 15 people employed in the caretakers' lodges of the buildings owned by the company, whose employment is regulated by the caretakers' contract.

It should be noted that the data relating to the company's workforce - 2,731 insured employees as at 30 June 2005 - takes into account the transfer to Fondiaria-SAI of 5 members of staff from other companies in the Group and of 2 people hired under a legal obligation from companies which have gone into compulsory administrative liquidation.

With regard to the economic part of the National Collective Agreement 18/7/2003, with effect from 1 January 2005 the salary tables were increased by 1.5% after taking into account inflation forecasts for 2005.

In July, negotiations started for the renewal of the Fondiaria-SAI Supplementary Company Agreement, for which the platform was presented to the trades union organisations at the end of June.

In the first half of 2005, work continued on implementing the voluntary redundancy incentives plan aimed at staff who were in possession of the requirements on entitlement to retirement/old age pension. That plan, therefore, permitted 45 voluntary redundancies to be identified for the second half of 2005.

Management and coordination

The company is not subject to management and coordination by others pursuant to Article 2497 et seq. of the Civil Code. On the other hand, it does carry out management and coordination activities pursuant to the aforementioned regulation in relation to its own subsidiaries, including MILANO ASSICURAZIONI and its direct subsidiaries.

The company has, moreover, applied rules of conduct to companies controlled by it; this is to ensure that the tasks of coordination and control of companies in the Group are completed, and that the obligations of transparency and public disclosure imposed on listed issuers by the current legislation are met. Such rules of conduct provide, inter alia, for special resolutions of the Board of Directors or the Executive Committee of Fondiaria-SAI with regard to some transactions relating to the subsidiaries that are deemed to be significant based on the nature of the transaction or on the amount of the same.

Transactions with Group undertakings and other participating interests

The Company has had dealings of a financial nature and dealings related to insurance with the majority of the companies in its group. A summary of these is provided below.

Transactions with the holding company concern € 6,023K for write-ups on shares and € 149K for the transfer of excess Ires pursuant to art. 43 ter of the Decree of the President of the Republic 602/73.

Receivables from subsidiaries and associated companies total € 657,758K.

These are mainly connected with insurance transactions in respect of guarantee deposits in an amount of € 338,236K (of which € 301,081K for Novara Vita, €32,038K for Milano Assicurazioni, €5 K for Sasa Vita), € 52,137K for receivables relating to transactions of an insurance nature with Milano Assicurazioni, € 14,395K with Siat, €3,860K with Pronto Assistance, € 3,249K with Sasa, € 1,218K with Novara Vita, and bank deposits with Banca Sai in an amount of € 135,029K, for financing with Sasa in amount of € 10,000K, with Uniservizi in an amount of € 5,000K, and with Villanova in an amount of € 1,176K, for group Ires receivables in an amount of € 57,171K, group VAT receivables of € 11,374K, other receivables of € 15,057K.

Payables total € 518,932K and are mainly due to loans from Sai International in an amount of € 236,810K, from Finsai for € 27,000K, from Gruppo Sim Etoile of € 37,508K, Sai Holding for € 8,000K, to insurance transactions in respect of current accounts with Milano Assicurazioni in an amount of € 18,504K, with The Lawrence Re for € 18,875K, with The Lawrence Re for guarantee deposits of € 53,614K, with My Fin for conventions in an amount of € 13,600K, for group Ires payables of € 55,462K, for group VAT payables of € 43,587K.

The transactions realised in the profit and loss account mainly relate to dividends from shareholders in the amount of € 2,044K (of which € 605K for Finitalia, € 500K for Europa Tutela, € 450K for Effe Vita and € 285K for Finsai), interest on other payables in the amount of € 7,937K (of which € 6,808K for Sai International,

€ 486K for Finsai International, € 490K for Gruppo Sim Etoile) and value adjustments on shares in the amount of € 4,299K (of which € 3,414K for Banca Sai, € 885K for Sai Mercati Mobiliari).

Premiums were written through reinsurance of the life business with Group undertakings in an amount of € 3,237K (of which € 1,464K for Nova Vita, € 1,231K for Milano Assicurazioni and € 537K for Sasa Vita), of the non-life business of € 3,446K (of which € 3,125K for The Lawrence Re and € 310K for Milano Assicurazioni).

Premiums were ceded through reinsurance of the life business to The Lawrence RE in an amount of € 3,331K and in the non-life business in an amount of € 39,072K (of which € 33,046K for The Lawrence Re and € 5,687K for Pronto Assistance).

External relations and communications

In the course of the first half of 2005, work continued towards achieving visibility – with the distribution networks and customers – for all the initiatives taken by the company business centres, of which the most significant are listed below:

- launch of the new motor vehicle product “Nuova Prima Global”, through the organisation of the Convention with the Fondiaria and Sai agency networks and the preparation of communications tools to support local marketing initiatives
- Presto&Bene incentive, a Group initiative aimed at sustaining and supplying the single network of preferred car repairers – in co-operation with the claims department and the ICT department – a complex system for converting claims channelled through cumulative “points” used to collect premiums and a website launched on 01 April
- review of all the communications tools for health products (Sistema Sanicard).

Within the scope of brand identity activities, the Group’s Style Chart was brought to an end and, from the beginning of the year, newly designed on-line and off-line communications tools were applied for Fondiaria-Sai and for all the other companies in the Group.

“Distinguersi, nell’unità” (“Distinguishing yourself in the unit”) is the leit-motiv which guided the project to increase the value of the Fondiaria SAI Group visibly as a vital and dynamic organisation, capable of producing value not only in the core business and of communicating in unison, while maintaining the identity of the company and integrating the distribution networks.

In the same area of activity, the new Group Profile was completed and produced in two editions: one for the institutional community and another for the agency networks.

Finally, a new concept-store was produced for agencies in line with the Group’s values system and visual identity: in synergy with the territorial commercial structures, the project is already running at some points of sale.

In compliance with ISVAP’s instructions in Circular 533D, the External Relations and Communications Department took on the task of co-ordinating the company’s activities required to produce the Group’s first on-line Products Catalogue which will provide access – through the companies’ internet sites – to product information sheets widely distributed by the networks.

The project has provided an occasion for comparing all the Group’s business sectors in which the External Relations and Communications Department has taken the opportunity to promote a new architecture for presenting its products, characterised by the introduction of three umbrella trade marks (corresponding to the business range of insurance and financial products) transversally to all Companies and distribution networks.

The agency support activity also continued in accordance with ISVAP Circular 533D, with significant involvement of the External Relations and Communications Department in the development – in co-operation with other company bodies – of systems and procedures appropriate for guaranteeing the control required by the supervisory body of the communication of conventional and on-line products/services produced by the agencies.

Activities also continued aimed at defining and producing specific product communication kits to be distributed to the agency networks in the most suitable formats for production, which will enable them to activate commercial initiatives on their own territory supported by communication tools which meet the requirements stated by ISVAP and, therefore, authorised by the Company responsible.

In order to consolidate the integration of the different company cultures within the Group in the period examined, the planning and design of numerous Internal Communications activities concerning the Group over the coming months continued through the production of paper/on-line tools and internal events.

The most significant activities are:

- sharing information through the NEWS newsletter and the in-house magazine TEAM, intended for all of the Group's employees and all the distribution networks;
- loyalty schemes for the best customers (Policyholders Club) through the production of the quarterly magazine LINEA DIRETTA CLUB;
- the production of the 2005/2006 Free Gifts Catalogue, intended for all employees and all the distribution networks for managing the Group's promotional free gifts;
- the continuation of the integration of the Intranet;
- holding agents' events (2004 Best agents award ceremony" and "25 years and over").

With regard to advertising, also in accordance with circular 518/D dated 21/11/03 in force with effect from 01/04/04 which regulates ex novo the business providing for an appropriate electronic record to be kept up-to-date for cataloguing, actions were implemented aimed at reducing response times and proposed corrective actions based on the reports received.

Three meetings were organised with the territorial structure for claims management, at which suggestions and new information was provided for improving the procedures and optimising times in addition to checking the performance.

One of the main problems concerning the Customers Department is the notification, by the Supervisory Authority, of numerous reporting processes, in the majority of cases, involving failure to comply with the rules stipulated for the claims settlement process. The situation has improved compared with last year thanks to greater awareness of the problem by the settlement network: with a significant fluctuation in the number of disputes with the Supervisory Authority.

With regard to the customer loyalty scheme, we designed and implemented the new version of the Policyholders Club which will be valid for the next two years (2006-2007).

The nature of the new Club will be to make "Last Minute" offers in several sectors, ranging from tourism to fashion, from domestic electronic products to food and leather goods

These offers will be made either by an advertisement in the Linea Diretta Club magazine or an on-line version accessed from the institutional site.

The main commitments for the second half of 2005 are:

- consolidation of the Group's visual identity system, by gradually extending its codes to all of the Group's institutional on-line and off-line communications and products.
- development of initiatives and tools aimed at increasing the value of the Group's new architecture at the points of sale
- holding the inaugural evening (11 October 2005 Giuseppe Verdi's "Aïda") at the Royal Theatre in Turin of which Fondiaria-SAI is a founder member of the Foundation showing the Group's desire to support very high level artistic and cultural events and that it is prepared to create a solid link with the city of Turin
- further reduction of claims response times
- identifying actions aimed at shortening reporting processes
- completing the new Policyholders Club.

In the first half of the year, institutional sponsoring for 2005 started through initiatives which, as usual, relate principally the world of society, culture and sport.

The commitment to society, with donations, amongst others, to AIMAC – cancer sufferers' association, ANDOS – association for women who have undergone a breast operation, the A.T.L.Ha Associazione Tempo Libero Handicappati (leisure time association for handicapped people), which inaugurated the headquarters of Cascina Bellaria, in the commune of Milan, renovated thanks to the contribution of Fondiaria-SAI.

Support continued for Telefono Azzurro in the first half of the year by contributing to the holding of events in Milan on the occasion of the association's 18th anniversary.

In the world of sport, sponsorship for more than 39 Italian vessels with the Fondiaria-SAI logo on the sails, participating successfully in the Louis Vuitton Cup looking ahead to the Americas Cup in 2007, is providing good visibility on the sports media.

Activity was also intensified to strengthen the Group's presence in Milan, with multi-year co-operation programmes with the Milan Fair, which inaugurated the new Rho-Pero area under the imposing Fondiaria-SAI brand, and in the world of culture, with the G. Verdi Conservatoire Philharmonic Orchestra, a highly professional organisation, unique in Italy, for the best graduates of the Conservatoire and other Italian and European institutions.

Structure of the sales organisation

The territorial distribution of the Fondiaria SAI agencies for the first half of 2005 is as follows:

	On behalf of SAI	On behalf of Fondiaria	Total 30/06/2005	Total 31/12/2004
North	439	259	698	704
Central	207	142	349	355
South	177	169	346	349
TOTAL	823	570	1,393	1,408

There are 823 agencies in the SAI division, of which 236 are town agencies and 587 general agencies. With regard to the Fondiaria Assicurazioni S.p.A. agencies, it should be noted that, as at 30/6/2005, there were 574 agencies, of which 570 were agencies under contract and 4 direct management agencies.

Current disputes

On 24 April 2005, the Court of Cassation dismissed the appeal filed by the company against the ruling of the Council of State which confirmed the penalty issued by the Italian Competition and Market Authority on 17 companies, including the parent company, for exchanging sensitive information through RC Log.

With regard to the litigation created by the well-known "antitrust" civil action brought by the company's policyholders, the favourable ruling pronounced by the united sections of the Court of Cassation on 4 February 2005, which declared the Justices of the Peace incompetent to judge the case de quo in favour of the Court of Appeal, with effect from May, determined the reduction of the number of new cases before Justices of the Peace significantly. On the other hand, a larger number of cases was brought before the Court of Appeal. In the light of the new situation which had arisen after the Court of Cassation's pronouncement, the Company estimates it will lose approximately 50% of the cases brought up to the end of 2004.

The provision for risks and charges made by the company includes the estimate of the costs which may be sustained if the company loses the cases.

In June, the Milan Court issued the ruling in the court of first instance brought as the main action against the company and MEDIOBANCA – and, as a secondary action, also in relation to PREMAFIN – by PROMOFINAN S.p.A. as a partner of the merged entity FONDIARIA, in relation to the affirmed OPA obligation to which the acquiring institution SAI and MEDIOBANCA would have been subject following the purchase of FONDIARIA shares already owned by MONTEDISON.

In that ruling, on the one hand, the Milan Court acknowledged the existence of the OPA obligation on SAI and MEDIOBANCA and, on the other, although recording that PREMAFIN and MEDIOBANCA had honoured the obligation to sell on the holding in FONDIARIA-SAI exceeding 30% imposed by Consob by a measure dated 18 December 2002, considered that measure to be "late and insufficient to protect the rights of the minority shareholders".

The Court, therefore, partially upheld PROMOFINAN's main claim ordering FONDIARIA-SAI and MEDIOBANCA, jointly and severally liable to pay compensation for damages totalling approximately € 3.4m. In fact, the Court only upheld the claim for compensation by the plaintiff for loss of profits or the loss of earnings through the failure to sell the holding at the OPA price. However, the Court did not consider upholding the claim for compensation for consequential damage, in view of the increase in the price of the securities after the period of the failed OPA.

It is at the stage of preparing the Company's defence of the appeal against that ruling. On the advice of the company's legal advisers, the compensation penalty imposed is inconsistent and contrary to the current legislation, also taking account of the fact that the company had fulfilled all the provisions communicated from time to time by CONSOB. The ruling also omits any consideration of the need for authorisation from ISVAP for the purchase of a holding exceeding 10% of the merged entity FONDIARIA by SAI – refused in the case in point, at the time the facts occurred – an essential requirement because it can give rise to a formal obligation for an OPA. That threshold was exceeded only after the stipulated authorisation from ISVAP intervened.

With regard to the quantification of the damage, finally, the ruling does not acknowledge any significance relating to the trend in the share price in these years and the payment of dividends.

The outcome at the first instance stage of other disputes of a similar nature to that described above can be expected between the end of 2005 and the beginning of 2006.

SIGNIFICANT EVENTS OCCURRING AFTER THE HALF YEAR

Ratings, relationships with the market and with institutional investors

In August, the rating agency S&P increased the rating of Fondiaria-SAI and the main subsidiary, Milano Assicurazioni, from BBB- to BBB, confirming the stable outlook. That decision was backed by the leadership of the Fondiaria-SAI Group in the non-life business and by the very good results achieved, as well as by more conservative financial management and an improvement in increasing the equity, which however remains limited considering the current rating.

The decision also remains conditional on the concentration of share investments in a few holdings: this was managed actively by the management, with the objective of further reductions in the future. In the course of the half year, lines of communication with the international financial community were increased for the purposes of further improving the visibility of the Fondiaria-SAI Group and by responding appropriately to the increasing interest shown by investors.

The response of the market was undoubtedly satisfactory, as shown by the trend in the securities throughout the whole of the current year.

With effect from the first of July, the Fondiaria-SAI share became part of the S&P Mib index which lists the 40 Italian securities with the highest capitalisation.

Business Outlook

The result for the half year is essentially in line with the figures shown in the Company's business plan. The actions and interventions aimed at achieving the internal and external growth targets will continue in the second half of the year. In the motor classes specifically, the target will be to maintain the current market share and current profitability, whereas the direction in the non-motor classes will be to increase the market share, although through a highly selective approach, maintaining and improving the current returns.

In this context, the development of additional commercial channels may play an important role consistent with what is happening in other countries.

In the life business, the management targets will involve increasing attention to conventional type products and an approach targeted at the new market for supplementary pensions. Similarly, work will be carried out to respond effectively to the new company requirements on the protection of customers' savings and meeting the demand for assistance in a context where the response of the public sector will tend to be less incisive compared with the past.

Assets and financial management will continue the current action undertaken aimed at rebalancing the mix of the company's assets with a further fluctuation of the shareholding component of the total assets managed and through a reduction in the volatility of the portfolio also through cover operations.

Activity in the property sector will continue, especially through the subsidiaries, and will be marked by the consolidation of the initiatives started to improve the return on and increase the value of the existing assets.

2005 is also the financial year in which the plan of operational integration and production of synergies will be concluded, implemented following the merger between SAI and Fondiaria: consequently, the next plan will be directed not towards the internal rationalisation of processes and structures but mainly at the market with a view to development and growth, especially in quality.

Having considered the results achieved in the first half of the year, the prospects for the second part of the year are positive and, subject to any extraordinary events occurring, not assumed to date, the final results for the 2005 financial year show very satisfactory levels.

Milan, 9 September 2005

*On behalf of the Board of Directors
The Chairman*

Jonella Ligresti

Company: FONDIARIA - SAI

Head Office: Florence

HALF-YEARLY REPORT AS OF 30/06/2005
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COMPANY FONDIARIA - SAI

BALANCE

ASSETS	At 30th June of the financial year 2005	At 30th June of the financial year 2004	At 31 st December of the financial year 2004
A. Credits to shareholders for share capital subscribed but not paid up	1	75	149
B. Intangible assets			
1. Acquisition costs to be depreciated	2	3.296 ⁷⁶	4.556 ¹⁵⁰
2. Other assets	3	507.496 ⁷⁷	570.798 ¹⁵¹
Total	4	510.792 ⁷⁸	575.354 ¹⁵²
C. Investments			
I - Land and buildings	5	999.176 ⁷⁹	1.179.865 ¹⁵³
II - Investments in companies of the group and other participating interests	6	2.756.383 ⁸⁰	2.823.402 ¹⁵⁴
1. Shares and holdings	7	156 ⁸¹	156 ¹⁵⁵
2. Bonds	8	17.496 ⁸²	19.929 ¹⁵⁶
3. Finance	9	2.774.035 ⁸³	2.843.487 ¹⁵⁷
Total investments in companies of the group and other participating interests			
III - Other financial investment	10	1.521.829 ⁸⁴	1.442.051 ¹⁵⁸
1. Shares and holdings	11	292.199 ⁸⁵	71.249 ¹⁵⁹
2. Shares of mutual investments funds	12	8.814.509 ⁸⁶	7.715.523 ¹⁶⁰
3. Bonds and other fixed income securities	13	80.068 ⁸⁷	75.837 ¹⁶¹
4. Finance	14	43.048 ⁸⁸	174.563 ¹⁶²
5.Others	15	10.751.653 ⁸⁹	9.479.223 ¹⁶³
Total other financial investments			
IV - Deposits with ceding companies	16	374.109 ⁹⁰	402.600 ¹⁶⁴
Total	17	14.898.973 ⁹¹	13.905.175 ¹⁶⁵
D. Investments for the benefit of insured of life business, who support the risk and deriving from pension fund management			
I -Investments relating to services connected with investments and market indices	18	645.011 ⁹²	566.953 ¹⁶⁶
II -Investments deriving from the management of pension funds	19	95.401 ⁹³	76.877 ¹⁶⁷
Total	20	740.412 ⁹⁴	643.830 ¹⁶⁸
D.bis Technical reserves borne by reinsurer			
I - Technical reserves, non-life business	21	341.891 ⁹⁵	397.350 ¹⁶⁹
II - Technical reserves, life business (excluding tech. res. according to pt. III)	22	79.557 ⁹⁶	80.274 ¹⁷⁰
III - Technical reserves of life business provided the investment risk is borne by the policy holders and reserves deriving from pension fund management			
Total	23	97 ⁹⁷	171 ¹⁷¹
	24	421.448 ⁹⁸	477.624 ¹⁷²
E. Credits			
I - Credits deriving from direct insurance operations	25	1.360.170 ⁹⁹	1.014.012 ¹⁷³
II - Credits deriving from reinsurance operations	26	50.918 ¹⁰⁰	86.822 ¹⁷⁴
III - Other credits	27	435.658 ¹⁰¹	448.918 ¹⁷⁵
Total	28	1.846.746 ¹⁰²	1.549.752 ¹⁷⁶
F. Other elements of the assets			
I - Tangible assets and stocks	29	15.490 ¹⁰³	20.015 ¹⁷⁷
II - Liquid availability	30	268.739 ¹⁰⁴	228.424 ¹⁷⁸
III - Own shares or holdings	31	103.847 ¹⁰⁵	64.576 ¹⁷⁹
IV - Other assets	32	591.273 ¹⁰⁶	598.160 ¹⁸⁰
Total	33	979.349 ¹⁰⁷	911.175 ¹⁸¹
G. Accrued income and prepayments			
TOTAL ASSETS	34	124.401 ¹⁰⁸	122.093 ¹⁸²
	35	19.522.121 ¹⁰⁹	18.185.003 ¹⁸³

Annex I

Company code	111
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SHEET

(Amounts in Euro K")

LIABILITIES	At 30th June of financial year 2005	At 30th June of financial year 2004	At 31st December of financial year 2004
A. Nett equity			
I - Share capital subscribed or equivalent funds	36 170.557	110 170.542	184 170.554
II - Share premium reserve	37 190.552	111 190.446	185 190.532
III - Legal reserve	38 34.111	112 33.671	186 33.671
IV - Other assets reserves	39 1.991.545	113 1.856.444	187 1.856.350
V - Profits (losses) carried forward	40	114	188
VI - Profit (loss) for period	41 119.427	115 81.576	189 258.473
Total	42 2.506.192	116 2.332.679	190 2.509.580
B. Subordinated liabilities			
C. Technical reserves			
I - Non-life business:			
1. Premium reserve	44 1.388.356	118 1.365.674	192 1.310.287
2. Claims reserve	45 5.087.253	119 5.167.213	193 5.193.967
3. Miscellaneous technical reserves	46 7.835	120 8.215	194 8.132
4. Equalisation reserves	47 8.788	121 6.918	195 8.060
Total technical reserves, non-life business	48 6.492.232	122 6.548.020	196 6.520.446
II - Life business			
1. Actuarial reserves	49 6.869.818	123 6.380.701	197 6.505.519
2. Reserves for amounts payable	50 74.930	124 63.359	198 54.617
3. Miscellaneous technical reserves	51 67.096	125 66.215	199 68.901
Total technical reserves, life business	52 7.011.844	126 6.510.275	200 6.629.037
Total	53 13.504.076	127 13.058.295	201 13.149.483
D. Technical reserves provided the investment risk is borne by policy holders and reserves deriving from pension fund management			
I - Reserves relating to contract whose services are connected with investments and market indice	54 643.862	128 565.257	202 641.242
II - Reserves deriving from pension fund management	55 95.400	129 76.877	203 82.695
Total	56 739.262	130 642.134	204 723.937
E. Funds for risks and charges			
F. Deposits received from reinsurers			
G. Debts and other liabilities			
I - Debts deriving from direct insurance operator	59 228.496	133 90.979	207 70.115
II - Debts deriving from reinsurance operations	60 64.826	134 128.959	208 59.095
III - Bond loans	61	135	209
IV - Debts to banks and financial institutes	62 136	210	
V - Miscellaneous debts and loans	63 710.550	137 435.070	211 552.481
VI - Subordinated severance funds	64 51.762	138 53.784	212 55.132
VII - Other liabilities	65 746.829	139 642.652	213 581.871
Total	66 1.802.463	140 1.351.444	214 1.318.694
H. Accrued liabilities and deferred income			
TOTAL LIABILITIES	67 9.832	141 54	215 3.298
TOTAL MEMORANDUM ACCOUNTS	68 19.522.121	142 18.185.003	216 18.737.211

GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS

I. Guarantees issued	69 5.653	143 17.087	217 5.854
II. Guarantees received or issued by third parties in the interest of the company	70 200.827	144 182.948	218 180.246
III. Commitments	71 207.504	145 572.746	219 936.679
IV. Relevant assets of pension funds managed in the name or on behalf of 3rd party	72 146	220	
V. Others	73 13.266.637	147 11.852.719	221 12.508.054
TOTAL MEMORANDUM ACCOUNTS	74 13.680.621	148 12.625.500	222 13.630.833

COMPANY: FONDIARIA - SAI

PROFIT AND

	At 30th June of financial year 2005	At 30th June of financial year 2004	At 31st December of financial year 2004
I. TECHNICAL ACCOUNT, NON-LIFE BUSINESS			
1. Relevant premiums, nett of reinsurance cessions	1.877.451 ⁵⁷	1.880.426 ¹¹³	3.758.237
2. (+) Share of the profit of investments transferred from non-technical account (item III. 6)	72.677 ⁵⁸	65.640 ¹¹⁴	89.469
3. Other technical income nett of reinsurance cessions	1.985 ⁵⁹	6.941 ¹¹⁵	10.841
4. Expenses relating to claims nett of recoveries and reinsurance cessions	1.357.422 ⁶⁰	1.348.974 ¹¹⁶	2.664.762
5. Change in other technical reserves nett of reinsurance cessions	-297 ⁶¹	-375 ¹¹⁷	-458
6. Refunds and shares in profits nett of reinsurance cessions	62	-84 ¹¹⁸	-84
7. Management costs:			
a) Acquisition costs nett of commissions and shares in profits received from reinsurers	309.724 ⁶³	309.598 ¹¹⁹	619.548
b) Administration costs	88.693 ⁶⁴	71.727 ¹²⁰	144.770
Total	398.417 ⁶⁵	381.325 ¹²¹	764.318
8. Other technical expenses nett of reinsurance cessions	33.477 ⁶⁶	85.522 ¹²²	103.620
9. Change in equalisation reserves	729 ⁶⁷	601 ¹²³	1.743
10. Result of technical account, non-life business	162.365 ⁶⁸	137.044 ¹²⁴	324.646
II. TECHNICAL ACCOUNT, LIFE BUSINESS			
1. Premiums of the financial year nett of reinsurance cessions	701.875 ⁶⁹	549.694 ¹²⁵	1.169.438
2. Income from investments			
a) Income deriving from investments	126.403 ⁷⁰	137.902 ¹²⁶	275.062
b) Increases of value adjustments on investments	6.161 ⁷¹	9.889 ¹²⁷	14.747
c) Profits on realisation of investments	54.601 ⁷²	33.907 ¹²⁸	37.097
Total	187.165 ⁷³	181.698 ¹²⁹	326.906
3. Income and capital gains not realised relating to investments for the benefit of policy holders who bear the risk and investments deriving from pension fund management	28.929 ⁷⁴	15.822 ¹³⁰	38.560
4. Other technical income nett of reinsurance cessions	2.028 ⁷⁵	1.835 ¹³¹	2.577
5. Expenses relating to claims nett of reinsurance cessions	433.504 ⁷⁶	404.139 ¹³²	907.518
6. Change in actuarial reserves and other technical reserves, nett of reinsurance cessions			
a) Actuarial reserves, premiums reserve of additional insurance and other technical reserves	359.107 ⁷⁷	211.626 ¹³³	338.101
b) Technical reserves provided the investment risk is borne by the policy holders and deriving from pension fund management	15.324 ⁷⁸	36.713 ¹³⁴	118.516
Total	374.431 ⁷⁹	248.339 ¹³⁵	456.617
7. Refunds and shares in profits nett of reinsurance cessions	80	3.244 ¹³⁶	3.885
8. Management expenses			
a) Acquisition costs nett of commissions and shares in profits received from reinsurers	19.696 ⁸¹	21.031 ¹³⁷	37.194
b) Administration expenses	19.445 ⁸²	16.005 ¹³⁸	43.918
Total	39.141 ⁸³	37.036 ¹³⁹	81.112

Appendix 1

Company code	111
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Amounts in Euro K

LOSS ACCOUNT

	At 30th June of financial year 2005	At 30th June of financial year 2004	At 31st December of financial year 2004
9. Assets and financial charges			
a) Management charges on investments and debit interest	28 7.030 ⁸⁴	5.462 ¹⁴⁰	14.921
b) Value adjustments on investments	29 3.482 ⁸⁵	16.086 ¹⁴¹	11.745
c) Losses on realisation of investments	30 10.367 ⁸⁶	3.324 ¹⁴²	5.628
Total	31 20.879 ⁸⁷	24.872 ¹⁴³	32.294
10. Assets and financial charges and capital losses not realised relating to investments for the benefit of policy holders who bear the risk and investments deriving from pension fund management			
	32 3.791 ⁸⁸	3.186 ¹⁴⁴	3.820
11. Other technical charges nett of reinsurance cessions			
	33 7.761 ⁸⁹	3.948 ¹⁴⁵	9.526
12. (-) Share of the profit of investments transferred to the non-technical account (item III.4)			
	34 28.273 ⁹⁰	15.060 ¹⁴⁶	30.382
13. Result of the technical account, life business			
	35 12.217 ⁹¹	9.225 ¹⁴⁷	12.327
III. NON-TECHNICAL ACCOUNT			
1. Result of the technical account of non-life business (item I. 10)			
	36 162.365 ⁹²	137.044 ¹⁴⁸	324.646
2. Result of the technical account, life business (item II. 13)			
	37 12.217 ⁹³	9.225 ¹⁴⁹	12.327
3. Income from investments, non-life business:			
a) Income deriving from investments	38 117.456 ⁹⁴	88.573 ¹⁵⁰	225.298
b) Increases in value adjustments on investments	39 9.163 ⁹⁵	4.269 ¹⁵¹	6.314
c) Profits on realising investments	40 23.168 ⁹⁶	34.463 ¹⁵²	39.346
Total	41 149.787 ⁹⁷	127.305 ¹⁵³	270.958
4. (+) Share of profit on investments transferred from the technical account, life business (item II. 12)			
	42 28.273 ⁹⁸	15.060 ¹⁵⁴	30.382
5. Asset and financial charges, non-life business			
a) Investment management charges and debit interest	43 14.361 ⁹⁹	14.703 ¹⁵⁵	42.199
b) Value adjustments on investments	44 9.096 ¹⁰⁰	26.233 ¹⁵⁶	90.541
c) Losses on realising investments	45 31.944 ¹⁰¹	7.413 ¹⁵⁷	22.067
Total	46 55.401 ¹⁰²	48.349 ¹⁵⁸	154.807
6. (-) Share of profit on investment transferred to the technical account, non-life business (item I. 2)			
	47 72.677 ¹⁰³	65.640 ¹⁵⁹	89.469
7. Other income			
	48 24.010 ¹⁰⁴	23.437 ¹⁶⁰	132.621
8. Other expenses			
	49 107.469 ¹⁰⁵	82.607 ¹⁶¹	282.027
9. Result of ordinary activity			
	50 141.105 ¹⁰⁶	115.475 ¹⁶²	244.631
10. Extraordinary income			
	51 36.456 ¹⁰⁷	29.352 ¹⁶³	234.584
11. Extraordinary expenses			
	52 10.134 ¹⁰⁸	13.251 ¹⁶⁴	95.330
12. Result of extraordinary activity			
	53 26.322 ¹⁰⁹	16.101 ¹⁶⁵	139.254
13. Result before tax			
	54 167.427 ¹¹⁰	131.576 ¹⁶⁶	383.885
14. Tax on result for period			
	55 48.000 ¹¹¹	50.000 ¹⁶⁷	125.412
15. Profit (loss) for period			
	56 119.427 ¹¹²	81.576 ¹⁶⁸	258.473

B) Valuation Criteria

We have applied the drafting principles and valuation criteria used for the accounts for the full financial year to the half year report.

For further details, please refer to what is published in the accounts booklet.

However, in drawing up the interim accounts, the approach has been based more on valuation with greater recourse to simplifications; consequently, some methods are used that are based more on estimates. The items for which the valuation process has been incorporated or modified compared with the data reported at the close of the financial year, using these simplified methods, are set out below.

Goodwill

Goodwill acquired for a valuable consideration is recorded in the assets and systematically depreciated over a limited period, having taken into account the expected profitability of the business to which it relates. At the half year, half of the estimated annual depreciation allowance is entered.

Technical provisions for direct business

- Provision for unearned premiums non-life business

With regard to this provision, the component of the provisions for risks in progress has been kept prudentially unchanged, compared with the figure as at 31 December 2004, in those classes in which the loss ratio showed some improvement at the half year over the data at the close of the previous financial year.

In cases where it is clear that this ratio has deteriorated, the figure as at 30 June has been entered in the calculation procedure provided for in ISVAP Circular no. 360/D. In case of any abnormal trends in terms of the level of premium income generated, however, sums will be set aside as a precaution, based on the expected loss ratio.

- Provision for outstanding claims non-life business

The multi-stage technical valuation process has undergone a few changes in terms of the simplification of procedures basically because it is impossible to carry out the analytical audit of the remaining charges, as is the accepted practice at the year end.

In the land vehicles TPL class, the total claims incurred in 2005 was established using historical loss parameters, which may be incorporated to take account of the trend in operations for the half year. For previous years, three different actuarial statistical methods were used, the results of which were incorporated to take account of the increase in the average cost of claims paid, the balance between unresolved claims and reopened cases and the speed of settlement. For other non-life business for the current year and previous years, the estimated loss in the technical divisions was incorporated by resorting to the parameters used when drawing up the accounts for the 2004 financial year, with no substantial variations being revealed compared with the trends that had been consolidated to provide a statistical basis.

Financial investments

Debentures and other fixed income securities and shareholdings, including own shares, were valued in accordance with the accounting principles adopted for the accounts, based on the prices of the last day of the half year, rather than the average of the prices of the last month or six months of the period.

Direct taxation

Provisions for taxation are made on the basis of the assessment of the tax burden for the period, taking into consideration any exemptions, the relevant tax rate applicable and any deferred tax liabilities.

The full and accurate representation of the effects of deferred taxation is given in the accounts for the financial year unless phenomena arise that might significantly affect the tax burden for the period.

The company has adopted the multi-currency accounting system. Consequently, receivables, payables and financial assets expressed in foreign currency are converted at the exchange rates on 30/06, with the sole exception of the long-term investments represented by capital securities.

An increase or decrease in the value of foreign currencies compared with the currency of the accounts are therefore fully charged to the profit and loss account for the half year.

C) Information on the Balance Sheet

ASSETS

Intangible Assets – (Item B)

All intangible assets considered to be long-term, amount to € 510,792K, net of the depreciation allowances for the half year.

(€K)	30/06/2005	31/12/2004	Variation	30/06/2004
Deferred acquisition commissions	3,296	3,921	(625)	4,556
Other assets	507,496	547,200	(39,704)	570,798
TOTAL	510,792	551,121	(40,329)	575,354

Deferred acquisition commissions relate to the former La Fondiaria portfolio and follow the original depreciation plan.

The other intangible assets are mainly as follows:

- losses from cancellations that emerged from the merger through the incorporation of La Fondiaria S.p.A. into Fondiaria-SAI S.p.A. in the amount of € 253,543K;
- goodwill deriving from the merged entity La Fondiaria and relating to the assignment of a line of business in '90 in the amount of € 127,823K;
- goodwill deriving from the merged entity La Fondiaria and relating to the merger through incorporation that took place in '95, in the amount of € 51,454K;
- goodwill deriving from the transfer of portfolio from the subsidiaries Profilo Life and Bim Vita in the amount of € 3,821K;
- capital and development costs in the amount of € 17,476K relating to the merger through incorporation of La Fondiaria into Fondiaria-SAI S.p.A.;
- research and development costs in the amount of € 40,018K, capitalised on the basis of their multi-year benefit;
- € 7,752K for the cost of the Mediobanca subordinated loan
- € 4,246K for the cost of the financing granted by the subsidiary Sainternational SA;
- multi-year costs for user licences for computer products in an amount of € 1,325K.

During the half year, only the depreciation allowances for the period were charged to the profit and loss account and no long-term losses of value were reported.

Investments – (Item C)

I. Land and buildings

These total € 999,176K and can be broken down as follows:

(€K)	30/06/2005	31/12/2004	Variation	30/06/2004
Property intended to be used by the company	162,068	159,398	2,670	163,599
Property to be used by third parties	918,678	911,836	6,842	1,150,655
Other property	4,660	4,634	26	4,627
Other rights in rem	2,279	2,279	-	2,279
Construction in progress and advance payments	7,403	7,403	-	7,403
TOTAL	1,095,088	1,085,550	9,538	1,328,563
Total provisions for depreciation on land and buildings	95,912	92,659	3,253	148,698
TOTAL	999,176	992,891	6,285	1,179,865

The increase in the gross value of the properties compared with the situation as at 31/12/2004 is due to increased expenditure of € 15.4m and sales of € 5.9m.

Sales generated revenue of approximately € 10.5m, with net capital gains of € 5m.

II. Investments in group companies and in other participating interests

These total € 2,774,035K and can be broken down as follows:

(€K)	30/06/2005	31/12/2004	Variation	30/06/2004
Shares	2,756,383	2,730,456	25,927	2,823,402
Debentures	156	156	-	156
Corporate financing	17,496	20,086	(2,590)	19,929
TOTAL	2,774,035	2,750,698	23,337	2,843,487

These include short-term listed assets, represented by the shareholding in the holding company Premafin Finanziaria S.p.A., in the amount of € 28,867K.

Annex 2 shows the variations that occurred during the first half of the year.

Shares

The shareholdings listed in item C.II.1 of the Balance Sheet total € 2,756,383K. after write-downs of € 4,299K, relating to shareholdings in the subsidiaries Banca Sai of € 3,414K and SAI Mercati Mobiliari Sim S.p.A. of € 885K, classified under long-term assets.

Write-ups were also made in the amount of € 6,023K; these wholly related to the holding company Premafin Finanziaria S.p.A..

Further information concerning the participating interests is shown in annex 1.

Debentures

Debentures totalled € 156K and relate to issues by subsidiaries and are not listed on regulated markets.

Corporate financing

Financing totalled € 17,496K and concerns loans issued to Sasa S.p.A. (€ 10,000K), Uniservizi S.c.r.l. (€ 5,000K), Villanova S.r.l. (€ 1,177K), Casa di Cura Villa Donatello S.p.A. (€ 819K) and Meridiano Risparmio S.r.l. (€ 500K).

III. Other financial investments

These are as follows:

(€K)	30/06/2005	31/12/2004	Variation	30/06/2004
Stocks and shares	1,521,829	1,505,615	16,214	1,442,051
Unit trust shares	292,199	278,020	14,179	71,249
Debentures and other fixed income securities	8,814,509	8,113,884	700,625	7,715,523
Financing	80,068	80,939	(871)	75,837
Other investments	43,048	32,638	10,410	174,563
TOTAL	10,751,653	10,011,096	740,557	9,479,223

Shares included under other financial investments

These are classified under long-term, in the amount of € 1,358,098 and under short-term in the amount of € 163,731K and are broken down as follows:

(€K)	30/06/2005	31/12/2004	Variation	30/06/2004
Listed shares	1,491,453	1,475,505	15,948	1,409,114
Unlisted shares	30,376	30,110	266	32,937
TOTAL	1,521,829	1,505,615	16,214	1,442,051

Capital losses of € 1,053K were recorded from the valuation of listed shares, whilst write-ups amounted to € 5,459K.

The book value of listed shareholdings is € 374,171K less than the market value, calculated based on the prices as at 30/06/2005.

Unit trust holdings

These amount to € 292,199K (€ 278,020K as at 31/12/2004), an increase of € 14,179K. Capital losses arising from adjustments amounted to € 4K, whilst write-ups amounted to € 1,145K.

Debentures and other fixed income securities

(€K)	30/06/2005	31/12/2004	Variation	30/06/2004
Listed	8,238,482	7,862,543	375,939	7,333,808
Unlisted	572,131	245,512	326,619	374,690
Convertible debentures	3,896	5,829	(1,933)	7,025
TOTAL	8,814,509	8,113,884	700,625	7,715,523

The capital loss for alignments with market values, recorded in the profit and loss account, amounts to € 3,355K; mandatory write-ups amounted to € 2,423K.

Listed debentures were entered in the accounts for an amount of € 330,426K less than the market value, calculated based on the prices as at 30/06/2005.

As at 30/06/2006, there were the following items in the portfolio relating to securities with subordination clauses:

- DE0001593531 – Commerzbank Ag. 99-2009 – 4.75% - € 12,482,210.22 TIER I
- DE0003933511 - Deutsche Bank 16/01/04-2014 – fix to float - € 5,154,306.98 CALLABLE
- DE0003933685 – Deutsche Bank 20/09/04-2016 – float - € 10,979,934.98 CALLABLE, TIER II
- DE000A0DZTE1 – DzBank Capital Fund 06/06/2005 perpetual – float - € 2,485,000.00 CALLABLE, TIER I
- ES0213211099 – Banco Bilbao Vizcaya 20/10/04-2019 – fix to float - € 5,149,317.82 CALLABLE
- ES0213540018 – Banesto Emision 23/03/04-2016 –fix to float - € 12,858,343.63 CALLABLE
- FR0010128736 – Credit Logement Sa 02/11/2004 perpetual – float - € 2,500,000.00 CALLABLE
- FR0010136382 – Soc. Generale 26/01/2005 perpetual – fix to float - € 8,947,900.00 CALLABLE, TIER I
- FR0010161067 – Assurances Gen. De France 10/02/2005 perpetual – fix to float - € 3,042,647.09 CALLABLE, TIER I
- IT0001178174 – Comit 97/2007 – float - € 345,013.55 CALLABLE
- IT0001389765 – Montepaschivita 01/12/1999-2009 – float - € 17,150,000.00 CALLABLE
- IT0001426151 – Banca Popolare Emilia 31/03/2000-31/2/2005 Convertible – 4% - € 506,505.48 CALLABLE
- IT0003184758 – Vittoria Assicurazioni 12/11/2001-01/01/2016 Conv.-5.5% Transfer - € 18,089.58 CALLABLE
- IT0003844948 – Cordusio Rmbs 06/05/2005-30/06/2033 ABS float - € 29,497,200.00 CALLABLE
- XS0089305469 – Banque Paribas 98/2008 5.625% - € 2,488,618.77 LOWER TIER II
- XS0094351151 – Bayer Hypo Vereinsbank 02/02/1999-21/07/2006 Z.C. - € 21,602,083.13
- XS0114165276 – Assicurazioni Generali 20/07/2000-2022 6.9% - Transformable - € 2,500,000.00
- XS0119298189 – Royal KPN 24/11/2000 – 24/11/2005 Convertible – 3.5% - € 2,910,000.00 CALLABLE
- XS0129504027 – Monte dei Paschi 18/05/2001-2011 –float - € 5,766,814.54 CALLABLE
- XS0135565637 – Banca Carige 28/09/2001-2011- float - € 2,522,362.44 CALLABLE, TIER II
- XS0150425089 –Banca Popolare Emilia 28/06/2002-2012 – float - € 4,049,301.55 CALLABLE, LOWER TIER II
- XS0172565482 – Sns Bank 22/07/2003 perpetual – fix to float - € 2,752,388.33 CALLABLE
- XS0176823424 – Deutsche Bank 19/09/2003 perpetual – fix to float - € 5,374,419.58 CALLABLE
- XS0179193189 – Bcp Finance Bank 28/10/2003-2013 – float - € 4,044,750.34 CALLABLE, LOWER TIER II
- XS0181782144 – Carifirenze 05/12/03-2013 – float - € 11,938,787.85 UPPER TIER II
- XS0184528478 – Unibanca 30/01/04-2014 – float - € 2,513,854.18 CALLABLE, LOWER TIER II
- XS0188853526 – Hsbc Cap Fund 29/03/2004 perpetual 5.13% - € 2,504,050.00 CALLABLE, TIER I
- XS0189470130 – Monte dei Paschi 30/03/2004-2006 – float – € 10,995,555.91 CALLABLE, TIER I
- XS0190155480 – Sampo 21/04/2004-2014 – fix to float - € 5,260,181.33 CALLABLE, LOWER TIER II
- XS0194805429 – Kaupthing 30/06/04-2014 – float – € 6,486,193.16 CALLABLE, LOWER TIER II
- XS0195722003 – Banca Lombarda 30/06/04-2014 – float - € 9,976,939.29 CALLABLE, LOWER TIER II
- XS0198037839 – Capitalia 11/08/04-2014 – float - € 7,556,644.26 CALLABLE, LOWER TIER II
- XS0200581378 – Hsbc Holding 21/09/04-2014 – float - € 5,397,608.09 CALLABLE, TIER II
- XS0201857595 – Skandinaviska Enskilda 06/10/04-2014 – float - € 2,494,450.94 CALLABLE, LOWER TIER II
- XS0203156798 – Banca Italease 15/10/04-2014 – float - € 4,989,033.63 CALLABLE, TIER II

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- XS0203880991 – Natexis Banques Pop. 04/11/04-2016 – float - € 7,481,558.86 CALLABLE
 - XS0204937634 – SL Macs 04/11/04 perpetual –fix to float - € 7,873,500.00 CALLABLE
 - XS0205497778 – Bancaja Emisiones 16/12/04 perpetual –fix to float - € 5,133,015.07 CALLABLE, TIER I
 - XS0205875395 – Society Lloyds 17/11/04-2024 –fix to float - € 5,309,589.19 CALLABLE
 - XS0206511130 – Aviva 25/11/2004 perpetual – fix to float - € 8,941,454.53 CALLABLE
 - XS0206920141 – Santander 10/12/2004 perpetual – fix to float - € 15,209,189.40 CALLABLE, TIER II
 - XS0208011154 – Cassa Risparmio Firenze 15/12/04-2014 – float - € 14,966,367.68 CALLABLE, TIER II
 - XS0211496830 – Stand Char Bk 03/02/2005-2017 – fix to float - € 2,494,636.55 CALLABLE
 - XS0214318007 – Danske Bank 16/03/2005-2018 – fix to float - € 10,011,450.00 CALLABLE, TIER II
 - XS0214398199 – Barclays Bank 15/03/2005 perpetual – fix to float - € 7,698,628.12 CALLABLE, TIER I
 - XS0214965534 – Hbos 15/03/2005-2030 –fix to float - € 2,240,283.09 CALLABLE, TIER II
 - XS0215338152 – Erste Finance 23/03/2005 perpetual 5.25% - € 1,732,500.00 CALLABLE, TIER I
 - XS0218324050 – Banque Fed Cred Mutuel 28/04/2005 perpetual – fix to float - € 5,040,000.00 CALLABLE
 - XS0220648603 – BNP Paribas 06/06/2005-06/12/2015 – fix to float - € 7,463,479.99 CALLABLE
 - XS0220921117 – Unicredito 15/06/2005-2015 – fix to float - € 13,980,062.23 CALLABLE
 - XS0221574931 – Legal & General Group 08/06/2005-2025 – fix to float - € 11,460,100.53 CALLABLE
 - XS0221640070 – Islandbanki 16/06/2005 perpetual – fix to float - € 7,425,000.00 CALLABLE
 - XS0222726753 – Monte dei Paschi 28/06/2005-28/12/2007 – float - € 6,242,329.34 CALLABLE

Loans

This item, equal to €80,0698K includes loans secured by a lien on property in the amount of € 31,975K; these loans consist for the most part of the financing granted to Ganimede s.r.l. for the purposes of the operation to increase the value of part of the company's property assets, already commented on in the 2004 accounts; it also includes loans on life assurance policies in the amount of € 42,564K, loans to employees in an amount of € 4,486K and other loans of € 1,043K.

Other investments

This item, equal to € 43,048K includes repurchase agreement operations in an amount of € 21,548K, derivative finance transactions in an amount of € 1,073K and deposits with credit institutions in an amount of € 20,247K.

Derivative Finance Transactions

Pursuant to the stipulations of art. 7 point 3 of ISVAP Instruction no. 297 of 19/07/1996, it is stated as follows:

Open positions

Open positions in derivative instruments as at 30 June 2005 relate mainly to:

- purchases of put options of a nominal amount of € 25,000K of debenture securities for which the company paid premiums of € 326K reserving the option to sell these securities for an amount of € 24,097K.
- sales of call options and purchases of put options (same strike and same premium) on 15,000,000 CAPITALIA shares and 7,750,000 MEDIOBANCA shares; these options were entered into in order to obtain complete cover for changes in the prices of the securities, which were showing a surplus value compared with the book value at the time the contracts were entered into. At maturity (in 2006) the financial adjustment of the differential between the agreed strikes and futures market prices (cash settlement).
- two credit default swap contracts for a total nominal amount of € 192,000K; the reference bond is MORGAN STANLEY 01/04/2009 5.75%. Payment of the premiums will be deferred to September and December 2005.
- call spread options on 30,000 AUTOSTRADE ORD. shares for which the company paid premiums of € 20K and collected premiums of € 4K.

Closed positions

The following transactions were concluded in the course of the financial year:

- purchases of puts on bonds, for which the abandonment involved a cost of € 449K entered in the accounts under investment charges;
- purchases of calls on shares, for which the abandonment involved a cost of € 37K entered in the accounts under investment charges; the closure involved revenue of € 22K entered in the accounts under investment income.
- call sales on shares and bonds those exercised by the other party were entered in the accounts to increase the sales revenue by € 50K, those not exercised were entered in the accounts as investment income of € 23K and € 2,560K of investment charges.

The cost of the closing call sales and the abandonment of put purchases on debenture securities (BTP) are offset in the drawings from the provision for risks and charges, already adjusted for the purposes of the last financial year.

Long-Term Equity

ISVAP Instruction no. 893G dated 18 June 1998 issued stipulations on the classification and valuation of the insurance companies' securities portfolio, in particular with regard to the determination of the essential characteristics, in terms of quality and quantity, of the long-term investments and short-term investments sections.

Pursuant to art. 15 of Legislative Decree 173/97, the long-term equity intended to be maintained in the company's equity for the purposes of a stable investment is allocated to the long-term equity section.

These are Class B investments "Intangible assets", C.I "Land and buildings" and class C.II and C.III "Securities", the latter within the limits of the "framework decision" approved by the Board of Directors on 24 September 1998 and illustrated in the Notes to the Accounts – Section B to the Accounts for the 1998 financial year, as amended by the Board of Directors on 29 September 1999; the Board of Directors' decision dated 26 March 2004 redefined the guidelines in order to rebalance the structure of the securities portfolio to contain the level of capitalisation of the assets and risks deriving from their composition consistently with the portfolio management planning and the time profile of the commitments to policyholders. The decision states specifically that securities in the "Long-term investments" section are held in the company's equity as a "stable investment", this requirement must continue to be met at the time the security is allocated to the section. Furthermore, another condition for capitalisation the security is that it has a rating at least equal to BBB- or equivalent.

The new guidelines were applied to allocations to sections after 1/1/2004.

Long-term assets represented by securities and shareholdings amounted to € 5,554,936K as at 30/06/2005, corresponding to 41.43% of the company's securities portfolio (classes C.II and C.III), as follows:

(€K)	30/06/2005	31/12/2004	Variation	30/06/2004
Shareholdings	4,088,196	4,061,076	26,220	4,107,114
Fixed income securities	1,466,740	1,597,993	(131,253)	1,784,919
TOTAL	5,554,936	5,659,969	(105,033)	5,892,033

The net decrease of € 105,033K as at 31/12/2004 is mainly due:

- to sales of fixed income securities in the net amount of € 131,335K;
- to the increase of the share capital of Pirelli & C. and Rcs Mediagroup in an amount of €34,014K;
- to sales of shareholdings and rights in the participating interests Banca Profilo, Milano Assicurazione ord. e resp. nc., Monte dei Paschi di Siena, Pirelli & C. totalling € 51,361K;
- to movements relating to unlisted shareholdings (including capital transactions) in the net amount of € 45,001K;
- to value adjustments in the net amount of € 1,352K.

The accounting book value of the listed securities included under "long-term assets" is € 887,537K less than the market value calculated based on the prices as at 30/06/2005.

IV. Deposits with ceding companies

These totalled € 374,109K (€ 381,149K as at 31/12/04) and reflect reinsurance transactions only: they relate for the most part to companies in the Group.

Investments for the Benefit of Holders of Life Policies who Bear the Risk and Investments Deriving from Pension Fund Management – (Item D)

These totalled € 740,412K (€ 725,228K as at 31/12/2004) and related to:

(€K)	30/06/2005	31/12/2004	Variation	30/06/2004
Class D investments	645,011	642,533	2,478	566,953
Class DII investments	95,401	82,695	12,706	76,877
TOTAL	740,412	725,228	15,184	643,830

Reinsurers' Technical Provisions – (Item D bis)

This is shown in the table below:

(€K)	30/06/2005	31/12/2004	Variation	30/06/2004
I – Non-life technical provisions	341,891	374,741	(32,850)	397,350
II – Life technical provisions (excluding the provisions referred to under point III)	79,557	79,227	330	80,274
III – Life technical provisions where the investment risk is borne by the policyholders and provisions arising out of pension fund management	-	-	-	-
TOTAL	421,448	453,968	(32,520)	477,624

Debtors – (Item E)

(€K)	30/06/2005	31/12/2004	Variation	30/06/2004
Debtors arising out of direct insurance operations	1,360,170	1,207,016	153,154	1,014,012
Debtors arising out of reinsurance operations	50,918	78,353	(27,435)	86,822
Other debtors	435,658	670,307	(234,649)	448,918
TOTAL	1,846,746	1,955,676	(108,930)	1,549,752

The above debtors are net of the related provisions for write-downs, equal to € 63,807K.

Within the scope of debtors arising out of direct insurance operations inter alia include the following, net of the related provision for write-downs:

- with regard to the non-life business, premiums receivable in the amount of € 407,355K and receivables from insurance intermediaries in the amount of € 512,027K.
- with regard to the life business, premiums receivable from policyholders in the amount of € 79,922K and amounts receivables from insurance intermediaries of € 89,829K.

It should be noted that, of the amount relating to premiums receivable from policyholders entered in the accounts at the close of the previous financial year, in all as at 30/06/2005 an amount of € 208m (equal to 53%) for the non-life business and €45m (equal to 68%) for the life business; on the other hand, premiums in an amount of €14m were cancelled.

The figure for other debtors fell from € 670,307K as at 31/12/04 to € 435,658K; this item includes receivables from the tax authorities for advance withholding tax, tax advances, credits applied for under the heading of refunds and the related interest, in the amount of € 271,958K.

Of this, € 75,068K relates to amounts paid under the heading of first IRES payment on account for the Group paid by the company through the adoption of consolidated taxation pursuant to arts. 117 ff. of the Decree of the President of the Republic 917/1986 whilst € 42,026K relates to the tax credit on the actuarial reserves of the life business pursuant to Decree-Law 209/2002 for the residual part following recoveries which, as allowed with effect from the current financial year, were made in the half year and amount to € 9,855K.

Again, as a result of the adoption of Group taxation, receivables from subsidiaries and companies fiscally consolidated

€ 57,171K was recorded under “Other debtors” for IRES for the period from those companies calculated on the basis of the respective income “attributable” to the Group at the close of the half year.

The amounts receivable after 30/06 of the next financial year total € 391.3m.

Other Assets – (Item F)

(€K)	30/06/2005	31/12/2004	Variation	30/06/2004
Tangible assets and stocks	15,490	18,605	(3,115)	20,015
Cash at bank and in hand	268,739	145,941	122,798	228,424
Own shares	103,847	86,179	17,668	64,576
Other assets	591,273	555,146	36,127	598,160
TOTAL	979,349	805,871	173,478	911,175

Cash at bank and in hand amounted to € 268,739K (€ 145,941K as at 31/12/04).

Other assets includes inter alia assets covering taxes paid in advance in the amount of € 190,063K and connecting accounts between the headquarters and the external offices in an amount of € 86,225K.

Accrued Income and Deferrals (item G)

Accrued income and deferrals total € 124,401K and € 96,925K of this is chargeable to accrued interest earned on securities.

LIABILITIES

Equity – (Item A)

The equity, excluding the profit for the period, increased from € 2,251,107K as at 31/12/2004 to € 2,386,765K; this was essentially as the result of the allocation to the extraordinary reserve of the undistributed part of the profit for the 2004 financial year, in line with the resolution passed at the General Shareholders' Meeting on 27 April 2005.

Subordinated Liabilities – (Item B)

These amounted to € 400,000K as at 30/06/2005. We would refer you to the 2004 accounts booklet for a more detailed description of the terms and conditions of the loan.

Technical Provisions – (Item C)

These amounted to € 13,504,076K and an overall increase of € 354,593K was recorded. Details of the technical provisions are shown in the table below:

(€K)	30/06/2005	31/12/2004	Variation	30/06/2004
NON-LIFE BUSINESS				
Provision for unearned premiums	1,388,356	1,310,287	78,069	1,365,674
Provision for outstanding claims	5,087,253	5,193,967	(106,714)	5,167,213
Equalisation provisions	8,788	8,060	728	6,918
Others	7,835	8,132	(297)	8,215
TOTAL	6,492,232	6,520,446	28,214	6,548,020
LIFE BUSINESS				
Actuarial reserves	6,869,818	6,505,519	364,299	6,380,701
Provision for sums payable	74,930	54,617	20,313	63,359
Other	67,096	68,901	(1,805)	66,215
TOTAL	7,011,844	6,629,037	382,807	6,510,275
TOTAL TECHNICAL PROVISIONS	13,504,076	13,149,483	354,593	13,058,295

The provision for outstanding claims also includes the provision for unreported claims and the provision for settlement costs.

Technical Provisions Where the Investment Risk is Borne by the Policyholders and Provisions Deriving from Pension Fund Management – (Item D)

(€K)	30/06/2005	31/12/2004	Variation	30/06/2004
-Provisions relating to policies the benefits of which are linked to investment funds and share indices	643,862	641,242	2,620	565,257
-Provisions deriving from pension fund management	95,400	82,695	12,705	76,877
TOTAL	739,262	723,937	15,325	642,134

Provisions for Risks and Charges – (Item E)

(€K)	30/06/2005	31/12/2004	Variation	30/06/2004
-Provisions for redundancy transactions and similar obligations	3,137	3,137	-	2,832
	274,989	374,072	(99,083)	171,816
-Provisions for taxation	123,313	92,722	30,591	72,966
-Other provisions				
TOTAL	401,439	469,931	(68,492)	247,614

The provisions for redundancy transactions and similar obligations include the amounts set aside during previous years under the heading of the incorporation of employee severance indemnities.

Other provisions include mainly the amounts set aside for aggravation of current disputes with intermediaries, insurers, policyholders and third parties.

At the same time, the sums set aside in previous financial years were released from the provision for potential losses due to the adjustment of shareholdings.

The provisions for taxation include the provision for corporation taxes (Ires and Irap) for the period. The change in the provision for taxation was calculated on the basis of the net decreases compared with the drawings for the payment of corporation tax and Group taxes for the 2004 financial year in a total amount of € 203,720K and provisions of € 104,637K Of this, € 94,637K refers to the Group's IRES for the period.

Deposits Received from Reinsurers – (Item F)

These fell by € 3,431K from € 162,288K as at 31/12/2004 to € 158,857K.

Creditors and Other Liabilities – (Item G)

These consist of:

(€K)	30/06/2005	31/12/2004	Variation	30/06/2004
Creditors deriving from direct insurance operations	228,496	70,115	158,381	90,979
Creditors deriving from reinsurance operations	64,826	59,095	5,731	128,959
Sundry loans and borrowings	710,550	552,481	158,069	435,070
Employee severance indemnities	51,762	55,132	(3,370)	53,784
Other liabilities	746,829	581,871	164,958	642,652
TOTAL	1,802,463	1,318,694	483,769	1,351,444

In all, payables to insurance intermediaries, included under the item "Creditors deriving from direct insurance operations", amounted to € 196,942K, of which € 66,988K was for the non-life business and € 129,954K for the life business.

Sundry loans and borrowings amounted to €710,550K and were made up of "Sundry borrowings and other financial payables" for € 309,923K and € 400,627K for "Other creditors".

Sundry loans include € 503K for the financing granted by the subsidies Italiberia S.A., € 56,411K Sainternational S.A., € 24,954K Sim Defense S.A., € 12,553K Iena Presbourg S.A. and € 27,000K Finsai International S.A. and € 8,000K Sai Holding Italia S.p.A.; these mature on 31/12/2005 and the interest rate is calculated as the mean of the monthly average Euribor – 3 months type deposit (6 months for Italiberia S.A.) – in the period between the month the financing is granted and the month preceding maturity, or any advance repayment and is increased by a spread of 0.5% (Italiberia SA.), by 1.25% (Sainternational S.A., Sim Defense S.A. and Iena Presbourg S.A.) and by 1.05% (Finsai International S.A. and Sai holding Italia S.P.A.). It also includes the financing of € 180,400K granted by the subsidiary Sainternational S.A. and linked to the Mandatory Exchangeable Guaranteed Notes with BANCA INTESA ordinary shares owned by Fondiaria-Sai S.p.A. maturing on 29 September 2010. The maturing date for that financing in a single instalment is five working days before 29/09/2010 and the rate is 5.90%. € 125m was recorded under other payables for policyholders' tax, sundry tax charges in the amount of € 34.9m, payables to welfare and social security organisations in the amount of € 28m and sundry creditors in the amount of € 212.7m (the majority to subsidiary and third parties).

Other liabilities amounted to € 97,037K and include inter alia the assessment of debit items, the connecting account between the headquarters and the external offices of € 140,253K, commission on premiums being collected in the amount of € 65,368K and amounts payable to life policyholders in an amount of € 144,328K.

Payables due beyond 30 June of the next financial year relate wholly to the financing granted by the subsidiary Sainternational S.A.

Accrued Income and Deferrals – (Item H)

These totalled € 9,832K (€ 3,298K as at 31/12/2004). Of this, € 9,745K consisted of deferrals for interest on the Sainterntional loan.

Guarantees, Commitments and Other Memorandum Accounts

These amounted to a total of € 13,680,621K (€ 13,630,833K as at 31/12/2004).

(€K)	30/06/2005	31/12/2004	Variation	30/06/2004
Guarantees provided	5,653	5,854	(201)	17,087
Guarantees received or provided by third parties in the interest of the company	200,827	180,246	20,581	182,948
Commitments	207,504	936,679	(729,175)	572,746
Other	13,266,637	12,508,054	758,583	11,852,719
TOTAL	13,680,621	13,680,833	49,788	12,625,500

The guarantees received or provided by third parties in the interest of the company increased from € 180,246K to € 200,827K following new bonds provided to guarantee commitments from agents and others provided in the interest of the Consorzio Indennizzo Diretto (Direct Indemnity Agreement).

The significant reduction in commitments relates to a smaller number of options transactions and the ending of futures sales on bonds present at the end of 2004.

The variation in the other memorandum accounts is essentially linked to the increase in securities deposited with third parties.

D) Information on the Profit and Loss Account

Information Relating to the Technical Account – Non-Life Business

Details are provided below of the items shown in the summarised half year profit and loss account.

Premium Income, Net of Reinsurance – (Item I)

(€K)	30/06/2005	30/06/2004	31/12/2004
Gross premiums recorded	2,006,621	2,008,539	3,881,322
Premiums ceded in reinsurance	(48,495)	(61,403)	(114,932)
Variation in the gross amount of the provision for unearned premiums	(82,544)	(64,245)	(7,675)
Variation in the reinsurers' share of the provision for unearned premiums	1,869	(2,465)	(478)
TOTAL	1,877,451	1,880,426	3,758,237

In compliance with the ISVAP Instruction no. 735 of 1/12/97, cancellations of securities issued in previous years are not included under the item "gross premiums recorded".

Charges for Outstanding Claims, Net of Recuperations and Reinsurance Cessions – (Item IV)

The breakdown is as follows:

(€K)	30/06/2005	30/06/2004	31/12/2004
Gross amounts paid	(1,490,544)	(1,356,350)	(2,701,944)
Reinsurers' share of amounts paid	27,736	34,232	66,834
Change in gross recuperations	15,596	15,425	49,599
Change in the gross amount of the provision for outstanding claims	111,321	(41,275)	(54,174)
Variation in reinsurers' share of the provision for outstanding claims	(21,531)	(1,006)	(25,077)
TOTAL	(1,357,422)	(1,348,974)	(2,664,762)

Information Concerning the Technical Account – Life Business

Premium Income, Net of Reinsurance Cessions – (Item I)

(€K)	30/06/2005	30/06/2004	31/12/2004
Gross premiums recorded	709,451	557,250	1,184,393
Premiums ceded in reinsurance	(7,576)	(7,556)	(14,955)
TOTAL	701,875	549,694	1,169,438

In compliance with the ISVAP Instruction no. 735 of 1/12/97, the item “gross premiums recorded” does not include cancellation of first year premiums issued in previous years.

Charges for Outstanding Claims, Net of Reinsurance Cessions – (Item V)

These concern sums paid during the year for claims, matured policies and surrendered policies and include the costs incurred for the settlement of the claims. They are as follows:

(€K)	30/06/2005	30/06/2004	31/12/2004
Sums paid	(416,768)	(405,719)	(921,396)
Reinsurers' share	3,943	2,769	6,521
Gross change in the provision for sums payable	(20,295)	(1,167)	7,565
Reinsurers' share	(384)	(22)	(208)
TOTAL	(433,504)	(404,139)	(907,518)

Other Information Concerning the Profit and Loss Account

Income from Investments (Items II.2, II.3 and III.3)

(€K)	30/06/2005	30/06/2004	31/12/2004
Income from investments	243,859	226,475	500,360
Value readjustments on investments	15,324	14,158	21,061
Profits on the realisation of investments	77,769	68,370	76,443
Income referred to under class D investments	28,929	15,822	38,560
TOTAL	365,881	324,825	636,424

Income attributable to the life business amounted to € 216,094K, whilst the income for the period in the non-life business was €148,787K.

Income from investments relating to land and buildings amounted to € 19,349K, whilst income from shares was € 67,987K, including € 2,635K for income from investments in Group companies and other participating interests. Income from other financial investments were € 156,523K and consisted mainly of income from certificates of indebtedness.

Investment Charges – (Items II.9, II.10 and III.5)

These consist of:

(€K)	30/06/2005	30/06/2004	31/12/2004
Investment management charges and interest payable	21,391	20,165	57,120
Value adjustments on investments	12,578	42,319	102,286
Losses on the realisation of investments	42,311	10,737	27,695
Charges referred to under class D investments	3,791	3,186	3,820
TOTAL	80,071	76,407	190,921

Charges attributed to the life business amounted to € 24,670K, whilst the charges for the period in the non-life business were € 55,401K. Investment charges attributable to land and buildings amounted to € 10,731K; the remainder refers mainly to other financial investments.

The value adjustments on investments included depreciation of property in an amount of € 3,730K, adjustments of shareholdings and unit trust shares of € 5,355K and fixed income securities of € 3,355K.

Other Income – (Item III.7)

This is broken down as follows:

(€K)	30/06/2005	30/06/2004	Variation
Interest on bank current accounts with no fixed deposit times	2,013	1,729	284
Exchange differences	3,313	2,432	881
Other	18,684	19,276	(592)
TOTAL	24,010	23,437	573

“Other income” includes € 3,884K for interest on agents’ recoupment instalments and for claims management for the Road Victims Fund, € 2,110K for sundry services and € 1,284K for interest on company current accounts.

€ 8,813K was also drawn from the provision for risks and charges set aside in previous financial years to meet potential losses on the value adjustments of shareholdings, when the risk relating to some positions on derivative instruments no longer existed, and for payments under judgments with an unfavourable outcome for which the relevant charge was set aside in the financial year in which it was incurred.

Other Charges – (Item III.8)

These are broken down as follows:

(€K)	30/06/2005	30/06/2004	Variation
Depreciation allowances on intangible assets	42,564	45,805	(3,241)
Other	64,905	36,802	28,103
TOTAL	107,469	82,607	24,862

The depreciation allowances on intangible assets include € 24,329K for depreciation on goodwill. The remainder refers to depreciation on research and development costs of € 10,778K and depreciation on other multi-years costs of € 7,457K. “Other charges” includes inter alia € 10,156K for interest on subordinated liabilities, € 7,936K on interest on loans and € 39,404K of shares allocated to the provisions for risks and charges mainly to meet aggravation of current disputes with intermediaries, insurers, policyholders and third parties.

The provisions also refer to future staff costs.

Extraordinary Income (Item III.10)

These total € 36,456K and are broken down as follows:

(€K)	30/06/2005	30/06/2004	31/12/2004
Capital gains on property	5,036	16,346	57,117
Capital gains on fixed income securities	27,918	2,601	49,662
Elimination of previous fiscal interferences	-	-	101,717
Other	3,502	10,405	26,088
TOTAL	36,456	29,352	234,584

€ 17,405K of the capital gains on shareholdings and securities consist of profits on shares and € 10,513K of profits on debentures.

“Other income” includes extraordinary income of € 3,193K.

Extraordinary Charges (Item III.11)

These total € 10,134K and are broken down as follows:

(€K)	30/06/2005	30/06/2004	31/12/2004
Capital losses on property	-	-	17,252
Costs of sales of property	440	-	1,704
Capital losses on shareholdings and securities	1,223	138	7,034
Elimination of previous fiscal interferences	-	-	34,933
Other	8,471	13,113	34,407
TOTAL	10,134	13,251	95,330

“Other” includes extraordinary losses of € 6,611K, attributable partly to penalties imposed by the Supervisory Authority in relation to the claims settlement policy. That phenomenon, moreover, results in substantial readjustments compared with the last financial year.

Corporation Tax for the Financial Year (Item III.14)

The share of the provision totals € 48,000K and relates to the estimate of IRES and IRAP for the half year, taking into account the impact of assets and liabilities for deferred tax in the period.

In a similar way to what occurred already for the accounts as at 31 December 2004, the IRES charged refers only to the tax attributable pro-quota to the company within the scope of the Group taxation, as the consolidating entity, for the three year period 2004-2006.

In calculating the tax burden, the current and most significant tax rules were taken into account, in particular those introduced following the IRES reform in Legislative Decree 344/2003.

It should be noted, moreover, that by virtue of a regulatory framework which could be subject to further corrective interventions, these may affect the end of year taxation.

E) Other Information

Solvency Margin and Cover for Technical Provisions

Based on the estimated growth trend for the second half year, the solvency margin at the close of the financial year should increase in value compared with the margin as at 31/12/2003 by approximately 2.5% for the non-life business and by 4.5% for the life business.

The component elements of the solvency margin show growth compared with their amount at the end of the last financial year and will be completely sufficient to guarantee cover.

The technical provisions estimated as at 30 June 2005 total € 13,678m (including € 6,285m for the non-life business and € 7,393m for the life business, including € 739m of provisions for class D).

The assets exceeding those already allocated on 30 June to cover the technical provisions existing as at the date required by the regulations (31/12/04 for the non-life business and 30/06/05 for the life business) and belonging to categories of assets identified in the ISVAP Instructions nos. 147 and 148, are currently sufficient to guarantee cover for the increase in the provision.

Milan, 8 September 2005

*On behalf of the Board of Directors
The Chairman*

Jonella Ligresti

Consolidated Half Year Report
as at 30 June 2005

A) Business Information

Performance

The consolidated half year report as at 30 June 2005 incorporates the information according to art. 81 of Consob regulation no. 11971 of 14/05/1999, as amended by resolution no. 14990 dated 14 April 2005, and was prepared on the basis of the rules on company accounting applying the valuation criteria and consolidation principles used for the production of the consolidated accounts as at 31 December 2004 and following the general criteria of prudence with the prospect of the business continuing.

The following information is set out at the end of this document:

- table of regulatory reference and choices made;
- up-date on the situation relating to the transition process to IAS/IFRS accounting principles;
- main difference between the principles used to produce the half year report and the new body of IAS/IFRS international accounting principles, presented in the appropriate reconciliation tables.

Within the scope of the formation of the interim data, the application of the drafting principles and valuation criteria stipulated for the year end accounts show a greater use of estimates and projections as referred to below.

The correct function of the data is to represent the company's financial and assets situation as at 30 June in a more reasonably reliable manner and to provide information on the likely developments in the business in the second half of the year.

In the first half of the 2005 financial year, total premium income was € 5,204,735K, for which the components can be summarised as follows:

(€K)	1 st half of 2005	1 st half of 2004	Variation %
DIRECT BUSINESS			
Non-life business	3,648,317	3,588,649	1.66
Life business	1,544,217	1,473,313	4.81
Total direct business	5,192,534	5,061,962	2.58
INDIRECT BUSINESS			
Non-life business	7,253	10,892	(33.41)
Life business	4,948	5,805	(14.76)
Total indirect business	12,201	16,697	(26.93)
General total	5,204,735	5,078,659	2.48
Of which:			
Non-life business	3,655,570	3,599,541	1.56
Life business	1,549,165	1,479,118	4.74

The income was produced mainly by 3,623 agencies (which operate through 3,298 points of sale), representing the traditional sales channel; the distribution structure includes 1,393 single agent agencies and other locations belonging to the parent company and a further 2,230 single agent and multi-agent agencies which work with other companies in the Group.

925 of the above-mentioned agencies operate under the BancaSai mandate for the collection of public savings, supported by the network of 1,481 BancaSai financial advisers.

The following table summarises the result for the first half of 2005 compared with the same period in the previous financial year and with 31/12/2004.

(€K)	30/06/05	30/06/04	Variation	31/12/04
Result of the non-life technical account	197,908	167,351	30,557	501,529
Result of the life technical account	34,541	50,052	(15,511)	88,362
Net income from investments	458,436	432,469	25,967	717,559
Share of income transferred to the technical account, life business	(248,432)	(241,067)	(7,365)	(460,844)
Balance of income and expenses	(86,269)	(70,214)	(16,055)	(191,570)
RESULT OF ORDINARY BUSINESS	356,184	338,591	17,593	655,036
Balance of extraordinary income and expenses	26,008	(9,199)	35,207	33,731
PRE-TAX RESULT	382,192	329,392	52,800	688,767
Tax on income for the period	(128,702)	(137,221)	8,519	(305,315)
CONSOLIDATED RESULT	253,490	192,171	61,319	383,452
Profit (loss) for the period for third parties	51,107	48,094	3,013	109,139
GROUP RESULT FOR THE PERIOD	202,383	144,077	58,306	274,313

The essential elements of the consolidated result for the half year are as follows:

- a significant improvement in the result of the technical account of the non-life business which, for the motor vehicles classes was due to exogenous phenomena of the reduction of the number of claims reported and the frequency of claims, and the high levels of efficiency reported in the Fondiaria-SAI Group in the risk acquisition and claims settlement processes. In this context, all the companies in the Group are reporting basically very satisfactory results on the technical account.
- positive trend in the life business, in terms of premium income. The result on the technical account, however, shows a fluctuation of more than 15 million euros compared with the figure for the last half year: part of that fluctuation relates to the settlement by the subsidiary Milano Assicurazioni of the dispute with Consap over the abolished institution of legal cessions. The cost of the settlement, which became final last March, totalled approximately € 20m, of which approximately € 6.5m had a negative influence on the technical account. In this half year, a highly prudential depreciation plan for capitalisable acquisition costs contributed to the fluctuation in the technical account.
- the trend in management costs is mainly stable and is in line with the previous financial year concerning their incidence on premiums. Management costs totalled € 791m (€ 758m as at 30/6/2004).
- assets and financial management reached € 636m compared with € 539m in the last half year, therefore, showing an increase of approximately 18%. The increase fell to 6% when considering only the income from class C investments. The favourable trend on the financial markets recorded in the last half year, together with falling interest rates, had a positive impact on the valuation of the investments in stocks and shares, therefore, showing net positive value adjustments. Overall, gross income from class C investments totalled € 592m (€ 579m as at 30/6/04) and include € 125m profits on the realisation of investments.
- the balance of other income and expenses is negative by € 86m and is influenced by the significant share of depreciation on intangible assets in the half year of a total of € 47m.
- the value of the extraordinary business was modest overall and the balance is mainly attributable to the realisation of long-term investments in stocks and shares
- gross technical provisions of € 27,672m (€ 26,634m as at 31/12/04), of which € 11,564m in the non-life business and € 16,108m in the life business. The overall increase is 3.8%.
- net assets total € 3,478m and the Group share is € 2,871m.
- compared with the previous half year, the tax burden for the period fell, influenced by the benefits relating to the adoption of fiscal consolidation and to a higher incidence of some income

components which, through the effect of the IRES reform, are fiscally insignificant, for example, those linked to the capital gains and capital losses on the valuation and realisation of exempt shareholdings ("PEX").

However, also considering that the regulations are still being developed and are subject to possible corrections which are already being looked at, the reduction of the tax burden might not be confirmed in the year end results.

NON-LIFE INSURANCE BUSINESS

Premiums

The total premiums written by the Italian direct business amounted to € 3,648,317K (+1.66%), sub-divided by class as shown below:

(€K)	30/06/05	30/06/04	Variation %
ITALIAN DIRECT BUSINESS			
Accident and health	325,807	319,725	1.90
Land vehicles TPL	2,215,454	2,199,532	0.72
Motor vehicle insurance, other classes	374,920	373,457	0.39
Marine, aeronautical and transport insurance	103,427	98,762	4.72
Fire and other damage to property	328,274	314,823	4.27
General TPL	227,564	215,156	5.77
Credit and bonds	36,946	33,866	9.09
Pecuniary losses of various kinds	12,198	12,475	(2.22)
Legal protection	7,782	7,212	7.90
Assistance	15,945	13,641	16.89
TOTAL	3,648,317	3,588,649	1.66

Premiums ceded reached € 140,613K. Gross claims paid amounted to € 2,618,831K. Total technical provisions, gross of reinsurance, reached € 11,564m and increased by 0.62% compared with the figure for 31/12/2004.

The incidence of management costs compared with premiums is fluctuating (19% compared with 19.2% as at 31/12/2004).

The claims to premiums ratio for the period remains unchanged, at 72%, compared with the final result for the last financial year.

The combined ratio, including other technical income and charges, shows an improvement of 94.1% compared with that recorded in the first half of 2004.

Work is continuing on standardising the insurance products of the companies of the Fondiaria-SAI Group.

The design of standard products, such as "Health Protection" and "Accident Protection", some of the best products currently on the market, is one example of the Group's business in this area.

Claims paid and claims reported

The distribution of claims paid and claims reported in the Italian direct business, including costs, is set out below:

	Claims Paid (€m)			Claims Reported (no.)		
	2005	2004	Variation %	2005	2004	Variation %
Accident and health	195.0	189.2	3.07	143,584	149,940	(4.24)
Land vehicles TPL	1,763.2	1,555.8	13.33	506,646	508,797	(0.42)
Motor vehicle insurance, other classes	157.4	151.1	4.16	114,547	114,347	0.17
Marine, aeronautical and transport insurance	30.2	37.8	(20.18)	2,207	3,186	(30.73)
Fire and other damage to property	183.3	175.3	4.56	88,942	86,441	2.89
General TPL	160.6	137.4	16.94	51,422	54,228	(5.17)
Credit and bonds	21.0	14.9	41.36	570	1,011	(43.62)
Pecuniary losses of various kinds	3.6	1.8	10.84	4,390	2,497	75.81
Legal protection	0.5	0.5	(4.45)	1,573	1,539	2.21
Assistance	4.9	3.3	49.52	31,227	26,011	20.05
TOTAL	2,519.7	2,267.0	11.15	945,108	947,997	(0.30)

The trend in the first half of 2005 for the subsidiaries is summarised in the following table:

	TOTAL GROSS PREMIUMS	VARIATION %	RESULT FOR THE PERIOD
EUROPA TUTELA GIUD. S.p.A.	909	(86.08)	265
MILANO ASS. S.p.A.*	1,393,792	2.50	112,703
PRONTO ASSISTANCE S.p.A.	12,035	7.13	381
SASA S.p.A.	177,692	0.51	3,443
SIAT S.p.A.	82,331	8.06	402

* consolidated data as at 30/06/2005. The result for the period includes the life business.

With regard to the larger companies in the Group, the essential elements for the first half of 2005 are set out below.

MILANO ASSICURAZIONI S.p.A.

Share capital €238,569,411.08

(Direct holding 59.33%, Group interest 61.89%)

It should be stated, first of all, that the merger through incorporation of the subsidiary SIS Compagnia di Assicurazioni S.p.A. into Milano Assicurazioni took place on 31 December 2004. The results for the half year, therefore, relate to the new aggregate company and, in order to make significant comparisons, all the data relating to the first half of the previous financial year have been aggregated and reclassified in standardised terms.

The first half of the 2005 financial year closes with a profit of € 109,865K, a further increase compared with the positive result already achieved in the corresponding period of the previous financial year, of € 98,784K (+11.2%).

The main elements which contributed to achieving that result can be summarised as follows:

- an improvement in the technical balance on the non-life business, which shows a profit of € 84,052K compared with the profit of € 68,038K recorded on 30 June 2004. The result was achieved through efficiencies achieved in the risk acquisition and claims settlement processes, rewarding the strategy of combining development with returns, adopting underwriting policies prepared using the criteria of selectivity and fair rate parameters.
- Positive performance in the life business, which recorded a profit on the technical account of €15,347K compared with € 23,783K in the reference half year. The reduction is due to losses on loans to Consap.
- A favourable trend in financial management which, in a half year again characterised by the lasting trend of low interest rates, seized effective trading opportunities, offsetting the fall in ordinary returns.

The premiums in the direct business written in the half year totalled € 1,651.5m, an increase of 5.73% compared with the premium income in the first half of the previous financial year which totalled € 1,562m considered in standardised terms.

365,873 claims were reported in the first six months of the current financial year in the Italian direct non-life business, an increase of 3.53% compared with the first half of 2004.

With reference to the non-life business, the motor vehicle sector, which totals more than 75% of the total business in the direct non-life business, reports a continuing increase in premiums written in the TPL class (of € 885,496K, +2.37%). The final figure in the life business for premiums written increased by more than 22% compared with 30/6/04, reaching € 281m compared with € 230m: a strong development of pure capitalisation products was recorded in particular (+42%) and an increase in products linked to investment funds and market indices (+45%).

There were investments of € 8bn in June 2005, a slight increase compared with the figure as at 31/12/04 and that for the first half of the previous financial year.

In line with the considerations relating to the statutory accounts, the most significant data relating to the consolidated half year are set out below:

- the first half of 2005 closed with a net profit of € 112,584K compared with € 108,255K as at 30/6/04;
- the technical results are aligned with the statutory financial results and are € 93,135K for the non-life business and € 17,547K for the life business. The considerable reduction in the life business compared with the previous period (-26%) is widely offset by the increase in the non-life business (+17%), thereby allowing +7% to be recorded as the overall result for the technical business;
- premium income totalled € 1,670m, an increase of 5.6% compared with the 2004 half year.

SASA ASSICURAZIONI E RIASSICURAZIONI S.p.A.

Share capital € 52,000,000
(Direct holding 99.99%)

The encouraging trend in ordinary management is reflected in a positive net result as at 30.06.05 of € 3,443K, compared with a profit of € 2,032K as at 30/06/04. The company's relaunch plan, based on the careful selection of intermediaries and proposed business, the relaunch of products and the reorganisation of the management system which also took place with the structures of the parent company, continues to produce benefits. The purpose is to improve the efficiency and capacity to control the company production cycle (premiums and claims).

The first half of 2005 closed with a total volume of premiums written of € 177,692K compared with € 176,798K in the first half of 2004. The increase in the premiums in the Italian direct business overall in the first half was 2.2%, slightly higher than seemed to be the rate of increase in the Italian non-life sector in the first quarter of this year (+0.8%). The increases are particularly remarkable for bonds (+64%), Aircraft TPL (+52%), Assistance (+39%) and Health (+37%). At the same time, the claims reported in this half year were more numerous in the classes in which there was higher premium income. There were 26,884 claims, recording +26% on the figure for the first half of 2004 (21,344).

The charges relating to the claims were € 103,547K, slightly higher than those for the comparative half year.

In the course of the first half of 2005, investments increased from € 322,078 as at 31.12.2004 to € 361,404K as at 30.06.2005 (+12.2%); that increase was financed by the cash flow generated by the current business. Property activity consisted mainly of continuing the extraordinary maintenance works on the property used as the headquarters and ordinary maintenance on properties leased to third parties.

SIAT SOCIETA ITALIANA ASSICURAZIONI E RIASSICURAZIONI S.p.A.

Share capital €38,000,000

(Indirect holding 87.97%)

The first half of the 2005 financial year showed a net profit of € 402K compared with a profit in the same period in 2004 of € 981K: that profit confirms the positive technical result, although it shows a modest deterioration and shows progress in the balance of the financial component. The company wrote premiums for a total of € 82,331K, an increase compared with 30 June 2004, when the figure was € 76,190K (+8.1%).

The main considerations relating to the trend this half year are:

- the technical result continues to be positive, although showing a moderate fall: in general terms, the total production in the first half of 2005 shows a considerable increase in the direct business, mainly attributable to the significant development recorded in the class of marine vehicles hull. The premiums for the land vehicles TPL class show a moderate increase and relate mainly to the inclusion in the Italian direct business for the first time this half year of the production Generated by the stable organisation; finally, the premiums for the non-marine classes show a considerable increase overall, mainly attributable to the development recorded in the other damage to property class;
- other net income (charges) show a considerable negative variation, which can be attributed mainly to the increased provisions for bad debts (other than those claimed by policyholders) and for other liabilities. These include the effects of the trend in the exchange rates, for which the net balance was positive by € 261K (in the first half of 2004 it was positive by € 214K);
- income from investments provides a satisfactory contribution: the increase compared with the first half of 2004 was mainly due to the increases in the profits on the realisation of stocks and shares.

The amount of the gross claims paid amounts to € 54,750K and shows a fall of 0.6% compared with the figure for the first half of 2004, when € 55,081K was achieved, a result determined by the considerable contraction in total payments made, mainly relating to the progressive reduction of premiums issued in those classes compared with earlier years, although there were significant variations at times in individual classes. The increase in claims paid for land vehicles TPL relates to the improvement recorded in the speed of settlement for claims in the current year and to the regularisation of some significant non-life claims in previous years.

The total amount of investments reached € 109,305K, a variation increased by 3% compared with the figure for 31 December 2004, of € 106,130K: that increase relates mainly to the considerable increase in investments in debentures through the cash flows generated in the period.

THE LAWRENCE RE IRELAND LIMITED

Share capital €635,000

(Indirect holding 100%)

In 2005, the company is operating as a reinsurer for the companies of the Fondiaria-Sai Group, placing the business ceded by them on the market. The premiums accepted for the first six months of 2005 amounted to € 69.8m (€ 72.8m as at 30 June 2004), including 9.2 for the life business (7.7 as at 30 June 2004), whereas the premiums ceded on the market amounted to € 55.4m (€ 65.9m as at 30 June 2004) of which 0.1 for the life business (5.8 as at 30 June 2004). The profit for the financial year as at 30 June amounts to € 6.8m net of tax (€ 5.3m as at 30 June 2004).

The good technical trend in the business retained and income from investments contributed to that result.

As at 30/06/2005, equity stands at € 59.7m (€ 45.6m as at 30 June 2004).

Reinsurance

The first half of 2005 was characterised by the presence of composite Group programmes. Each company ceded its own portfolios to the subsidiary The Lawrence Re in Dublin according to its own requirement for reinsurance; the Irish company arranged to amalgamate and standardise the various cessions and subsequently retroceded individual reinsurance policies to the international market according to the different types of business.

This integration process enabled the contractual influence to be increased on the market, consequently with the search for more appropriate protection at a considerably reduced cost compared with the cost which each individual company would have been able to obtain.

This structure was adopted for all classes with the exception of transport, as the portfolios underwritten by Siat and Sasa require ad hoc reinsurance because of their specific type and aviation which, although managed and reinsured at Group level, was not dealt with through the Irish subsidiary.

In general, however, the reinsurance policy continued to follow the traditional prudential criteria with regard to the protection structure concerning the solidity and solvency of the chosen reinsurance partners.

LIFE INSURANCE AND PENSION FUNDS

Premiums earned in the direct business in the first half of 2005 reached a total value of € 1,544,217m, an increase of 4.8%. The gross technical provisions reached the amount of € 16,108m (+6.4% compared with 31/12/2004).

(€K)	1 st half 2005	1 st half 2004	Variation %
ITALIAN DIRECT BUSINESS			
I – Life insurance	617,877	539,573	14.51
III – Insurance related with unit trusts	391,668	522,693	(25.07)
IV – Health insurance	68	67	
V – Capitalisation operations	522,566	398,232	31.22
VI – Pension fund management operations	12,038	12,748	(5.57)
TOTAL	1,544,217	1,473,313	4.81

Premiums ceded amounted to € 7,541K.

Charges relating to the claims, net of reinsurance cessions, amounted to € 884,050K (€ 843,307K in the first half of 2004).

A fluctuation in management costs compared with premiums was recorded in the life business (6.1% as at 30/06/2005 compared with 6.3% as at 31/12/2004).

The trend in the first half of 2005 for subsidiaries is summarised in the following table:

(€K)	TOTAL GROSS PREMIUMS	VARIATION %	RESULT FOR THE PERIOD
BIM VITA S.p.A.	15,700	93.28	308
MILANO ASS. S.p.A.*	280,881	22.02	112,703
NOVARA VITA S.p.A.	324,156	(9.01)	8,626
PO VITA S.p.A.	384,666	0.36	9,434
SASA VITA S.p.A.	26,475	27.44	(605)
EFFE VITA S.p.A.	2,531	(12.45)	750
LAWRENCE LIFE ASSURANCE	277	(99.75)	105

* data consolidated as at 30/06/2005. The result includes the non-life business.

For information on the larger companies in the Group, the essential elements for the first half of the current year are set out below. (For the subsidiary Milano, please refer to the comments in the non-life section).

NOVARA VITA S.p.A.

Share capital € 54,000,000

(Indirect holding 50%; Group interest 50%)

The first half of 2005 closed with a net result for the period of € 8,626K (€ 10,293K as at 30 June 2004).

The essential components which contributed to the formation of the result for the financial year can be identified as:

- a 9.43% reduction in retained premiums, with reference to the figure for the first half of 2004, which fell from € 356,015K to € 322,437K; the decrease occurred especially at the level of individual insurance;

-
- a 31.03% increase in the charges relating to claims, which were € 163,292K as at 30 June 2005;
 - an increase in net unrealised capital gains, relating to investments for the benefit of life policyholders, which increased from € 16,244K as at 30 June 2004 to € 50,971K in the current half year.

The trend in commercial activity as at 30 June is considered positive, as the new total production is € 324m, corresponding to 57.8% of the budget for 2005 at € 560m.

The number of active policies is also positive, as at 30 June there were 165,081 policies, a net increase in the half year of more than 1,500 policies. An analysis of the sales data shows that index-linked products are experiencing higher placement compared with the products under the separate businesses: in fact, the index- and unit-linked policies represent 69.14% of total products.

The new product "Risparmio Dinamico" was marketed with effect from 31 May 2005, linked to a new separate business line called Pres Euro 4, which collected premiums of approximately € 50m by 30/06/05;

It should also be noted that a new line of unit-linked products with guaranteed capital will be sold in the second part of the financial year.

The Company's sales organisation as at 30 June 2005 consists of 424 bank branches of the Banca Popolare di Novara, as stipulated in the agreement which provides for the use of the Fondiaria-Sai Group's services and staff.

PO VITA COMPAGNIA DI ASSICURAZIONI S.p.A.

Share capital € 98,200,000

(Indirect holding 50%)

The first half of the year closed with a positive result for the period of € 9,433K (€ 2,103K as at 30/06/2004) and with a result on the technical account of € 6,529K (€ 1,312K at the end of June 2004).

The result on the technical account was significantly influenced by the good trend in investment income which benefited from net realisation profits of € 7,795K and net value readjustments of € 1,116K.

With regard to the commercial aspect, the trend in the business can be considered to be very positive, in fact, the new production Totalled € 383.5m which represented no change compared with the first half of 2004. The number of active policies as at 30 June is positive at 184,000, a net increase in the half year of more than 25,900 policies: in total, 56% of the production Relating to index- and unit-linked products, whereas the remaining 44% applies to separate business products.

Gross technical provisions as at 30/06/05 totalled € 2,723m compared with € 2,400m as at 31/12/04: the percentage increase is therefore 13.5%. Claims expenses were € 111,124K which can be compared with € 83,272K as at 30 June 2004.

The total volume of investments reached € 2,823m (€ 2,484m as at 31 December) broken down as follows: class C investments of € 1,486m (€ 1,341m as at 31 December 2004) whereas those for class D reached € 1,337m (compared with € 1,144m as at 31 December 2004). The increase relates mainly to collections in the half year net of sums paid and revaluations for adjustment to the market values of the securities in the portfolio.

The company's share capital increased in the course of the half year from 90.2 to 98.2 million euro following:

- full implementation of 4 million euro of the capital increase of 12.2 million euro decided by the extraordinary meeting on 9 December 2004;

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- implementation of 4 million euro of the capital increase to 114.2 million euro decided by the extraordinary meeting on 6 April 2005.

SASA VITA S.p.A.

Share capital €8,500,000

(Indirect holding 50%, Group interest 100%)

The first half of the 2005 financial year shows a loss of € 605K, an improvement on the first half of the previous financial year of approximately 35%. This change was influenced by the following factors:

- the balance on the technical account, net of the reinsurance cessions negative by € 112K (as at 30/06/2004 the result on the technical account was positive by € 471K), does not include the profit-sharing on reinsurance treaties which was € 1,667K (+€ 499K compared with 30/06/2004), which can only be quantified definitively at the end of the financial year, as stipulated in the existing reinsurance treaties.
- a lower incidence of the net write-downs on investments in stocks and shares compared with 30/06/2004 of € 150K.
- general expenses, including staff expenses and depreciation of a total of € 428K, increased as they include new costs connected with the integration into the Group information systems.

In relation to the commercial aspects, the current half year shows increasing premium income, of € 26,476K, a net increase compared with the previous period (+27.44%). In general, in the first half of the year, premium income was less than the percentage increase expected for the 2005 financial year but is higher than the percentage increase on the life market overall and, in particular, compared with that for the traditional distribution channels (Agents and Brokers). The increase in premiums, although below target, combined with continuing attention to risk assessment at the underwriting stage and with constant control on costs and confirming the validity of the strategies adopted.

Technical provisions as at 30/06/05 amounted to € 165,697K, compared with € 114,445K in the previous half year: the percentage increase, therefore, is 44.8%.

In the course of the first half of 2005, the Company's investments increased from € 147,787K as at 31/12/2004 to € 171,703K as at 30/06/2005 (+16.2%) and were completely financed by the cash flow generated by the insurance business.

Reinsurance

The 2005 reinsurance programme changed and was extended to the whole Group. For more details, please refer to the parent company's report where the guidelines on the reinsurance policy are set out.

Managed savings

In the course of the first half of the year, the business of the subsidiaries operating in the sector was aimed at consolidating initiatives started in previous financial years to rationalise the company's structure and operations. In that context, particular attention is paid to the further containment of management costs and to the increase of the volumes managed and brokered.

The table below sets out the summary of the trend of companies operating in this sector:

(€K)	INCOME	VARIATION %	RESULT
BANCA SAI S.p.A.	6,287	19.12	(4,243)
EFFE GESTIONI SGR S.p.A.	6,943	2.10	(307)
SAI MERCATI MOBILIARI SIM S.p.A.*	6,036	(38.25)	(885)
SAI INVESTIMENTI SGR S.p.A.	1,734	1,095.86	335

* data consolidated as at 30/06/2005

SAI MERCATI MOBILIARI SIM S.p.A.

Share capital €20,000,000
(Direct holding 100%)

The economic profile of the business in the first half of 2005, firstly, shows growth in the income components, generated by the business areas developed internally and, secondly, the results recorded by the profits on financial operations (of €1,997K), determined mainly by a policy of incorporating highly professionalised resources and the reorganisation of the operating desks.

A context characterised by modest growth and sluggishness on the financial markets further discouraged the brokerage business, already weakened by the climate of uncertainty about the developments in the real economy: net commission of € 115K (€ 462K in the 2004 financial year) confirm once again the insignificant influence of this segment's contribution to the profit and loss account.

Net income from interest and dividends reached € 432K, falling € 1.1m compared with the previous accounts. The reduction is attributable to the fall in returns on the debentures market which generated a contraction of the spread between money/bills and, therefore, profits.

As a result of the merger operation, there is a considerable positive variation in administration expenses: in the first half of the year, the costs were € 3,383K compared with € 8,101K in the 2004 financial year, recording a net fluctuation of 58.24%.

Staff costs as at 30 June 2005 showed a balance of € 1,466K compared with € 4,102K in the same period in the previous year.

The process of renewal and qualitative development can be seen, first of all, in the ordinary cessations and incentives for voluntary redundancies and, secondly, by bringing in highly professional productive resources.

Adjustments of intangible and tangible fixed assets as at 30 June 2005 were € 299K (€ 800K in the previous financial year).

Other management income and expenses show a positive balance of € 418K (€ 800K as at 31 December 2004). The strong reduction was generated mainly by the lower expenditure on staff, sustained following detachments made within the scope of the Group.

The first half of 2005 again ended with a negative result of € 885K compared with a loss as at 31 December 2004 of € 2,852K: this is a clear sign of a turning point, as stated in the plan to rationalise production processes in order to achieve economies of scale.

BANCA SAI S.p.A.

Share capital € 56,677,161
(Direct holding 80.47%)

The first half of 2005 was characterised by the progressive completion of the bank services, in particular in the area of loans (mortgages, financing and cession of a fifth of the salary, mainly to employees and companies in the Group), and an increase in income and of applications for customers.

In that context, the economic result for the period was recovering slightly since it shows a loss of € 4,243K (€ 4,874K in the previous half year). That result was due mainly to a remarkable improvement in the interest margin (+73.56%), as a consequence of the increase in the amounts brokered referred to above. The increase in the margin for services was also encouraging (increased in the period from € 1,485K to € 2,032K, +36.84%), an effect of the substantial stability in net commission, arising out of the services offered by financial advisers in the Group agencies.

The development of the financial products placement business is continuing through financial advisers operating in the Group's insurance agencies, as a result of the slimming down of the organisational structure, aimed at encouraging and providing commercial support for the distribution network.

Direct income, consisting of payables to customers and including transactions with companies in the Fondiaria-SAI Group was shown to be quite satisfactory: in fact, from the comparison of the figure as at 30/06/05 (of € 317,308K) with that for the first half of 2004 (€ 176,423K), shows very good performance with an increase of nearly 80%.

Net applications for customers amounted to € 27,523K (an increase compared with € 5,304K in the first half of 2004).

Investments in stocks and shares and in the interbank system totalled € 469,260K and increased by 54.37% compared with the first half of 2004: the increase is due to the development of e-MID business and investments in financial instruments (typically bonds) and capitalisation policies.

That situation had a positive effect on the brokerage margin, which increased from € 3,613K in the first half of 2004 to € 4,229K at the end of June 2005.

With regard to administrative costs, these remained almost in line with the comparative figures for the current half year and the full year, as stipulated in the budget.

The equity, corrected by the loss in the period, amounts to € 53,505K and meets the minimum requirements stipulated in the supervisory regulations on credit and market risks.

From the point of view of the constant adjustment of the supply of products to the dynamics of the banking market, the range of current accounts and credit cards for retail customers has been looked at again and will be distributed with effect from next October.

Work on the preparation of the Florence subsidiary is at the completion stage and it is planned to open in October.

SAI INVESTIMENTI S.G.R. S.p.A.

Share capital Euro 3,913,588

(Direct holding 40%, Group interest 65.47%)

In the course of the first half of 2005, the company's business continued with the management of the closed property investment fund, called the "Tikal R.E. Fund", on which the performance was in line with the estimates made in the previous financial year.

The economic result for the period was positive at € 335K compared with € 8K reported as at 31/12/04. The increase in profits was influenced not only by the increase in positive income components but also by a careful costs savings policy which enabled charges and other costs to be halved in many cases. In fact, income in the period, of € 1,734K, is improving compared with the figure for 31/12/04 by more than 7% and consisted mainly of commission earned on the management of the property investment fund of €

1,649K. The costs in the period, however, were € 1,116K, equivalent to approximately 28% less than the figure for the end of the financial year and represented mainly the costs of services and other costs of € 641K and commission paid of € 466K. The other cost headings which were strongly reduced during the half year are "Other management charges" (-91%), "Extraordinary charges" (-86%) and "Administration costs" (-45%).

As at 30/06/05, the company's assets totalled € 5,832K and consisted mainly of State securities € 4,559K and cash at bank and in hand of € 1,023K. On 8 July, fixed income securities for a nominal amount of € 1,000K were acquired using the cash at bank and in hand as at 30 June.

On the same date, the liabilities consist of Equity of € 4,493K and Other liabilities of € 1,299K, of which € 554K to the subsidiary Fondiaria-Sai for services rendered and the IRES debt to be transferred to the Group within the scope of the national tax consolidation procedure. Provisions for risks and charges amounted to €40K and relate to the provision for taxation.

With regard to the business in the half year, taking into account the planned development of the company's business, new investment opportunities were looked at and planned for the Tikal Fund and the valuation of any implementation of new property funds.

EFFE GESTIONI SGR S.p.A.

Share capital Euro 5,000,000
(Direct holding 100%)

The result for the first half of the year, although negative by € 307K, shows an improvement of 35.25% compared with the corresponding period in the previous financial year, which was negative by € 474K. The factors which contributed to the recovery are the considerable increase in net commission from assets management (of € 158K, +25.45%) and the balance on other income/costs and interest earned (of € 43K, +74.28%).

The improvement in the brokerage margin was achieved as a result of the effect of the good performance achieved.

The equity on the funds managed was € 695m, compared with € 684m reported as at 31/12/2004, an increase of 1.61%; there were no significant changes concerning asset allocation.

Overall, the assets managed by the individual businesses, own businesses and those of third parties as at 30/06/05 were € 510m, compared with € 433m managed as at 31/12/04; therefore, the average increase was 17.78%.

The company's business in the half year relating to the funds and asset management sector consists of 12 open investment funds, 3 Funds of Funds, 2,174 assets management in funds and in securities; direct type management represented the main type (63%).

The distribution of income by source shows that the banks represent the placement organisation most used (50% of the total gross income), followed by the companies in the Group (28%). However, the latter are more widespread for individual assets management (50%), together with Banca SAI (25%).

NON-INSURANCE BUSINESS

The trend of the main companies in the Group operating in the financial and agricultural/property sectors is summarised in the following table:

(€K)	INCOME	VARIATION %	RESULT FOR THE PERIOD
FINANCIAL SECTOR			
FINSAI INTERNATIONAL S.A.	577	63.46	280
SAIFIN-SAIFINANZIARIA S.p.A.	2,556	74.95	2,018
SAINTERNATIONAL S.A.	14,268	(42.56)	1,327
FINITALIA S.p.A.	8,536	(3.56)	365
AGRICULTURAL/PROPERTY SECTOR			
PROGESTIM S.p.A.	7,939	(3.63)	(211)
SAIGRICOLA S.p.A.	4,036	1.33	(1,332)

SAINTERNATIONAL S.A.

Share capital Euro 154,000,000
(Direct holding 100%)

The economic result for the period is positive at € 1,327K. The income totalled € 14,268K, consisting of income from financing granted to the holding company Fondiaria-Sai of € 11,867m, dividends of € 939m, value readjustments on short-term investments of € 913K and other income of € 549K. Costs were € 12,941K, including administrative and general costs of € 1,085K, interest paid and charges on debenture loans of € 10,436K, other financial charges of € 465K, value adjustments on short-term activities of € 453K and taxes of € 502K.

The company's assets totalled € 367,079K as at 30 June 2005 and consisted mainly of financing granted to the holding company Fondiaria-Sai of € 236,811K, unlisted shareholdings and financing for them of € 19,484K, listed shareholdings of € 37,668K, other short-term investments of € 38,195K and cash at bank and other assets of € 34,921K. The liabilities consisted mainly the company's equity of € 168,015K, amounts owed to debenture holders of € 180,400K, provisions for risks and charges of € 1,883K and other liabilities of € 16,781K.

10,100,000 RCS Mediagroup shares owned are bound by that company's shareholders' syndicate agreement.

SAIFIN-SAIFINANZIARIA S.p.A.

Share capital € 102,258,000 fully paid up
(Direct holding 100%)

The economic result for the period is positive at € 2,019K.

Income for the year was € 2,556K, consisting mainly of interest earned on financing for customers, debenture securities and bank deposits of € 538K, dividends collected of € 1,362K and value readjustments on financial fixed assets of € 650K, of which € 638K made in relation to the participating interest RCS Mediagroup. The costs in the period, of € 527K, consisted mainly of administrative expenses of € 277K, value adjustments on shareholdings of € 126K for the alignment of the subsidiary My Fin, commission and interest paid of € 31K and tax in the period of € 99K.

PROGESTIM S.p.A.

Share capital € 300,000,000
(Direct holding 100%)

The assets and financial situation as at 30 June 2005 closed with a negative result of € 211K (compared with a profit of € 162K as at 30 June 2004). The main contributory factor to the loss was the increase in management charges (+83.38%) and costs for services (+15%), not offset by adequate growth in the positive income components.

Turnover was recorded at € 7,939K, of which € 3,269K for technical and commercial assistance, € 2,766K for management of rentals on behalf of third parties and € 1,904K for rental fees on property owned.

The production Costs for the half year were € 9,047K and include depreciation on tangible and intangible fixed assets of € 1,569K, staff costs of € 1,730K, costs of services of € 4,237K and management charges of € 1,089K (including non-deductible VAT of € 765K). Financial management recorded a positive balance of € 759K, compared with € 72K in the half year for comparison; this was generated mainly by income from shareholdings and interest earned on bank current accounts. Extraordinary management was positive by € 2,973K especially due to the lower payment for taxes compared with the figure as at 31 December 2004.

We would highlight the following particularly significant events in the first half of 2005:

- on 31 March, the deed was signed for the purchase of parts of properties for residential use and offices situated in Milan, via Manzoni 39 for a total amount of € 2,730K;
- on 4 May, the deed for the purchase in the future was signed for the construction of a residence situated in S.Donato Milanese for an amount of € 18,000K;
- on 4 May, the deed was signed for the purchase in the future of the construction of a hotel situated in Parma for an amount of € 28,160K;
- work was carried out to increase the value of buildings owned for a total of € 4,961K;
- € 680K was paid to the subsidiary Meridiano Bellarmino Srl on account of future increases in the share capital to finance the company's normal business;
- € 505K was paid to the subsidiary Meridiano Secondo Srl on account of future increases in the share capital to finance the company's normal business;
- € 1,042K was paid to the subsidiary I.A.T. Spa on account of future increases in the share capital to finance the company's normal business;
- on 27 June, the subsidiary Meridiano Primo Srl resolved to distribute to the sole partner Progestim Spa dividends of € 450K using the provision for profits carried forward. That amount was paid on 30 June;
- on 4 May, the subsidiary Meridiano Secondo Srl sold land owned situated in San Donato Milanese at the price of € 4,600K, realising a capital gain of € 384K;
- on 30 June, the company Progetto Alfieri Spa was incorporated with a payment by Progestim Spa of € 6K, corresponding to 19% of the share capital. That company will acquire a share representing 50% of the share capital of a vehicle company for the ownership of the property complex situated in Rome called "Torri dell'EUR" currently held by FINTECNA for a value of approximately € 161m.

SAIAGRICOLA S.p.A.

Share capital € 50,000,000

(Direct holding 92%, Group interest 97.41%)

The result for the half year shows a loss of € 1,332K, compared with the loss of € 1,267K in the first six months of 2004 (-5%).

In the course of the first half of 2005, income from sale and services totalled € 2,934K which, compared with € 2,962K in the first half of 2004, records a slight fluctuation of 1%. This shows mainly a contraction in sales of rice of € 82K - of 16% - whereas on wine sales there was an increase of € 45K (+2% compared with the same period in 2004). In particular, sales of packaged wine totalled € 2,251K (€ 2,205K in 2004) on a volume of approximately 411,000 bottles (approximately 356,000 in 2004), an increase of 55,000 bottles, but a reduction in the average price of between € 6.2 and € 5.5.

With regard to wine and other canteen products, sale through national agents remain the main commercial channel (45% of the total), with turnover of € 1,050K, although the half year records a fluctuation of 4.5%. The increase of 2% on sales abroad is considerable, achieving a turnover of € 1,000K (44% of the total).

The seasonal trend was positive and good results were achieved in cereal production equal to the average for the last few years; the same can be said for the vitivinicultural and rice-growing sector which, given the favourable climatic conditions is again predicting good harvests in terms of quantity and quality.

Investments in the first half of the year totalled approximately € 1,400K and relate mainly to: better land under land and buildings of approximately € 170K, purchase of agricultural machinery and equipment approximately € 330K, also the planting of new vineyards and peach orchards and the completion of the Montefalco canteen at approximately € 900K.

ASSETS AND FINANCIAL MANAGEMENT

Investments

As at 30/06/2005, the volume of investments reached € 27,548,167K, an increase of 5.64% compared with existing investments as at 31 December 2004.

The structure of the investments is shown in the table below:

(€K)	30/06/2005	%	31/12/2004	%	30/06/2004	%
Land and buildings (net of the fund)	2,106,823	7.65	2,051,603	7.87	2,384,895	9.41
Debentures	17,214,185	62.50	16,308,766	62.54	15,748,087	62.13
Shareholdings and shares in unit trusts	3,844,204	13.95	3,737,121	14.33	3,504,484	13.82
Financing	178,872	0.65	171,846	0.66	157,615	0.62
Other financial investments and deposits with credit institutions	99,825	0.36	58,671	0.22	251,175	0.99
Deposits with ceding companies	67,194	0.24	52,750	0.20	58,537	0.23
Class D investments	4,037,067	14.65	3,697,307	14.18	3,245,027	12.80
TOTAL						

Net ordinary income from assets and financial management, accrued in the first half of the current financial year, totalled € 400,436K (€ 363,268K as at 30/06/2004).

Net capital gains from the realisation of short-term investments totalled € 49,678K (€ 119,489K as at 30/06/2004).

Property management

Merger through incorporation of the subsidiary Progestim S.p.A. into the property company Lombarda S.p.A

On 27 June 2005, the Boards of Directors of the subsidiary PROGESTIM and of IMMOBILIARE LOMBARDA ("IL") approved the merger through incorporation of PROGESTIM into IL. The exchange ratio was calculated on the basis of the merger assets statements consisting of the accounts as at 31 December 2004, furthermore, taking into account the increase in the capital used for the merger of 32 newly issued ordinary IL shares, with a nominal value of €0.17 each, for every 5 PROGESTIM shares of a nominal value of €1 each. That exchange ratio – corresponding to 6.4 IL shares for every PROGESTIM share – was decided by the Board of Directors of PROGESTIM and of IL, assisted and advised, respectively, by LAZARD & CO. REAL ESTATE S.R.L. and of MEDIOBANCA – BANCA DI CREDITO FINANZIARIO S.P.A. and was considered fair by Reconta Ernst & Young, the auditors instructed as the expert in accordance with article 2501-sexies of the Civil Code, by the Presiding Judge of the Milan Court to produce the report on the reliability of the exchange ratio pursuant to the law.

The effect of that exchange ratio is that FONDIARIA-SAI will acquire control of IL after the merger.

The two companies, IL and PROGESTIM, have different but complementary characteristics, both operating in the property sector offering different services including facility management, property management and property consultancy. Recently, there have been considerable changes in that sector in supply and demand concerning in particular the development of property finance, which determined strong demand for the companies and the property funds.

The integration of the property assets and property services of the two companies involved will enable them to achieve a greater increase in value compared with the initiatives of the individual companies and

the creation of a large listed property operator, a leader in the management of property services on the market, thereby strengthening the current mission of PROGESTIM as a company in the FONDIARIA-SAI group involved in carrying out property services. The company produced by the merger will be the owner of important property initiatives which will be realised in the course of the next few years.

The operation will allow the new company to become a listed operator on the Italian market operating in all lines of the property business, with emphasis on the field of services.

That company will continue to be a leading supplier of services to the insurance group, however, the presence on the market as a listed operator will create greater opportunities and enable it to direct the services business more towards third party companies than occurs today mainly with the FONDIARIA-SAI Group.

The merger project was produced on the assumption that the following operations will be approved by IL and PROGESTIM before the merger:

- increasing the capital of IL by a nominal €128,000,004.00, intended to repay part of the remaining consolidated financial debt of IL with the shareholding banks which have subscribed to that increase of capital;
- increasing the capital of PROGESTIM by a nominal € 65m; these capital increases should be fully implemented before the merger deed is signed. The merger project is also based on the following further assumptions;
- up to 31 December 2005, maintenance of the property perimeter of IL existing on 31 December 2004, notwithstanding the sale commitments already signed by it on the date of the merger project;
- maintenance by FONDIARIA-SAI and/or other companies belonging to the same Group, of service contracts with PROGESTIM existing on the date of the merger project for at least five years from the date the merger deed is signed.

As it comes within its area of competence, the ANTITRUST Authority has considered that there are no grounds for starting the preliminary investigation, therefore, it is giving the green light for the merger operations.

The creditor financial institutions of IL have supported the proposal for rescheduling the remaining consolidated financial debts of IL.

Negotiations have taken place between PROGESTIM and IL relating to the corporate governance guidelines for the company after the merger, published pursuant to art. 122 of Legislative Decree no. 58/98. Within the scope of the agreements reached about the merger, FONDIARIA-SAI also took on the commitment not to transfer the IL shares which it will own (directly or through companies belonging to the same company Group) on the date the merger deed is signed.

That lock up commitment, also published pursuant to the stated rules, was taken on for a period of 12 months from the date the merger deed was signed and is conditional on the fact that the main shareholders of IL, by law or regulation or a requirement of the ITALIAN STOCK EXCHANGE, proceed in the stated times with the appropriate initiatives so that the minimum number of IL shares on the market is higher than the thresholds required for it to remain on the Telematic Share Market managed by the ITALIAN STOCK EXCHANGE.

Extraordinary meetings of the two companies will be held this September, so that the merger deed can be signed before the end of November and the start of December.

Project to upgrade and increase the value of the property complex called “TORRI DELL’EUR” in Rome

Following the tendering procedure started by FINTECNA for the initiative (“Alfiere Progetto”) to upgrade and increase the value of the property complex owned by FINTECNA situated in Rome, viale Europa 242, better known as “Torri dell’Eur” was the successful bidder introduced by the subsidiary PROGESTIM in a grouping With other leading operators in the sector.

That procedure was aimed at identifying the 50% partner of a vehicle company, Alfiere S.p.A. owned by FINTECNA, which retains the remaining 50% and will contribute the property complex to that vehicle company.

PROGESTIM has a 19% share in the grouping, jointly representing that of the other main members. After 30 June, all the participants in the consortium proceeded to incorporate a Newco, Progetto Alfiere S.p.A. in which the share capital, of €120,000, was subscribed according to the respective shares.

It is planned that Progetto Alfiere S.p.A. will acquire a share representing 50% of the share capital of Progetto Alfiere S.p.A. stated above. The initiative proposes continuing a programme of increasing the value of the property complex contributed to the vehicle company.

In the bid submitted, the a grouping Stated the amount of €160,800,000 was the transfer value of the property complex. For the purposes of the acquisition of that complex, the vehicle company will use part capital and financing paid by members and partly bank loans granted in its favour.

Garibaldi Repubblica property project

In the course of the half year, negotiations were held with the American property group HINES for the purpose of forming a joint venture with the FONDIARIA-SAI Group and for that, specifically with Milano Assicurazioni – for the construction of a property development project in an area in Milan, called “Garibaldi Repubblica”.

It is planned that the “Garibaldi Repubblica” project will develop approximately 110,00 square metres of building surface area, of which approximately 50,000 square metres for office use, approximately 10,000 square metres for commercial areas, approximately 15,000 square metres for residential areas, approximately 20,000 square metres for exhibition areas and approximately 15,000 square metres for accommodation.

The Implementing Agreement with the Commune of Milan was signed on 15 July and, on the same day, purchase and sale agreements with private individuals were signed and deeds for the exchange of private building rights again with the Commune of Milan. On the basis of the latest estimates, the total cost of the project can be quantified at approximately € 650m and the planned length of the initiative at approximately five years, with effect from 2005.

On 18 April 2005, Milano Assicurazioni acquired from the HINES Group a share of approximately 48% of the share capital of a company under Luxembourg law, called Garibaldi S.c.s. for the price of approximately € 15.34m through the acquisition of the quota share of a members’ loan for virtually the whole amount of the transaction. That company will control several company vehicles under Italian law which will develop the building areas, through another Luxembourg holding company.

The total economic commitment by Milano Assicurazioni is estimated at € 100m in the period 2005-2010 compared with expected income of € 130-140m in the same period. The Company’s investment will mainly take the form of granting interest-bearing financing for the participating interest Garibaldi S.c.s. and, to a lesser extent, through capital account payments.

Entering into the agreement with the Commune of Florence relating to the area in the Castello district owned by the subsidiary NIT

At the end of April, the agreement relating to the area in the Castello district owned by the subsidiary NIT was entered into with the Commune of Florence which, as it is well-known, is interested in a town planning project to upgrade the area with the construction of a new part of the city of Florence, with areas for public and private use.

This is a fundamental step towards the realisation of the initiative which, together with the current initiative in Milan with CITYLIFE concerning the former Fiera area, constitutes one of the most significant property projects in Italy at this time, due to its size and town planning significance.

The signature of the new agreement follows the final approval, on 17 January, by the Florence Communal Council, of the general variant to the Executive Town Planning Plan for the Castello area.

The approval, therefore, allows the project to enter its implementation stage, which in the mean time will relate to the design activity and it is presumed that the building work will not start before 2006.

Purchase of a property for use as a hotel in Parma by the subsidiary PROGESTIM –acquisition of fairness and legal opinions

The wholly-owned subsidiary Progestim S.p.A. entered into a contract with the company IM.CO. S.p.A.. The object of the contract is the purchase by Progestim of a property complex at a future date. The transaction relates specifically to the purchase of a complex for use as a hotel to be constructed by the company IM.CO. on land owned by the latter situated in Parma. The company Atahotels S.p.A. has stated that it is prepared to guarantee the return on the investment by managing the hotel complex and the additional ancillary structures. The price is €28,160,000, based on a valuation made by the independent advisor Scenari Immobiliari S.r.l..

IM.CO. and Atahotels are subsidiaries of Sinergia Holding di Partecipazioni S.p.A., a company with a holding in Premafin Finanziaria S.p.A. and in which some of the Company's directors also have interests and shareholdings.

Careful studies and research have ascertained that the area is completely suitable due to its location and its connections for the construction of a complex consisting of accommodation, a conference centre, a well-being centre and sports and recreational facilities.

It is a breathtaking intervention carefully assessed on the basis of the forecasts for the economic and cultural revival of the city of Parma and related areas. It is likely that there will be a considerable increase in the number of visitors from European Union countries following the installation of the headquarters of the European Food Safety Authority (EFSA).

The company structure of IM.CO. and Atahotels shows the latter to be related parties of the Company, so that, on the preliminary examination of the transaction, the Board decided to acquire suitable fairness and legal opinions, as stipulated; in the corporate governance system adopted by the Company, stating that, for Fondiaria-SAI, the transaction stated above is a transaction with related parties carried out through a subsidiary.

Progestim instructed KPMG Corporate Finance to produce a fairness opinion on the transaction and the firm of lawyers Ashurst was instructed to produce the legal opinion.

KPMG Corporate Finance considered the sale price for the property appropriate at a future date, equivalent to the value identified from the result in the expert report stated above.

For its part, the legal opinion provided justification for the draft contract (sale in the future) and made suggestions about the content of the contract.

In expressing its definitive favourable opinion on the transaction, the Board of Fondiaria-SAI fully shared the assessments and considerations provided by KPMG Corporate Finance and the legal assessments made by the firm of lawyers Ashurst.

Property transaction relating to land owned by the subsidiary PROGESTIM in the San Donato Milanese district – acquisition of fairness and legal opinions

Agreements were entered into for the transfer by the subsidiary Meridiano Secondo S.r.l. (100% Progestim, in turn 100% Fondiaria-SAI) to the company I.C.E.IN. S.p.A. of land and the purchase from I.C.E.IN., by Progestim, of a property complex to be constructed on that land at a future date.

The transaction consists in particular of two separate parts carried out at the same time, that is:

- transfer by Meridiano Secondo of a building site situated in San Donato Milanese to I.C.E.IN., a subsidiary of Sinergia Holding di Partecipazioni S.A., a company with a holding in Premafin Finanziaria S.p.A. and in which some of the Company's directors have interests and holdings;
 - purchase from I.C.E.IN., by Progestim, in the future of a property complex to be used to provide accommodation, to be constructed on that building site referred to above, with deferred payment of the price on the basis of the progress of the works, consequently taking on the obligation to construct the property complex in accordance with the specification approved for the project.
- Furthermore, it is planned that the property will be rented subsequently to the company Atahotels, which will pay an annual rent proportional to the value of the property.

The sale price of the land is €4,600,000, corresponding to the value stated in the expert report produced by the independent advisor Scenari Immobiliari, whereas the purchase price of the finished property complex is fixed, without any possibility of revision, at €18,000,000, also determined on the basis of a valuation made by the independent advisor Scenari Immobiliari, with deferred payment on the basis of the progress of the works.

Through the transaction in question, Progestim transferred any business risks to the construction company, with the latter taking on any organisational and worksite control type commitments and, therefore, with Progestim merely retaining the role of investor. Furthermore, the purchase price fixed at the start guarantees against any revision of the prices of the materials and the manpower. Therefore, at the end of the operations, Progestim will be the owner of a property asset at market values, without taking on any business charges (and the related risks) typical of the construction business, therefore restricting its intervention to that of an institutional investor, with the guarantee of business income, as stated, from the rental to Atahotels.

The company structure of I.C.E.IN. and Atahotels shows the latter to be related parties of the Company, so that, on the preliminary examination of the transaction, the Board decided to acquire appropriate fairness and legal opinions, as stipulated in the corporate governance system adopted by the Company, stating that, for FONDIARIA-SAI, the transaction stated above is a transaction with related parties through a subsidiary.

Progestim instructed KPMG Corporate Finance to produce a fairness opinion on the transaction and the firm of lawyers Ashurst was instructed to give a legal opinion.

KPMG Corporate Finance considered the sale price of the land and the purchase price of the property at a future date appropriate, in view of the values determined from the above-mentioned expert valuation..

For its part, the legal opinion provided justification for the type of draft contract (cash sale of the land and sale in the future of the property) and made suggestions about the content of the contract.

In expressing its definitive favourable opinion on the transaction, the Board of Fondiaria-SAI fully shared the valuation stated by KPMG Corporate Finance and the legal assessments made by the firm of lawyers Ashurst.

Grand Hotel Fiera Milano

On 28 June 2005, through its wholly-owned subsidiary, MERIDIANO RISPARMIO S.r.l., the Company purchased a property for use as a tourist-hotel called the GRAND HOTEL FIERA MILANO, for the price of € 20,000,000, following a competitive tendering procedure announced by the company SISTEMA SVILUPPO FIERA, as the agent of the FONDAZIONE FIERA MILANO.

The Company arranged to equip its own subsidiary with the necessary assets and financial resources for this.

Financial management

With regard to the guidelines for the financial activities carried out in the first half of the year, please refer to the parent company's report, considering that the business is managed and co-ordinated at Group level.

Own shares, shares in the holding company and shares in companies that are subsidiaries of the latter

Please refer to what is set out in the parent company's report.

Debts

As at 30/06/2005, the debt situation of the Fondiaria-SAI S.p.A. Group is as follows:

(€K)	30/06/2005	31/12/2004	Variations
Subordinated loan	400.0	400.0	-
Mandatory	180.4	180.4	-
Borrowings from banks and other loans	26.7	29.7	(3.0)
TOTAL	607.1	610.1	(3.0)

On 12 December 2002, the acquiring institution SAI entered into a loan agreement with MEDIOBANCA based on which the latter had made available to the Company the amount of € 400m, in order to increase the component elements of the solvency margin. On the basis of the understandings reached with Mediobanca and with ISVAP authorisation, in July 2003, a new subordinated loan for the same amount was acquired by FONDIARIA-SAI, at the same time repaying the existing loan early.

Subsequently, again following authorisation from ISVAP, some of the terms of the loan were renegotiated, to give its structure greater stability.

For more details about the new loan, please refer to what has been stated in great detail in the accounts booklets.

On 27 September 2004, the Luxembourg subsidiary SAINTERNATIONAL S.A. issued Mandatory Exchangeable Guaranteed Notes exclusively with BANCA INTESA ordinary shares owned by FONDIARIA-SAI, maturing on 29 September 2010.

The issue was approved by the market. The placement was arranged by MEDIOBANCA, which acted as the sole bookrunner for the transaction and it concluded on 27 September.

Bonds with a total nominal value of €180,400,000 will be repayable at maturity by handing over 44,000,000 ordinary BANCA INTESA shares, owned today by FONDIARIA-SAI, at the swap price of € 4.10 per share and therefore with a premium of 35.13% compared with the price of the ordinary BANCA INTESA shares at the time the bid price was decided.

The annual coupon on the bonds and the return at maturity are 6.10%.

FONDIARIA-SAI and SAINTERNATIONAL have granted a lock-up period of 90 days on the BANCA INTESA shares, during which they will not carry out any transaction on that security.

The listing for admission of the bonds on the Luxembourg Stock Exchange was prepared on 21 October.

The commitment of the issuer SAINTERNATIONAL arising out of the debenture loan in question, relating essentially to the payment in favour of the noteholders, of coupons for the whole term of the loan is covered by an appropriate guarantee policy issued by FONDIARIA-SAI, with a contracting party SAINTERNATIONAL and insured by THE LAW DEBENTURE TRUST CORPORATION p.l.c., in its capacity as Trustee, in its own capacity and in the interest of the noteholders.

However, with regard to the commitment by SAINTERNATIONAL to hand over the BANCA INTESA shares in the conversion, FONDIARIA-SAI directly took on the commitment to the noteholders to hand over the shares.

That transaction allowed the Fondiaria-SAI Group to rebalance the mix of investments, reorganising the shareholding component of the portfolio at a later date.

The “Borrowings from banks and other loans” item includes the remainder, of € 25.4m, of the financing agreement and mortgage taken out by the subsidiary I.S. s.r.l. with The Royal Bank of Scotland, to which € 1.3m is added attributable to temporary debt positions of an insignificant unitary amount.

DISPUTES IN PROGRESS

Please refer to the parent company's report for this. There were no disputes involving the subsidiaries.

SIGNIFICANT EVENTS OCCURRING AFTER THE HALF YEAR CLOSURE

Company reorganisations

Work on the rationalisation and simplification of the company structures of the various component entities of the Group continued. The following operations are highlighted:

Novara Assicura S.p.A.

In the course of July 2005, the indirect subsidiary NOVARA ASSICURA S.p.A. (100% MILANO ASSICURAZIONI) submitted to ISVAP an application for authorisation in the financial year to write business in some non-life sectors, including the motor TPL class. At the same time, an application for authorisation for the transfer by MILANO ASSICURAZIONI of 50% of the capital of NOVARA ASSICURA in favour of the BANCO POPOLARE DI VERONA E NOVARA was submitted to the supervisory authority.

Subject to the issue of the above-mentioned authorisations, the partnership between the two Groups in the non-life banking insurance sector may be started through the placement of non-life insurance products realised by NOVARA ASSICURA through the branches of the BANCA POPOLARE DI NOVARA, subsidiary of the BANCO POPOLARE DI VERONA E NOVARA.

Integration of FINITALIA S.p.A. and MY FIN S.p.A.

FINITALIA (60% MILANO, 40% FONDIARIA-SAI) is carrying out its business in the field of the granting personal loans and individual loans for the payment of insurance premiums. To date, the company is running its own service to policyholder customers through the agency networks of the companies of the former FONDIARI Group; moreover, the extension of the service to policyholder customers is also planned through the agency network of all the other companies in the FONDIARIA-SAI Group and through the merger of the FONDIARIA-SAI division SAI network with MY FIN.

For its part, MY FIN today is a 100% participating interest of SAIFIN S.P.A. (in turn 100% FONDIARIA-SAI) and its business, reduced compared with FINITALIA, is aimed essentially at financing insurance policies in the SAI network division of FONDIARIA-SAI, using the revolving system for conventions.

The planned merger – which will take place through the incorporation of MY FIN into FINITALIA – will allow the business to be rationalised and the structures to be strengthened, guaranteeing the necessary

resources for sustaining the development of the consumer credit business to service the agency networks of the companies in the Group and the companies under conventions.

The merger will take place within the current financial year in simplified form, without establishing any exchange, subject to concentration of the shareholding in the company produced by the merger in the subholding SAIFIN. For that purpose, the sale by MILANO and FONDIARIA-SAI of 100% of FINITALIA to SAIFIN will precede the entering into the merger deed.

The acquisition of 100% of FINITALIA by SAIFIN, already authorised in advance by ISVAP pursuant to the law, will take place on the basis of the value attributed by KPMG CORPORATE FINANCE, assigned the task, to the economic capital of FINITALIA as at 31 March 2005 of approximately € 31.3m.

Merger through incorporation of FIRST LIFE S.P.A. into MILANO ASSICURAZIONI S.P.A.

FIRSTLIFE is a virtually inactive life insurance company, which has set up an open pension fund. The transaction will allow MILANO ASSICURAZIONI to start direct operations in the pension funds sector. In view of that merger, on 3 August 2005, the direct wholly-owned subsidiary SAI HOLDING ITALIA S.p.A. sold the entire share capital of FIRST LIFE to MILANO ASSICURAZIONI, at the price of € 13,700,000, as shown in the relevant valuation produced for that purpose by KPGM CORPORATE FINANCE, subject to authorisation from ISVAP.

It is planned that the merger may be completed by the end of the current financial year, subject to ISVAP authorisation.

Merger through incorporation of PRONTO TUTELA GIUDIZIARIA S.P.A. into PRONTO ASSISTANCE S.P.A.

Considering the fact that PRONTO TUTELA GIUDIZIARIA is basically inactive and, in order to allow the Group to continue to have a sole company operating in the Legal Protection class (and, specifically, EUROPA TUTELA GIUDIZIARIA S.p.A.), it decided to carry out the merger through incorporation of PRONTO TUTELA GIUDIZIARIA into PRONTO ASSISTANCE, a wholly-owned subsidiary of the incorporating entity.

It is planned that the merger may be completed by the end of the current financial year, subject to ISVAP authorisation.

Start of negotiations to define a banking insurance agreement with Banca Popolare di Milano

In July, exclusive negotiations started with BANCA POPOLARE DI MILANO to look at in more detail and define all the aspects relating to the possible signing of a banking insurance agreement.

The understandings reached to date plan that the exclusive negotiations will last until 31 October 2005.

Any agreement would provide for the sale by BANCA POPOLARE DI MILANO and the subsidiary BANCA DI LEGNANO of a 46% holding in the share capital of BIPIEMME VITA S.p.A. to the FONDIARIA-SAI Group, subject to authorisation from the competent authorities.

The terms for the changeover would also be negotiated, in the 18 months following that sale, for the transfer of a further 5% of the capital of BIPIEMME VITA, with the consequent acquisition of the control of the latter by the FONDIARIA-SAI Group.

On the basis of a first general estimate, the value of the transaction may be stated at approximately Euro 80/90 million.

BIPiemme VITA is the insurance company of the Banca Popolare di Milano Group which operates through approximately 720 branches of the Group with premium income in 2004 of € 518 m, mainly relating to index and unit-linked policies. BIPiemme VITA closed the 2004 financial year with a net profit of € 11.8m and equity of € 52.2m and net technical provisions of € 2,708.1m.

In its search for a partnership with another leading standing party, BANCA POPOLARE DI MILANO is intended to allow BIPiemme VITA, in the current context of a market characterised by refocusing customers towards traditional insurance products, of meeting the requirements of its own customers from the point of view of growth at organisational level. From this point of view, the FONDIARIA-SAI Group will contribute commercial and technical know-how to BIPiemme VITA, in particular in the planning and development of new products, and a significant organisation and management support to insurance departments.

For the FONDIARIA-SAI Group, the agreement will represent a further opportunity for development in the life sector where the Group earned € 2,807m of premiums in the 2004 financial year, including € 936m through the banking insurance channel. From the industrial point of view, the operation is consistent with the current banking insurance agreements of the FONDIARIA-SAI Group which will continue to be strategic within the scope of the company's growth policies.

In the event of a favourable outcome of the negotiations, the agreements – and the relevant transfer of the first tranche of capital of BIPiemme VITA, subject to the issue of the authorisations by the competent authorities – could be signed in the first months of 2006.

Property assets

Competitive bidding announced by Fintecna for the valuation of the former tobacco factory in Florence

On 14 July 2005, the company FINTECNA communicated to the subsidiary PROGESTIM its acceptance of the binding offer of a partnership for the recovery, conversion and development of the property complex in Florence, the former tobacco factory, owned by FINTECNA. That offer was submitted by PROGESTIM within the scope of the a grouping of companies (called the "Cordata Metropolis") of which PROGESTIM, BALDASSINI-TOGNOLI and CONSORZIO ETRURIA are a part, each with a 29.73% share, in addition to minor components. The value of the offer submitted by Cordata Metropolis is for € 70m for the property complex.

The procedure started by FINTECNA was aimed at identifying a 50% partner in a new company "the vehicle company" in which FINTECNA will hold the remaining 50%, which will acquire the ownership of properties for the task of recovering and converting them.

At the end of July, Cordata was converted into a capital company (the Newco) in which PROGESTIM continues to have a 29.73% holding. The Newco was called "Metropolis", is in the form of a "società per azione" (public limited company) with a share capital of € 120,000 and will hold a joint share with FINTECNA (50% each) in company owning the property.

A loan will be granted in favour of the company by leading Italian banks aimed at carrying out the project.

Business Outlook

The economic result in the half year is substantially consistent with what was stated in the Group's industrial plan. In the course of the second half of the year, the actions and interventions aimed at achieving internal and external growth targets will continue. In particular, in the motor classes, the target will consist of maintaining the current market share and current profitability, whereas the direction in the non-motor classes will be to increase the market share, although with a highly selective approach, maintaining and improving the current returns.

In this context, an important role may be played by the development of additional commercial channels, consistently with what is taking place in other countries.

In the life business, the management targets will involve paying greater attention to traditional type products and an approach aimed at the new market of supplementary pensions. Similarly, in order to respond effectively to the new company requirements in terms of protecting customers' savings and meeting the demand for assistance in a context where the response of the public sector will tend to be less incisive compared with the past.

The assets and financial management will continue the action already undertaken aimed at rebalancing the mix of the company's assets with a further fluctuation of the shareholding component of the total assets managed and through a reduction in the volatility of the portfolio also through cover operations.

Activity in the property sector will continue, especially through the subsidiaries, and will be prepared to consolidate the initiatives started to improve the returns and increasing the value of the existing assets.

2005 is also the financial year in which the operational integration plan and realisation of synergies will conclude, implemented following the merger between SAI and Fondiaria: consequently, the successive plan will no longer be directed towards the internal rationalisation of processes and structures, but will be mainly directed towards development and growth, especially in quality.

Having considered the results achieved in the first half of the financial year, the prospects for the second part of the year are very positive and, notwithstanding any extraordinary events, not assumed to date, the final result for the 2005 financial year will be at satisfactory levels.

Milan, 9 September 2005

*On behalf of the Board of Directors
The Chairman*

Jonella Ligresti

COMPANY FONDIARIA - SAI

Head Office: Florence

CONSOLIDATED HALF-YEARLY REPORT AS OF 30/06/2005

ASSETS		As at 30th June of the current financial year	As at 30th June of the previous financial year	As at 31st December of years for subscribed share capital
A. Credits to shareholders for subscribed share capital not paid up		1 77	77	153
B. Intangible assets				
1. Acquisition costs to be depreciated		2 308 78	276 154	294
2. Other assets		3 663 79	743 155	704
3.Consolidation difference		4 173 80	194 156	177
Total		5 1,144 81	1,213 157	1,175
C. Investments				
I - Land and buildings		6 2,107 82	2,385 158	2,052
II - Inv. in companies of the Group and other participating interests		7 336 83	436 159	326
1. Shares and holdings		8 4 84	4 160	4
2. Bonds		9 27 85	13 161	21
3.Finance		10 367 86	453 162	351
Total investment in companies of the group and other participating interests				
III - Other financial investments:		11 2,819 87	2,834 163	2,773
1. Shares and holdings		12 689 88	234 164	638
2. Shares of common investment funds		13 17,210 89	15,744 165	16,305
3. Bonds and other fixed income securities		14 152 90	145 166	151
4. Finance		15 100 91	251 167	59
5.Others		16 20,970 92	19,208 168	19,926
Total other financial investments				
IV - Deposits with ceding undertakings		17 67 93	59 169	53
Total		18 23,511 94	22,105 170	22,382
D. Investments for the benefit of insured in life branches who support the risk of these and deriving from the pension fund management		19 4,037 95	3,245 171	3,697
D.bis Technical reserves that are the responsibility of the reinsurer				
I - Technical reserves, life branches		20 781 96	1,029 172	822
II - Tech. res., life b.(excl. tech. res. according to II		21 208 97	264 173	247
III - Technical reserves, life branches, if the risk of the investment is borne by the insured and reserves deriving from the pension fund management		22 98	174	
Total		23 989 99	1,293 175	1,069
E. Credits				
I - Credits deriving from direct insurance operations		24 2,192 100	1,774 176	2,098
II - Credits deriving from reinsurance operations		25 136 101	278 177	250
III -Other credits		26 704 102	718 178	748
Total		27 3,032 103	2,770 179	3,096
F. Other elements of the assets				
I - Material assets and stocks		28 37 104	40 180	40
II - Liquid availability		29 757 105	552 181	555
III - Shares or own holdings		30 201 106	150 182	171
IV - Other assets		31 791 107	667 183	615
Total		32 1,786 108	1,409 184	1,381
G. Accrued income and pre-payments		33 224 109	215 185	214
TOTAL ASSETS		34 34,723 110	32,250 186	33,014

Values in million Euros)

LIABILITIES	As at 30th June of the current financial year	As at 30th June of the previous financial year	As at 31st December of the previous financial year
A. Nett equity			
I - Group nett equity			
1. Share capital subscribed or equivalent fund	35 171	111 171	187 171
2. Assets reserves	36 2,083	112 1,998	188 1,973
3. Consolidation reserve	37 184	113 181	189 181
4. Reserve for valuation difference on non-consolidate share-holdings	38 -7	114 -4	190 -3
5. Reserve for conversion difference	39	115 191	
6. Reserve for own shares and of the parent company	40 238	116 168	192 197
7. Profit (loss) for the period	41 202	117 144	193 274
Total nett assets of the group	42 2,871	118 2,658	194 2,793
II - Nett assets of third partie:			
1. Third party capital and reserves	43 556	119 460	195 479
2. Profit (loss) of the period of third partie	44 51	120 48	196 109
Total nett assets of third parties	45 607	121 508	197 588
Total	46 3,478	122 3,166	198 3,381
B. Subordinated liabilities	47 400	123 400	199 400
C. Technical reserves			
I - Non-life branches			
1. Premiums reserve	48 2,596	124 2,520	200 2,457
2. Claims reserve	49 8,943	125 9,096	201 9,011
3. Equalisation reserves	50 15	126 12	202 14
4. Others	51 10	127 11	203 11
Total technical reserves, non-life branches	52 11,564	128 11,639	204 11,493
II - Life branches			
1. Actuarial reserve	53 11,831	129 10,981	205 11,233
2. Reserve for amounts payable	54 113	130 86	206 84
3. Others	55 130	131 127	207 132
Total technical reserves, life branches	56 12,074	132 11,194	208 11,449
Total	57 23,638	133 22,833	209 22,942
D. Technical reserves if the investment risk is borne by the insured and reserves deriving from pension fund management	58 4,034	134 3,240	210 3,692
E. Funds for risks and charges	59 706	135 567	211 807
F. Deposits received from reinsurers	60 300	136 321	212 306
G. Payables and other liabilities			
I - Debts deriving from direct insurance operation	61 310	137 172	213 184
II - Debts deriving from reinsurance operation	62 137	138 202	214 109
III - Convertible bond loads	63 180	139 215	215 180
IV - Debts to banks and financial institutes	64 26	140 31	216 28
V - Debts and various loans	65 558	141 606	217 309
VI - Subordinated severance fund	66 87	142 88	218 89
VII - Other liabilities	67 855	143 618	219 584
Total	68 2,153	144 1,717	220 1,483
H. Accrued liabilities and deferred income	69 14	145 6	221 3
TOTAL ASSETS	70 34,723	146 32,250	222 33,014

GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS

I - Guarantees issued	71 142	147 588	223 188
II - Guarantees rec'd/issued by 3rd parties in the interest of consolidated cos	72 574	148 343	224 417
III - Commitments	73 1,719	149 945	225 1,977
IV - Relevant assets of the managed pension funds in name of and on behalf of 3rd parties	74	150 226	
V - Others	75 26,135	151 21,365	227 22,786
TOTAL MEMORANDUM ACCOUNTS	76 28,570	152 23,241	228 25,368

CONSOLIDATED PROFIT AND

	As at 30th June of the current financial year	As at 30th June of the previous financial year	As at 31st December of the previous financial year
I. TECHNICAL ACCOUNT, NON-LIFE BRANCHES			
1. Relevant premiums, nett of reinsurance cessions	1 3.381 ⁴⁹	3.326 ⁹⁷	6.661
2. Other technical income, nett of reinsurance cessions	2 7 ⁵⁰	23 ⁹⁸	46
3. Charges relating to claims, nett of recoveries and reinsurance cessions	3 2.435 ⁵¹	2.395 ⁹⁹	4.709
4. Variation in other technical reserves, nett of reinsurance cessions	4 -1 ⁵²	100	
5. Refunds and shares in profits, nett of reinsurance cessions	5 53	101	
6. Management costs:			
a) Acquisition costs, nett of commissions and shares in profits received by reinsurers	6 517 ⁵⁴	503 ¹⁰²	1.023
b) Administration costs	7 151 ⁵⁵	137 ¹⁰³	265
Total	8 668 ⁵⁶	640 ¹⁰⁴	1.288
7. Other technical charges, nett of reinsurance cessions	9 87 ⁵⁷	146 ¹⁰⁵	205
8. Variations in equalisation reserves	10 1 ⁵⁸	1 ¹⁰⁶	3
9. Result of profit and loss account, non-life branches	11 198 ⁵⁹	167 ¹⁰⁷	502
II. TECHNICAL ACCOUNT, LIFE BRANCHES			
1. Premiums for the financial year nett of reinsurance cessions	12 1.541 ⁶⁰	1.463 ¹⁰⁸	2.781
2. (+) Share of profit of investments transferred from non-technical account (item III. 5)	13 248 ⁶¹	241 ¹⁰⁹	461
3. Income and capital gains not achieved relating to investments for the benefit of insured who support their risk and the investments deriving from the management of the pension fund	14 206 ⁶²	131 ¹¹⁰	313
4. Other technical income, nett of reinsurance cessions	15 3 ⁶³	3 ¹¹¹	5
5. Charges relating to claims, nett of reinsurance cessions	16 884 ⁶⁴	843 ¹¹²	1.693
6. Variation in actuarial reserves and other technical reserves nett of reinsurance cessions			
a) Actuarial reserves, premiums reserve of additional insurance and other technical reserves	17 606 ⁶⁵	450 ¹¹³	776
b) Technical reserves if the risk of the investment is borne by the insured and deriving from the pension fund management	18 341 ⁶⁶	375 ¹¹⁴	774
Total	19 947 ⁶⁷	825 ¹¹⁵	1.550
7. Refunds and share in profits, nett of reinsurance cessions	20 68	3 ¹¹⁶	4
8. Management costs:			
a) Acquisition costs nett of commissions and shares in profits received by reinsurers	21 61 ⁶⁹	55 ¹¹⁷	100
b) Administration costs	22 33 ⁷⁰	30 ¹¹⁸	71
Total	23 94 ⁷¹	85 ¹¹⁹	171

LOSS ACCOUNT

(Amounts in million Euros)

	As at 30th June of the current financial year	As at 30th June of the preceding financial year	As at 31st December of the preceding financial year
9. Assets and financial charges and capital losses not achieved relating to investments for the benefit of insured who support the risks of them and investments deriving from pension fund management	24 28 72	24 120 38	
10. Other technical charges nett of reinsurance cessions	25 11 73	8 121 16	
11. Result of the technical account, life branches	26 34 74	50 122 88	
III. NON-TECHNICAL ACCOUNT			
1. Result of the technical account, non-life branches (item I. 9)	27 198 75	167 123 502	
2. Result of the technical account, life branches (item II. 1)	28 34 76	50 124 88	
3. Income from investments			
a) Income deriving from investments	29 441 77	408 125 775	
b) Increases in value adjustments on investments	30 26 78	22 126 36	
c) Profits on realising investments	31 125 79	148 127 171	
Total	32 592 80	578 128 982	
4. Assets and financial charges			
a) Management charges for investments and debit interest	33 41 81	45 129 90	
b) Value adjustments on investments	34 17 82	72 130 113	
c) Losses on realising investments	35 75 83	29 131 62	
Total	36 133 84	146 132 265	
5. (-) Share of profit of investments transferred to technical account life branches (item II. 2)	37 248 85	241 133 461	
6. Other income	38 80 86	82 134 183	
7. Other expenses	39 167 87	152 135 374	
8. Result of ordinary activities	40 356 88	338 136 655	
9. Extraordinary income	41 53 89	51 137 179	
10. Extraordinary expenses	42 27 90	60 138 146	
11. Result of extraordinary activities	43 26 91	-9 139 33	
12. Result before tax	44 382 92	329 140 688	
13. Tax on result for period	45 129 93	137 141 305	
14. Consolidated result	46 253 94	192 142 383	
15. Profit (loss) for period relating to third parties	47 51 95	48 143 109	
16. Profit (loss) of group	48 202 96	144 144 274	

B) General Drafting Criteria and Basis of Consolidation

Consolidation principles

The same consolidation principles as those used to produce the last consolidated accounts were applied to the half year report. Please refer to what is published in the accounts documents for a description of these. Any references to the date of 31/12 must be understood to be 30/06.

The six monthly reports approved by the Boards of Directors of the respective companies were used to prepare the half year report. In cases where these reports have not yet been approved, appropriate half year statements examined by the respective administrative bodies were consolidated.

Basis of consolidation

The criteria used to define the basis of consolidation are the same as those used to produce the last consolidated accounts as at 31/12/2004. On 30/06/2005, the Fondiaria-SAI Group includes 101 companies, including the parent company. There are 55 fully consolidated companies; 17 were consolidated using the net equity method and the remainder were valued at the book value or consolidated using the proportional method. There are 82 subsidiaries, of which 36 are controlled directly by the parent company. 15 companies have their offices abroad.

In the first half of 2005, the following changes occurred:

- Milano Assicurazioni spa purchased a holding of 47.95% in the company GARIBALDI S.C.S..
- the parent company's holding in Sasa Assicurazioni e Riass. Spa increased from 94.98% to 99.99%.
- the holding of Sai Holding Italia in Siat increased from 87.82% to 87.97%.
- 20% of the shareholdings of SAI Investimenti SGR S.p.A. were sold by the parent company Fondiaria-Sai to Premafin Finanziaria HP S.p.A..

Finally, we would point out that the company NOVARA DANNI changed its company name to NOVA ASSICURA S.p.A. and, pursuant to art. 2359, para 1 no. 3 of the Civil Code, the subsidiary UNISERVIZI SCARL controls the service companies WAVE TECHNOLOGY S.r.l. and WAVE LOGISTICA S.r.l., although it does not hold any shareholding in those companies.

Percentage control

	Sector	Direct	Indirect	Group interest
SUBSIDIARIES Fully consolidated subsidiaries				
BIM VITA S.p.A. Turin Share capital €7,500,000	Insurance	50.-		50.-
CASCINE TRENNO S.r.l. Turin Share capital €10,000	Property		PROGESTIM S.p.A. 100.-	100.-
COLPETRONE S.r.l. Umbertide (PG) Share capital €10,000	Agricultural		SAIAGRICOLA S.p.A. 100.-	97.41
CONSORZIO CASTELLO Florence Share capital €51,000	Property		NUOVE INIZIATIVE TOSCANE S.r.l. 99.66	98.47
DIALOGO ASSICURAZIONI S.p.A. Milan Share capital €8,831,774	Insurance		MILANO ASSICURAZIONI S.p.A. 99.85	61.79
DOMINION INSURANCE HOLDING Ltd London (GB) Share capital GBP 35,438,267.65	Financial	100.-		100.-
EFFE FINANZIARIA S.p.A. Florence Share capital €516,500	Financial		THE LAWRENCE RE IRELAND Ltd 100.-	100.-
EFFE SERVIZI S.r.l. Florence Share capital €45,900	Services	60.-	MILANO ASSICURAZIONI S.p.A. 40.-	84.76
EFFE VITA COMPAGNIA DI ASS.NI SULLA VITA S.p.A. Florence Share capital €6,240,000	Insurance	100.-		100.-
EUROPA TUTELA GIUDIZIARIA S.p.A. Milan Share capital €5,160,000	Insurance	100.-		100.-
EUROSAI FINANZIARIA DI PARTECIPAZIONI S.r.l. Turin Share capital €1,305,600	Financial		SAINTERNATIONAL S.A. 99.- SAIFIN-SAIFINANZIARIA S.p.A. 1.-	100.-
FINSAI INTERNATIONAL S.A. Luxembourg Share capital €22,801,140	Financial	38,256	SAILUX S.A. 61,474	100.-
FIRST LIFE S.p.A. Turin Share capital €10,329,000	Insurance		SAI HOLDING ITALIA S.p.A. 100.-	100.-
FONDIARIA NEDERLAND B.V. Amsterdam (NL) Share capital €19,070	Financial	100.-		100.-

FONDIPREV S.p.A. Florence Share capital €6,240,000	Insurance	40.-	MILANO ASSIURAZIONI S.p.A. 60.-	77.13
IENA PRESBOURG S.A. Paris Share capital €60,979.61	Property		SIM ETOILE S.A. 99.80	99.80
INSEDIAMENTI AVANZATI NEL TERRITORIO I.A.T. S.p.A. Rome Share capital €2,580,000	Property		PROGESTIM 100.-	100.-
INTERNATIONAL STRATEGY S.r.l Turin Share capital €26,000	Property	100.-		100.-
LAWRENCE LIFE Vaduz (LIE) Share capital ChF5,000,000	Property		THE LAWRENCE LIFE ASS. COMPANY Ltd 99.90	99.90
MAA FINANZIARIA S.p.A Milan Share capital €774,000	Property		MILANO ASSICURAZIONI S.p.A 100.-	61.89
MERIDIANO BELLARMINO S.r.l Turino Share capital €10,000	Property		PROGESTIM S.p.A 100.-	100.-
MERIDIANO BRUZZANO S.r.l Turin Share capital €10,000	Property		PROGESTIM S.p.A 100.-	100.-
MERIDIANO EUR S.r.l Milan Share capital €10,000	Property		MILANO S.p.A 100.-	61.89
MERIDIANO ORIZZONTI S.r.l Milano Share capital €10,000	Property		MILANO S.p.A 100.-	61.89
MERIDIANO PRIMO S.r.l Turin Share capital €10,000	Property		PROGESTIM S.p.A 100.-	100.-
MERIDIANO RISPARMIO S.r.l Milan Share capital €10,000	Property	100.-		100.-
MERIDIANO SECONDO S.r.l Turin Share capital €10,000	Property		PROGESTIM S.p.A 100.-	100.-
MILANO ASSICURAZIONI S.p.A Milan Share capital €238,859,411.08	Insurance	59.33	EFFE FINANZIARIA 1.162 NOVARA VITA 0.021 PRONTO TUTELA 0.071 SAI HOLDING 0.664	61.89
NOVARA VITA ASSICURA S.p.A Novara Share capital €13,000,00	Various		MILANO ASSICURAZIONI S.p.A 100.-	61.89
NOVARA VITA S.p.A Novara Share capital €54,000,000	Insurance		SAI HOLDING ITALIA S.p.A 50.-	50.-
NUOVE INIZIATIVE TOSCANE S.r.l Florence Share capital €26,000,000	Property	96.88	MILANO ASS. S.p.A 3.12	98.81
PORTOFINOVETTA S.r.l Florence Share capital €10,400	Property	100.-		100.-

PROGESTIM – Società di Gestione Immobiliare S.p.A Share capital €300,000,000	Property	100.-		100.-
PRONTO ASSISTANCE S.p.A Turin Share capital €2,500,000	Insurance	100.-		100.-
PRONTO TUTELA GIUDIZIARIA COMPAGNIA DI ASSICURAZIONI S.p.A Turin Share capital €1,500,000	Insurance		PRONTO ASSISTANCE S.p.A 100.-	100.-
SAIAGRICOLO S.p.A Turin Share capital €50,000,000	Agriculture	92.00 4	MILANO S.p.A 6,804 PRONTO ASSISTANCE S.p.A 1.192	97.41
SAIFIN – SAIFINANZIARAI S.p.A Turin Share capital €102,258,000	Financial	100.-		100.-
SAIINTERNATIONAL S.A Luxemburg Share capital €154,000,000	Financial	99.99 9		99.999
SAI HOLDING ITALIA S.p.A Turin Share capital €143,100,000	Financial	100.-		100.-
SAILUX – S.A. Luxemburg Share capital €30,000,000	Financial		SAIFIN-SAIFINANZIARIA S.p.A 99.99 FINSAI INT 0.01	100.-
SANTA MARIA DEL FICO S.r.l Umbertide (PG) Share capital €78,000	Agriculture		SAIAGRICOLO S.p.A 100.-	97.53
SASA ASSICURAZIONI RIASS. S.p.A Trieste Share capital €52,000,000	Insurance	99.99		99.99
SASA VITA S.p.A Trieste Share capital €8,500,000	Insurance	50.-	SASA ASS. RIASS. S.p.A 50.-	100.-
SERVICE GRUPPO FONDIARIA-SAI S.p.A Florence Share capital €104,000	Services	70.-	MILANO ASS. NI S.p.A 30.-	88.57
SIAT SOCIETÀ ITALIANA ASSICURAZIONI E RIASSICURAZIONI S.p.A Geneva Share capital €38,000,000	Insurance		SAI HOLDING ITALIA S.p.A 87.97	87.97
SIM DEFENSE S.A Paris Share capital €24,429,955.01	Property		SIM ETOILE S.A. 99.99 IENA PRESBOURG S.A 0.01	100.-
SIM ETOILE S.A. Paris Share capital €3,048,980.30	Property	100.-		100.-
SRP ASSET MANAGEMENT S.A. Lugano Share capital €1,000,000	Services		SAINTERNATIONAL S.A. 100.-	100.-

STIMMA S.r.l Florence Share capital €10,000	Property	100.-		100.-
SYSTEMA COMPAGNIA DI ASS.NI S.p.A Milan Share capital €5,164,600	Insurance		MILANO ASS.NI S.p.A 100.-	61.89
THE LAWRENCE RE IRELAND Ltd Dublin (IRL) Share capital €125,000	Insurance		Fondiaria ned. 100.-	100.-
THE LAWRENCE LIFE ASSURANCE Co Ltd Dublin (IRL) Share capital €802,886	Insurance		FONDIARIA NED. 100.-	100.-
TRENNO OUEST S.r.l Turin Share capital €10,000	Property		PROGESTIM S.p.A 100.-	100.-
UNISERVIZI Gruppo Fondiaria S.c.a.r.l Milano Share capital €5,200,000			MILANO ASS.NI 56.80 EFFE VITA 1.- SYSTEMA COMPAGNIA 1.- STIMMA 1.- DIALOGO ASS.NI 0.10 EFFE GESTIONI 0.10 EUROPA TUT. GUID. 0.10 FINITALIA 0.10 THE LAWRENCE IRELAND 0.10 THE LAWRENCE LIFE ASS. 0.10 BANCASAI S.p.A. 0.10	76.89
VILLA RAGIONERI S.r.l. Florence Share capital €78,000	Property	100.-		100.-
Companies consolidated by the proportional method PO VITA COMPAGNIA DI ASSICURAZIONI S.p.A Parma Share capital €98,200,000	Insurance		SAI HOLDING ITALIA S.p.A 50.-	50.-
Companies consolidated by the nett equity method ASSI CAPITAL S.r.l Turin Share capital €475000	Services	99.-	SAIFIN-SAIFINANZIARIA S.p.A 1.-	100.-
AZZURRASI' S.p.A Turin Share capital €10,329,000	Insurance		SAI HOLDING IT. S.p.A 100.-	100.-
BANCASAI S.p.A Turin Share capital €56,677,161	Banking	80.47		80.47
CASA DI CURA VILA DONATELLO				

S.p.A Florence Share capital €361,200	Services	100.-		100.-
CASA DI CURA VILLANOVA S.r.l Florence Share capital €182,000	Services	100.-		100.-
CONSULENZA AZIENDALE PER L'INFORMATICA SCAI S.p.A Turin Share capital €1,040,000	Services	30.07		30.07
EFFE GESTIONI SGR S.p.A Milan Share capital €5,000,000	Savings Management	100.-		100.-
FINITALIA S.p.A Milan Share capital €15,376,285	Financial	40.-	MILANO ASS.NI S.p.A 60.-	77.13.-
MY FIN S.p.A Milan Share capital €17,513,000	Financial		SAIFIN-SAIFINANZIARIA S.p.A 100.-	100.-
PRONTO ASSISTANCE SERVIZI S.p.A Turin Share capital €516,000	Services		PRONTO ASSISTANCE S.p.A 60.- SAIFIN-FINANZIARIA S.p.A 40.-	100.-
SAI-MERCATI MOBILIARI SIM S.p.A Milan Share capital €20,000,000	Property	100.-		100.-
SAI INVESTIMENTI S.G.R. S.p.A Turin Share capital €3,913,588	Savings Management	40.-	MILANO ASS.S.p.A 40.- PREMAFIN FIN HP S.p.A 20.-	64.76
SOGEINT S.r.l Milano Share capital €10,000	Other		MILANO 100.-	61.89
STARVOX S.p.A (ex SCAI SERVIZI) Turin Share capital €258,000	Services	100.-		100.-
WEBB@TI S.p.A Turin Share capital €1,000,000	IT Services	100.-		100.-
Companies valued at book value				
AGRISAI S.r.l Turin Share capital €61,000	Services		SAIAGRICOLA S.p.A 99.- SAIFIN-SAIFINANZIARIA S.p.A 1.-	97.43
DELTAPRIME S.r.l Turin Share capital €24,500	Services		SCAI S.p.A 51.02	15.34
EURO CS S.r.l Venice Share capital €400,000	Services		SCAI S.p.A 51.-	15.34
MERIDIANO TERZO S.r.l. (ex FINANZA E PREVIDENZA S.p.A Turin Share capital €10,000	Other		SAI HOLDING ITALAI S.p.A 100.-	100.-
FONSAI MB&A – S.p.A MERCHANT BANKING & ADVISORY				

Milan Share capital €800,000	Financial		S.R.P. 100.-	100.-
ITALIBERIA PROJECTOS Y PROMOCIONES INMOBILIARIAS SA (ex ITAL IBERIA C.IA ESP DE SEG. SA in liquid.) Barcelona Share capital €2,030,000	Insurance		100.-	100.-
LOGISTIQUE, CONSEILS, SERVICES S.A. Paris Share capital €38,200	Services		SIAT S.p.A 96.92	85.26
MERIDIANO AURORA S.r.l Paris Share capital €38,200	Property		100.-	100.-
SAI SISTEMI ASSICURATIVI S.r.l Turin Share capital €51,000	Services	99.-	SAIFIN-SAIFINANZIARIA S.p.A 1.-	100.-
SALEVOX S.r.l Turin Share capital €50,000	Services		STARVOX S.p.A 90.-	90.-
TELVOX S.r.l Turin Share capital €150,000	Services		SCAI S.p.A 100.-	30.07
Associated companies				
Companies valued at book value				
FINADIN S.p.A Milan Share capital €50,000,000	Financial		SAIFIN-SAIFINANZIARIA S.p.A 40.-	40.-
Affiliated companies				
Companies valued by the nett equity method				
SISTEMI SANITARI S.p.A Milan Share capital €1,872,000	Other	22.54	MILANO ASS.NI S.p.A 25.71	38.45
SOCIETA' FUNIVIE DEL PICCOLO S.BERNARDO S.p.A La Thuile (AO) Share capital €9,213,417,5	Other		PROGESTIM S.p.A 27.38	27.38
Companies valued at book value				
BORSETTO S.r.l Turin Share capital €1,032,913.81	Property		PROGESTIM S.p.A 31.-	31.-
CESTAR CENTRO STUDI AUTO RIPARAZIONI S.r.l Pero (MI) Share capital €2,040,000	Services	14.66	SASA S.p.A 0.006 MILANO S.p.A 11.35	21.75
CITYLIFE S.r.l				

Milan Share capital €10,000	Property		PROGESTIM S.p.A 26.64	24.64
FIN. PRIV S.r.l Milan Share capital €20,000	Finances	28.57		28.75
FINART S.p.A Venice Marghera (VE) Share capital €699,550	Finances	40.59		40.59
GARIBALDI S.C.S Luxemburg Share capital €1,001)	Finances		MILANO ASS.S.p.A 47.95	29.68
INFOMEDIA ITALIA IMI S.r.l Turin Share capital €52,00	Services		SCAI S.p.A 20.-	6.01
MB VENTURE CAPITAL FUND I PARTICIPATING COMP. DI N.V. Amsterdam Share capital €50,000	Other	30.-		30.-
RITA S.r.l. Milan Share capital €5,720,000	Services	16.25	MILANO ASS.NI S.p.A 8.561 PRONTO TUTELA S.p.A 0.024 SASA S.p.A 0.12 SIAT S.p.A 0.25 SYSTEMA S.p.A 0.04	21.93
SERVIZI IMMOBILIARE MARTINELLI S.p.A Cinisello Balsamo (MI) Share capital €100,000	Property		PROGESTIM S.p.A 20.-	20.-
SOCIETA' FINANZ. PER LE GESTIONI ASSICURATIVE S.r.l in liquid. Rome Share capital €47,664,600	Financial	14.91	MILANO ASS.NI S.p.A 7.50	19.55
SOAIMPIANTI – ORGANISMI DI ATTESTAZIONE S.p.A Milan Share capital €370,255	Other	20.-		20.-
UFFICIO CENTRALE ITALIANO S.r.l Milan Share capital €510,000	Other	14.14	MILANO ASS.NI S.p.A 10.98 SIAT S.p.A 0.99	21.01

C) Valuation criteria

The valuation criteria used to produce the latest consolidated accounts, to which reference is made, were applied to the consolidated half year report.

However, the interim accounts are influenced by an approach based more on valuations and simplifications; consequently, some methods which make greater use of estimates have been used. The simplified methods, used in the valuation process for determining the technical provisions, financial investments and the tax burden in the year, already described in the parent company's report, also apply to the consolidated report.

In addition, half of the annual share of the annual depreciation on the consolidation difference and the capitalised acquisition charges on multi-year policies has also been allocated to the half year.

D) Information on the balance sheet

ASSETS

INTANGIBLE ASSETS – (Item B)

These are made up as follows:

(€K)	30/06/2005	31/12/2004	Variation	30/06/2004
Deferred acquisition commission	307,806	294,252	13,554	276,007
Other assets	663,055	703,809	(40,754)	742,683
Consolidation difference	173,325	177,313	(3,988)	194,445
TOTAL	1,144,186	1,175,374	(31,188)	1,213,135

Deferred acquisition commission increased through the effect of the preliminary account in the half year and reduced by the relevant depreciation shares. The depreciation plan is consistent with the average life of the policies from which the preliminary account originates. € 279,920K of the amount recorded is attributable to the non-life business and € 27,886K to the life business.

The intangible assets in turn can be broken down as follows:

(€K)	30/06/2005	31/12/2004	Variation	30/06/2004
Goodwill	576,195	609,705	(33,510)	643,248
Research and development costs	40,096	48,172	(8,076)	51,516
Installation and expansion costs	26,512	32,720	(6,208)	32,923
User licences for computer products	12,940	6,516	6424	5,990
Other	7,312	6,696	616	9,006
TOTAL	663,055	703,809	(40,754)	742,683

€ 436,545K of the goodwill recorded originates from the parent company and € 139,650K from the subsidiary Milano Assicurazioni S.p.A..

The consolidation difference increased by € 3,988K as a result of the surplus value paid by the parent company for the purchase of 5.01% of Sasa Assicurazioni S.p.A.

The share of depreciation in the half year amounts to € 6,409K of which € 5,930K related to the Milano Assicurazioni Group.

The breakdown of the above-mentioned item is set out below:

(€K)	30/06/2005	31/12/2004	Variation	30/06/2004
Fully consolidated insurance companies	173,325	177,213	(3,988)	184,305
Non-insurance companies	-	-	-	10,140
TOTAL	173,325	177,213	(3,988)	194,445

The remaining difference relating to the consolidation of the subsidiary Milano Assicurazioni S.p.A. amounts to approximately € 165m.

INVESTMENTS – (Item C)

Investments amount to € 23,511,100K in total and net of the provision for depreciation of property.

(€K)	30/06/2005	31/12/2004	Variation	30/06/2004
Land and buildings	2,106,824	2,051,603	55,221	2,384,895
Investments in Group companies and other participating interests	367,618	350,711	16,907	452,860
Other financial investments	20,969,464	19,925,693	1,043,771	19,208,501
Deposits with ceding companies	67,194	52,750	14,444	58,537
TOTAL	23,511,100	22,380,757	1,130,343	22,104,793

The property intended to be used by the company amount to € 207,100K, whereas € 1,899,724K relate to those used by third parties again net of the provision for depreciation.

II. Investments in group companies and other participating interests

The investments in group companies and other participating interests are divided as follows:

(€K)	30/06/2005	31/12/2004	Variation	30/06/2004
Shares and holdings in companies	336,376	325,965	10,411	436,104
Debentures	4,143	4,156	(13)	4,156
Financing	27,099	20,590	6,509	12,600
TOTAL	367,618	350,711	16,907	452,860

Shares and holdings

The changes that occurred in the first half of the year are set out below:

Balance as at 31/12/2004	325,965
Change in companies valued using the equity method	(5,421)
Purchases and subscriptions	23,125
Revaluations	6,692
Sales	(13,985)
Devaluations	-
Balance as at 30/06/2005	336,376

The list of class C.II shareholdings is set out below:

- for shareholdings in subsidiaries and related companies, valued using the equity method or at cost, the list is already included in Part A – “Basis of consolidation”;
- “Other shareholdings” included in class C.II of the assets are as follows:

COMPANY	HEAD OFFICE	SHARE CAPITAL IN €	GROUP SHARE HELD
ATHENA PRIVATE EQUITY S.A.	Munsbach	50,000,000.00	11.65%
BANCAPULIA S.p.A.	San Severo (FG)	10,244,000.00	0.18%
BANCA DELLA CAMPANIA S.p.A.	Naples	23,766,960.00	2.24%
BANCA POPOLARE ETICA S.c.a.r.l.	Padua	17,954,401.76	0.17%
CITTA' DEGLI STUDI S.p.A.	Biella	15,994,384.00	0.05%
CONSORTIUM S.r.l.	Milan	561,600,000.00	4.55%
ISOLA D'ELBA BANCA CRED. COOP. S.c.a.r.l.	Portoferraio (LI)	2,600,983.45	1.66%
IST. EUROPEO DI ONCOLOGIA S.r.l.	Milan	57,305,382.00	12.83%
NORMAN'95 S.p.A.	Milan	2,098,611.40	4.71%
SCONTOFIN S.A.	Luxembourg	2,582,500.00	19.00%
SOCIETE' CIVILE IMMOBILIÈRE S.A.	Paris	3,448,419.00	1.59%

Debentures

They include € 3,987K relating to debentures issued by the participating interest Banca Apulia and subscribed by the subsidiary Milano Assicurazioni and €156K relating to the securities issued by the subsidiary Scai S.p.A. held by the parent company.

Corporate financing

This amounts to € 27,099K (€ 20,590K as at 31/12/2004) and relates fully to financing provided to companies which are not fully consolidated: the increase of approximately € 6,509K relates essentially for € 15,675K to payments made in the half year by Milano Assicurazioni S.p.A. to Garibaldi SCA for the property development project for the area to the north of the centre of Milan and the difference in the repayment of financing to companies not fully consolidated.

Other financial investments can be broken down as follows:

(€K)	30/06/05	31/12/04	Variation	30/06/04
Shares and holdings	2,818,986	2,772,599	46,387	2,834,443
Shares in unit trusts	688,839	638,557	50,282	233,937
Debentures and other fixed income securities	17,201,041	16,304,610	905,431	15,743,931
Financing	151,773	151,256	517	145,015
Other	99,825	58,671	41,154	251,175
TOTAL	20,969,464	19,925,693	1,043,771	19,208,501

The shares and holdings included in the other financial investments are classified as long-term in the amount of € 2,436,918K and short-term in the amount of € 382,068K and are as follows:

(€K)	30/06/05	31/12/04	Variation	30/06/04
Listed shares	2,758,768	2,712,641	46,217	2,765,204
Unlisted shares	60,218	59,958	260	69,239
TOTAL	2,818,986	2,772,599	46,387	2,834,443

The listed shareholdings record net latent capital gains of € 331m calculated on the basis of the prices as at 30/06/2005.

The shares in unit trusts of € 688,839K, are mainly considered to be short-term (€ 683,674K). Their current value is approximately € 87,366K greater than the book value for the half year.

Debentures and other fixed income securities

These can be broken down as follows:

(€K)	30/06/05	31/12/04	Variation	30/06/04
Listed	16,252,684	15,879,671	373,013	15,154,951
Unlisted	957,357	424,939	532,418	588,980
TOTAL	17,210,041	16,304,610	905,431	15,743,931

Convertible debentures represented € 7,493K.

Listed securities are recorded in the accounts at a total value of less than € 664m compared with the market price calculated on the basis of the prices as at 30/06/2005.

€ 2,627,349K of the debentures and other fixed income securities included under other financial investments are classified as long-term and € 14,582,692K as short-term.

The “Other” item included under other financial investments, of € 99,825K includes repurchase agreements and bank current accounts with no fixed deposit times. Their current value is adjusted to the book value.

The “Other financial investments” item includes repurchase agreement of € 74.6m and bank current accounts with no fixed deposit times of € 25.2m

IV. Deposits with ceding companies

These amount to € 67,194K (€ 52,750K as at 31/12/2004) and exclusively reflect the reinsurance ratios.

INVESTMENTS FOR THE BENEFIT OF LIFE POLICYHOLDERS WHO BEAR THE RISK AND DERIVING FROM PENSION FUND MANAGEMENT – (Item D)

These total € 4,037,066K (€ 3,697,307K as at 31/12/04), of which € 3,930,812K related to class DI investments, whereas the remainder of € 106,254K relate to the open pension fund management.

REINSURERS' TECHNICAL PROVISIONS – (Item D.bis)

These are shown in the table below:

(€K)	30/06/05	31/12/04	Variation	30/06/04
I – Technical provisions in the non-life business	781,125	822,375	(41,250)	1,029,026
II – Technical provision in the life business (excluding the provisions in point III)	207,945	246,664	(38,719)	263,903
III – Technical provisions in the life business where the investment risk is borne by the policyholders and provisions deriving from pension fund management	-	-		
TOTAL	989,070	1,069,039	(79,969)	1,292,929

Following the definition by Milano Assicurazioni S.p.A. of the settlement with Consap S.p.A., any credit deriving from Ina/Consap legal cessions relating to the Life Technical Provisions is no longer represented in the consolidated accounts.

That explains the size of the significant decrease in the reinsurance provisions of the life business.

DEBTORS – (Item E)

(€K)	30/06/05	31/12/04	Variation	30/06/04
Debtors arising out of direct insurance operations	2,191,731	2,098,348	93,383	1,774,207
Debtors arising out of reinsurance operations	136,467	250,085	(113,618)	277,390

Other debtors	703,478	747,868	(44,390)	718,218
TOTAL	3,031,676	3,096,301	(64,625)	2,769,815

Amounts due from policyholders for premiums, including debtors arising out of direct insurance operations, amount to € 927m (€ 974m as at 31/12/04).

The receivable positions beyond 30 June of the next financial year amount to more than € 434m.

OTHER ELEMENTS OF THE ASSETS (*item F*):

These are as follows:

(€K)	30/06/05	31/22/04	Variation	30/06/04
Tangible assets and stocks	36,648	39,964	(3,316)	40,049
Cash at bank and in hand	757,466	555,242	202,224	552,393
Own shares or holdings	201,474	171,371	30,103	149,769
Other assets	791,003	614,595	176,408	66,585
TOTAL	1,786,591	1,381,172	405,419	1,408,796

Own shares or holdings refer to the accounting value of the own shares and warrants of the parent company in the portfolio (€ 103,847K) and the subsidiaries Milano Assicurazioni (€ 78,5907K) and Saifin Saifinanziaria (€ 19,120K).

Other assets include inter alia assets for advance tax of € 384,309K.

The size of the variation is mainly influenced by the assessments of the assets headings in the half year.

ACCRUED INCOME AND DEFERRALS (*Item G*)

These total €223,718K and refer mainly to accrued income from interest on securities.

LIABILITIES

EQUITY – (Item A)

Equity amounts to € 3,478,088K, including the result for the period, and the share of third parties. The latter amount to € 607,042K.

The reconciliation table between the parent company's half year report and the consolidated report for the profits in the period and the equity are set out below.

RECONCILIATION TABLE BETWEEN THE PARENT COMPANY'S HALF YEAR REPORT AND THE CONSOLIDATED REPORT

(€k)	Profit for the period 30/06/2005	Profit for the period 30/06/2004
Accounts of FONDIARIA-SAI S.p.A.	119,427	81,576
Consolidation adjustments:		
- Results for the financial year and differences between the book value and equity of the consolidated companies:		
• fully consolidated	154,012	130,545
• using the equity method	(167)	(497)
- Depreciation of consolidation differences	(5,582)	(7,123)
- Elimination of the effects of infra-group operations:		
• infra-group dividends	(16,215)	(9,279)
• other infra-group operations	284	2,500
- Application of Group accounting and other principles	8,634	2,275
- Fiscal effects of consolidation adjustments	(6,903)	(7,826)
CONSOLIDATED RESULT	253,490	192,171
SHARE OF THIRD PARTIES	(51,107)	(48,094)
GROUP CONSOLIDATED RESULT	202,383	144,077

(€k)	Equity net of the result as at 30/06/2005	Equity net of the result as at 31/12/2004
Accounts of FONDIARIA-SAI S.p.A.	2,386,765	2,251,107
Consolidation adjustments:		
- Results for the financial year and differences between the book value and equity of the consolidated companies:		
• fully consolidated	726,486	561,794
• using the equity method	(7,401)	(3,619)
- Elimination of the effects of infra-group operations:		
• infra-group dividends	16,215	12,764
• other infra-group operations	(35,715)	(36,935)
- Application of Group accounting principles	233,315	327,766
- Effect of the conversion of the accounts in foreign currency	38	(394)
- Fiscal effects of consolidation adjustments	(95,104)	(115,226)
EQUITY	3,224,599	2,997,257
SHARE OF THIRD PARTIES	(555,935)	(479,091)
GROUP EQUITY	2,668,664	2,518,166

SUBORDINATED LIABILITIES (Item B)

These total € 400m and are unchanged compared with 31/12/2004.

They refer exclusively to the loan taken out by the parent company in December 2002, subsequently paid off and renewals for an equivalent amount in July 2003.

The term of the loan is twenty years. Please refer to the 2003 accounts for a description of the terms of the loan.

TECHNICAL PROVISIONS – (Item C)

These amount to € 23,637,978K and record a total variation of € 695,921K. The details of the technical provisions are set out below:

(€K)	30/06/2005	31/12/2004	Variation	30/06/2004
NON-LIFE BUSINESS				
Provision for unearned premiums	2,596,268	2,456,758	139,510	2,519,987
Provision for outstanding claims	8,942,608	9,010,996	(68,388)	9,095,462
Equalisation provision	14,877	13,741	1,136	12,136
Other	10,036	11,413	(1,377)	11,449
TOTAL	11,563,789	11,492,908	70,881	11,639,034
LIFE BUSINESS				
Actuarial reserves	11,831,283	11,232,639	598,644	10,980,945
Provisions for amounts payable	112,612	84,224	28,388	86,259

Other	130,294	132,286	(1,992)	126,962
TOTAL	12,074,189	11,449,149	625,040	11,194,166
TOTAL TECHNICAL PROVISIONS	23,637,978	22,942,057	695,921	22,833,200

TECHNICAL PROVISIONS WHERE THE INVESTMENT RISK IS BORNE BY THE POLICYHOLDERS AND PROVISIONS DERIVING FROM PENSION FUND MANAGEMENT – (Item D)

These are as follows:

(€K)	30/06/2005	31/12/2004	Variation	30/06/2004
Provisions included in class D.I.	3,927,587	3,600,725	326,862	3,155,774
Provisions deriving from pension fund management	106,254	91,510	14,744	84,318
TOTAL	4,033,841	3,692,235	341,606	3,240,092

PROVISIONS FOR RISKS AND CHARGES – (Item E)

These total € 706,384K and decreased by € 101,009K. The decrease is mainly attributable to the reduction of the amounts in the provision for taxation

DEPOSITS RECEIVED FROM REINSURERS (Item F)

These total € 300,368K and decreased by € 5,147K. They relate to the deposits given as a guarantee in relation to the risks ceded in reinsurance.

PAYABLES AND OTHER LIABILITIES – (Item G)

These are as follows:

(€K)	30/06/2005	31/12/2004	Variation	30/06/2004
Payables deriving from direct insurance operations	310,274	184,090	126,184	172,019
Payables deriving from reinsurance operations	136,551	109,200	27,351	201,872
Debenture loans	180,400	180,400	-	
Borrowings from banks and financial institutions	25,507	27,962	(2,455)	31,570
Borrowings and other loans	557,932	309,177	248,755	605,932
Staff severance indemnities	87,434	88,609	(1,175)	87,625
Other liabilities	854,926	583,425	271,501	617,786
TOTAL	2,153,024	1,482,863	670,161	1,716,804

The debenture loans item refers to the Mandatory Exchangeable Guaranteed Notes exclusively with BANCA INTESA'S ordinary shares owned by Fondiaria-SAI, maturity date 29 September 23010.

Borrowings from banks and financial institutions which amount to € 25,507K, consist mainly of the remainder of the loan contract and mortgage taken out by the subsidiary IS. S.r.l. (now International Strategy S.r.l.) with The Royal Bank of Scotland for € 25,400K.

"Borrowings and other loans" consist of "Other payables" of € 556,696K (of which € 176m for payables for taxes paid by policyholders, € 163m for other payables € 127m for payables to suppliers, € 48m for sundry taxes and € 43m for payables to assistance and welfare institutions); € 999K for "Other loans and other financial payables" and € 237K for payables with security, backed by the mortgage on properties owned and entered in the accounts of Saiagricola S.p.A.

The increase in other liabilities is attributable inter alia to assessments in the period.

Payables beyond 30 June in the next financial year relate to the financing granted by the subsidiary Saintinternational SA.

ACCRUED LIABILITIES AND DEFERRED INCOME (*Item H*)

These amount to € 13,723K (€ 3,293K as at 31/12/2004).

GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS

These total € 28,488,935K (€ 25,368,183K as at 31/12/2004).

(€K)	30/06/2005	31/12/2004	Variation	30/06/2004
Guarantees provided	141,930	187,811	(45,881)	588,105
Guarantees received or provided by third parties in the interest of consolidated companies	573,214	417,618	155,596	342,753
Commitments	1,638,786	1,977,298	(338,512)	944,692
Others	26,135,005	22,785,456	3,349,549	21,365,712
TOTAL	28,488,935	25,368,183	3,120,752	23,241,262

The guarantees provided relate essentially to bank deposits to guarantee disputed claims.

The significant reduction in commitments relates to the lower level of operations on the options and the ending of futures sales of bonds at the end of 2004.

The other memorandum accounts mainly include securities owned deposited with third parties.

E) Information on the Profit and Loss account

INFORMATION CONCERNING THE PROFIT AND LOSS ACCOUNT, NON-LIFE BUSINESS

PREMIUMS IN THE YEAR, NET OF REINSURANCE CESSIONS – (Item I.1)

(€K)	30/06/2005	30/06/2004	31/12/2004
Gross premiums recorded	3,655,570	3,599,541	7,010,043
Premiums ceded in reinsurance	(140,613)	(155,972)	(298,821)
Variation of gross amount of the provision for outstanding premiums	(137,951)	(122,690)	(57,646)
Variation in the provision for reinsurers' outstanding premiums	4,000	5,364	7,501
TOTAL	3,381,006	3,326,243	6,661,077

In accordance with ISVAP Instruction no 735, of 1/12/97, "Gross premiums recorded" does not include cancellations of securities issued in previous financial years, which were charged to "Other technical charges".

The section on direct business premiums is set out in Section A – Management Information.

CHARGES FOR OUTSTANDING CLAIMS, NET OF RECOUPMENTS AND REINSURANCE CESSIONS (Item I.3)

(€K)	30/06/2005	30/06/2004	31/12/2004
Gross amounts paid	(2,618,831)	(2,374,248)	(4,752,175)
Amounts paid to reinsurers	78,796	114,520	227,225
Variation in recoveries	47,039	44,480	125,031
Variation in the gross amount of the provision for outstanding claims	79,938	(267,122)	(241,085)
Variation in the provision for reinsurers' claims	(22,279)	87,411	(67,779)
TOTAL	(2,435,337)	(2,394,959)	(4,708,783)

INFORMATION CONCERNING THE TECHNICAL ACCOUNT, LIFE BUSINESS

PREMIUMS IN THE FINANCIAL YEAR, NET OF REINSURANCE CESSIONS – (Item II.1)

(€K)	30/06/2005	30/06/2004	31/12/2004
Gross premiums recorded	1,549,165	1,479,118	2,807,567
Premiums ceded in reinsurance	(7,541)	(15,930)	(26,186)
TOTAL	1,541,624	1,463,188	2,781,381

In accordance with ISVAP Instruction no 735, of 1/12/97, "Gross premiums recorded" does not include cancellations of first year premiums issued in previous years.

The section on direct business premiums is set out in Section A –Management Information.

CHARGES FOR OUTSTANDING CLAIMS, NET OF REINSURANCE CESSIONS – (Item II.5)

These include the sums paid in the financial years for claims, matured and surrendered policies and include the costs borne for their settlement. These amount to € 884,050K (€ 843,307K as at 30/06/2004).

OTHER INFORMATION CONCERNING THE PROFIT AND LOSS ACCOUNT

INVESTMENT INCOME (Item III.3)

(€K)	30/06/2005	30/06/2004	31/12/2004
Income from investments	440,981	408,274	775,319
Recoveries of value adjustments on investments	25,753	22,185	35,655
Profits on the realisation of investments	124,791	148,256	171,325
Income from class D investments	205,650	131,015	313,338
TOTAL	797,175	709,730	1,295,637

Investment income, excluding that relating to class D investments, is broken down as follows:

- income from investments attributable to land and buildings € 35,157K;
- income from investments in companies in the Group and other participating interests € 3,293K (negative influence of € 3,734K due to the result of some companies in the Group valued under equity);
- income relating to other financial investments € 409,117K.

ASSETS AND FINANCIAL CHARGES (Item III.4)

These consist of:

(€K)	30/06/2005	30/06/2004	31/12/2004
Management charges on investments and interest paid	40,545	45,005	90,089
Value adjustments on investments	17,431	72,473	112,507
Losses on the realisation of investments	75,113	28,767	62,144
Charges on class D investments	28,316	24,441	37,810
TOTAL	161,405	170,686	302,550

The assets and financial charges, excluding those relating to class D investments, are as follows:

-
- charges on investments attributable to land and buildings € 19,180K;
 - charges relating to other financial investments € 21,365K.

OTHER INCOME (Item III.6)

This amounts to € 80,446K and consists of interest in the amount of € 13,182K, drawings on provisions of € 34,049K, variations due to exchange rate differences of € 11,141K, tax credits on dividends of € 189K and other income of € 21,885K.

OTHER CHARGES (Item III.7)

This amounts to € 166,715K and consists of interest on financial payables of € 16,856K and other charges of € 149,859K.

EXTRAORDINARY INCOME (Item III.9)

This amounts to € 53,404K and consists mainly of capital gains on sales of property of € 7,541K, capital gains on the sale of long-term investments in stocks and shares of € 39,815K and extraordinary income of € 4,745K.

EXTRAORDINARY CHARGES (Item III.10)

This amounts to € 27,396K and is represented mainly by extraordinary losses of € 14,324K, losses on the realisation of sales of long-term investments in stocks and shares of € 1,793K and the share of depreciation on the consolidation differences of € 6,409K.

TAX ON THE RESULT FOR THE PERIOD (Item III.13)

Income tax totals € 128,702K and includes current tax and deferred tax assets and liabilities, related to temporary tax changes which will determine a repayment of higher or lower tax in subsequent periods.

That tax burden takes into account the adjustments made on the consolidation and whenever there is the probability that the differences between the tax paid or to be paid translates into an actual tax burden for the consolidated companies.

F) Other information

NUMBER OF EMPLOYEES IN THE GROUP

As at 30 June 2005, the average number of employees in the companies included in the consolidation was 6,020 (6,031 as at 31/12/2004).

SOLVENCY MARGIN AND COVER ASSETS

The component elements of the Group's solvency margin are adequate to cover the margin required according to the stipulations of ISVAP Instruction no. 2050 of 26 February 2002.

Based on the growth trend in the second half of the year, it can be assumed that the margin to be constituted at the end of the financial year for fully consolidated subsidiaries is covered in the component elements. Please refer to what has been stated already in the Report on the Statutory Accounts for information on the parent company.

On the date this half year report was produced, the consolidated insurance companies have sufficient assets to meet the increase in the technical provisions of the Italian direct business and there are no shortfalls in the component elements of the solvency margin.

Transition to international accounting principles (IAS/IFRS)

FRAME OF REFERENCE

As a result of European Regulation 1606 of July 2002 coming into force, European companies whose shares are traded on a regulated market must adopt the IAS/IFRS accounting standards when drawing up their consolidated accounts for 2005.

On 30 December 2003 the CESR (Committee of European Securities Regulators) published a recommendation relating to information to be provided during the phase of transition to IAS/IFRS.

In particular you will recall that the CESR invited companies to provide details during the transition only when they had sufficiently reliable figures, in order to avoid giving out misleading accounting information. With reference to this recommendation CONSOB published an amendment to the Issuer Regulation on 15 April 2005 which provides for a gradual transition in the case of the financial statements for 2005.

The difficulty of putting a value on insurance policies was pointed out by the IASB, which, as you know, suggested subdividing the project into two phases; the first phase was completed on 31 March 2004 with the publication of IFRS 4, whilst there are no exposure drafts available for the second phase yet.

The special feature of the insurance sector was also emphasized by the Council of Ministers which in the Legislative Decree approved on 25 February last ('IAS decree') provided for the so-called 'compulsory dual track accounting' under which companies drawing up consolidated accounts must prepare them in accordance with international accounting principles whilst operating accounts will have to be prepared in accordance with Legislative Decree 173/1997.

In accordance with Art. 9.2 of the IAS decree, in June ISVAP launched the consultation procedure relating to instructions for drawing up models for consolidated accounts in accordance with IAS/IFRS principles; publication of the relevant rules is awaited.

As for the work undertaken, you will recall that as early as July 2003 the Fondiaria-SAI Group launched a scheme to implement the operational and procedural amendments requested by the IAS/IFRS by setting up working groups, subdivided according to sections of accounts and specialist skills.

The transition involved and still involves a considerable amount of work to decide on what action needs to be taken to adapt the Group's business procedures and systems required to provide and draw up the IAS figures needed for the new types of layout and for the new type of management report, the rules governing which have not yet been finalized.

For these reasons it was deemed appropriate to prepare a consolidated half-yearly report based on the same accounting principles as those adopted for the period ending 31 December 2004 and for the half-year ending 30 June 2004, with the additional aim of having a historical set of figures for the purpose of comparison in order to provide a good understanding of the Group trend.

The Fondiaria-SAI Group therefore drew up the half-yearly report as at 30 June 2005 in accordance with the criteria laid down in Art. 81-a of CONSOB Ruling 11971 of 14 May 1999, introduced by CONSOB Ruling 14990 of 14 April 2005, which requires listed issuers to provide:

a) a quantitative reconciliation of the capital and reserves at the end of the half year and at the end of the previous financial year and of the result at the end of the half year, based on the criteria used for drawing up the accounts for the previous year, compared with their value ascertained by applying the international accounting principles. The reconciliation table must provide a clear and adequate analysis of the type and amount of the major adjustments to be made to the capital and reserves and to the result for the period; and b) in a separate appendix, the reconciliations provided for by paragraphs 39 and 40 of the international accounting principle IFRS 1 – First-time adoption of the International Financial Reporting Standard adopted in accordance with the procedure referred to in Article 6 of EC Ruling 1606/2002. accompanied by notes explaining the criteria used for drawing up the reconciliation tables and the items appearing in them'.

The objective of the reconciliation tables is to provide the principal figures relating to the impact of changing over from the current accounting system to the international accounting principles and to provide

a clear point of departure for drawing up and presenting the intermediate accounts in accordance with IAS/IFRS.

Taking account of the provisions of Art. 81 a of CONSOB Ruling 11971 of 14 May 1999 mentioned above, in order to make it easier to evaluate the impact that the transition to the IAS/IFRS principles had on the consolidated financial position and on the consolidated economic trend, we drew up:

- tables reconciling the consolidated capital and reserves recorded in accordance with the previous accounting principles and those recorded in accordance with IAS/IFRS as at the following dates:

- date of transition to IAS/IFRS (1 January 2004);
- at the end of the last year in which the accounts were drawn up in accordance with the previous accounting principles (31 December 2004); the effects of applying IAS principles 32 and 39 and IFRS 4, which came into effect on 1 January 2005, are also shown separately;
- at the end of the half year (30 June 2005).

- tables reconciling the profits ascertained in accordance with the previous accounting principles and those recorded in accordance with IAS/IFRS as at the following dates:

- at the end of the last year in which the accounts were drawn up in accordance with the previous accounting principles (31 December 2004);
- at the end of the half year (30 June 2005).

It must be pointed out that the valuation and the calculation of the accounting figures shown in the reconciliation tables and in the explanatory notes are based on the IAS/IFRS principles that have been validated so far by the European Commission and, as far as their current interpretation is concerned, by the official bodies.

It should be mentioned that the process of validation by the European Commission and the work of interpreting and adapting them being carried out by the official bodies charged with the task are not yet finalized. By the time the first consolidated accounts are drawn up in accordance with IAS/IFRS (31 December 2005), new IFRS principles and IFRIC (International Financial Reporting Interpretation Committee) interpretations may have been issued. Therefore, given the rapid and continuous evolution of the matter during this transitional phase, the possibility that amendments might be made during 2005 that could lead to variations compared with the figures shown here cannot be ruled out.

THE CHOICES WE MADE

First of all it should be pointed out that the Fondiaria – SAI Group decided to apply the following accounting principles as from 1 January 2005:

- IAS 32 – 'Financial instruments': Report and presentation
- IAS 39 – 'Financial instruments': recording and valuation
- IFRS 4 – Insurance policies

relating to financial instruments and to insurance policies; the above principles contain elements that are very different from the accounting principles used for drawing up the accounts hitherto.

International accounting principle IFRS 1 indicates the technical rules for changing over to the international accounting principles and provides, *inter alia*, for some concessions at the initial stage. The transition to IAS/IFRS therefore requires that the accounting principles be selected and the first-time application choices be identified.

The choices for applying IFRS 1 relate to:

- the criteria for transition to the IAS with the possibility of adopting some optional valuation criteria or of taking advantage of some exemptions in applying the new principles retroactively,
- the options provided for by some specific international accounting principles.

The choices made by Fondiaria-SAI can be summarized as follows:

- a) Including undertakings acquired before the date of transition to IAS/IFRS (1/1/2004): Fondiaria-SAI decided to adopt the advance method of IFRS 1, which does not oblige business combinations finalized before 1 January 2004 to be reopened. Therefore the goodwill recorded in the consolidated

accounts drawn up in accordance with Italian principles on acquisitions carried out before 1 January 2004 (the date of transition to IFRS) was maintained at its previous value, subject to checking that the value was sufficient and whether any losses in value had been recorded.

b) Property and other tangible long-term investments: on first-time application these may be recorded at fair value instead of at cost. This option allows these assets to be recorded at fair value and allows this value to be used instead of the cost. Fondiaria-SAI did not take advantage of this option, except in the case of some specifically-identified property, and the choice was made to record tangible long-term investments at cost less depreciation and to record any losses in value.

c) The staff-leaving indemnity has no equivalent in other countries and therefore the most appropriate accounting procedure to apply to this item is controversial. As precise guidelines were still awaited it was deemed appropriate to deal with staff-leaving indemnity under IAS 19 'employee benefits'. According to this principle the staff-leaving indemnity is considered to be a duty to pay specific benefits which must be recalculated using actuarial methods and applying the criterion of 'unit projection of the amount to be received'.

The same principle provides that actuarial profits and losses do not have to be recorded if the variations, based on specific parameters (corridor), are not significant.

Fondiaria-SAI decided to record the actuarial profits and losses that had accumulated on the date of transition, whilst subsequent profits and losses are recorded only if they exceed the limits laid down in the accounting principle.

d) As already mentioned, accounting principles

- IAS 32 – Financial instruments: Disclosure and presentation
- IAS 39 – Financial instruments: recording and valuation
- IFRS 4 – Insurance policies

were applied as from 1 January 2005.

The effects of the transition to IAS/IFRS resulting from changes in accounting principles are therefore reflected:

1) in the initial capital and reserves as at the date of transition (1 January 2004) in the case of all the accounting principles that had already come into effect during the 2004 financial year.

2) in the capital and reserves as at 1 January 2005 in the case of the effects arising out of the adoption of principles:

- IAS 32 – Financial instruments: disclosure and presentation
- IAS 39 – Financial instruments: recording and valuation
- IFRS 4 – Insurance policies

OTHER INFORMATION

The consolidated accounts as at 31 December 2005 will be prepared using exclusively the IAS/IFRS issued by the IASB and validated by the European Union on that date. On that occasion all the tables, comparative information and explanatory notes needed to show the full picture of the financial situation and of the profits of the Group in accordance with IAS/IFRS will be provided.

As laid down in CONSOB regulations, the quarterly report to 30 September 2005 will also be drawn up in accordance with the new principles.

NOTES ON THE IAS/IFRS RECONCILIATION TABLES

IAS 38 – NON-TANGIBLE ASSETS

GOODWILL – (Note 1)

On the basis of the provisions of IAS 38 'Non-tangible assets' and of IFRS 3, goodwill, as an asset with an indefinite useful life, is no longer written down systematically but is subjected to a check (impairment test), at least once a year, in order to ascertain whether there has been a permanent loss of value. Therefore, in brief, the Company:

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- identified the units that had generated cash flows and were attributable to the amount of goodwill recorded;
 - identified the future financial flows of these units that had generated cash flows;
 - these financial flows were brought up to date as appropriate in order to determine the 'recoverable value' of the goodwill and to record any loss of value.

The impairment test carried out on the goodwill, including the difference arising from consolidation, confirmed the values recorded on the transition date (1 January 2004) in accordance with the Italian principles.

Consequently the amount of the depreciation carried out on the basis of the Italian accounting principles during 2004 and in the first half of 2005 was written off from the profit and loss account.

It should also be noted that in accordance with the optional exemption provided for in IFRS 1 the figures relating to inclusion of undertakings already recorded in the accounts before the transition date were not shown again in compliance with the provisions of IFRS 3.

OTHER NON-TANGIBLE ASSETS – (Note 2)

IAS 38 provides that formation and expansion costs and research and advertising costs cannot be maintained in the accounts and, on first-time application of the IAS, they must be written off and the capital and reserves reduced. The amount recorded in the accounts drawn up in accordance with the Italian principles as at the various dates concerned was therefore used to reduce the equity and, consequently, the depreciation allocated to the profit and loss account for 2004 and for the first half of 2005 was written off. In particular the adjustment related to the costs for formation and expansion for the merger by incorporation of Fondiaria into SAI, which had already been subjected to five-yearly depreciation since 2002.

The capitalized costs for the first half of 2005 were also written off, with the requirements mentioned above.

IAS 16 and IAS 40 – PROPERTY, PLANT AND MACHINERY – INVESTMENTS IN PROPERTY – (Note 3)

IAS 16 'Property, plant and machinery' provides that, when it is first recorded, property for the use of the business be recorded at cost; subsequent reporting may be based on cost (paragraph 30) or on the written-up value (paragraph 31).

IAS 40 'Investments in property', which governs property held by the business for investment purposes, provides that at the time of acquisition the property must be recorded at cost whilst in subsequent valuations the company may choose to record it at cost or at fair value.

The fair value is the price at which the ownership of the property may pass between informed and willing parties in an arm's length transaction, i.e. what is commonly defined as the market price.

Except where indicated below, the company chose to use the cost as the principle of valuation for all its property, both that for the use of the business and that owned as an investment and thus intended for use by third parties.

On first-time application, as allowed in IFRS 1 (First-time adoption of the Financial Reporting Standards), the value used was that based on the previous accounting principles instead of the cost.

On the basis of the provisions of IAS 16 and IAS 40 measures were also taken:

- to separate from the value of wholly-owned property the value of the land on which it is sited since, having an unlimited life, it is not subject to depreciation;
- to subject the net value obtained in this way to the appropriate process of depreciation based on the useful life of the buildings;
- consequently, to reassess the value of the buildings on the date of transition to IAS, allocating to capital and reserves the difference between that and the value recorded in the accounts drawn up in accordance with the Italian principles;
- to adjust the result for 2004 and for the first half of 2005 by the difference between the depreciation reflected in the accounts drawn up in accordance with the Italian principles and those drawn up on the basis of the IAS.

Investments in property are subjected to an impairment test by comparing the book value with the estimate of the fair value ascertained by means of an expert valuation.

Revaluations of property carried out in previous years were not ignored when the cost was being reassessed since it is thought that they help to make the written-down cost reflect the variation in the price indices.

In the case of the property allocated to the TIKAL R.E. closed property fund, however, the fair value was used instead of the cost, since because it was allocated in this way this property is systematically revalued in order to maximize profitability, even in the short term.

IAS 19 – EMPLOYEE BENEFITS (Note 4)

Staff-leaving indemnity and other deferred benefits

The staff-leaving indemnity has no equivalent in other countries. In accordance with the prevailing opinion and as precise guidelines were still awaited it was deemed appropriate to deal with staff-leaving indemnity under IAS 19 'employee benefits'.

In particular, as it is a complex matter, since the guaranteed return on the sums set aside is not payable when the accounts are drawn up, the amount to be recorded in accordance with the IAS must be subjected to an actuarial calculation in accordance with the procedure indicated in point 64 of IAS 19 'Fixed benefits scheme'. Similarly the effect of other deferred employee benefits coming under IAS 19 and paid when employment ceases was calculated.

The amounts recorded in the reconciliation tables represent the difference between the staff-leaving indemnity and the other deferred employee benefits paid when employment ceases, calculated in accordance with actuarial criteria, and those recorded on the relevant dates in accordance with the Italian principles.

Fund for long-service bonuses in accordance with Art. 30 of the CCNL (Contratto Collettivo Nazionale di Lavoro – National Collective Labour Agreement)

The Fund was set up for all the employees of insurance companies who at the end of the year have completed 25 and 35 years of service with the company and is based on the annual salary accrued on the date it is granted. In accordance with the Italian accounting principles the amount accrued is set aside once a year for each employee in service on that date. The Fund is used for bonuses actually granted. This also comes under IAS 19 'employee benefits', being classified amongst 'other long-term employee benefits'.

The amounts recorded in the reconciliation tables therefore represent the difference between the long-service bonus fund ascertained by using actuarial criteria in accordance with the provisions of IAS 19 and that recorded on the relevant dates in accordance with the Italian principles.

IAS 1 and IAS 32 – OWN SHARES – (Note 5)

The interpretation of the provisions of IAS 1 and the relative ways of presenting the balance sheet and the notes to the accounts resulted in own shares, already included in the assets in the company accounts, being deemed to be items used for adjusting the capital and reserves as from 1 January 2004. In addition IAS 32 specified that the nominal value of own shares repurchased be set out so as to reduce the capital issued, whilst the premium or the discount on the nominal value should adjust the other elements of the capital and reserves.

IAS 27 – BASIS OF CONSOLIDATION – (Note 6)

In accordance with IAS 27 all the subsidiary companies must be consolidated on a line-by-line basis; the effects are recorded in the individual reconciliation tables.

The variation in the basis of consolidation is mainly due to the departure of the subsidiary Mercantile Leasing, which was sold during 2004 and had been earmarked for divestment, whilst subsidiary

companies carrying out dissimilar types of business and initially valued using the equity method (in particular Banca SAI and Finitalia) were fully consolidated. The overall effect is limited since the book value of these shareholdings was mainly in line with the capital and reserves. It should be mentioned that in accordance with para. 19 of IAS 27 the Tikal R.E. closed property fund was fully consolidated.

IAS 37 – AMOUNTS SET ASIDE, LIABILITIES AND POTENTIAL ASSETS – (Note 7)

Provisions for risks and charges

In accordance with the IAS/IFRS these liabilities may be recorded only if specific conditions apply. Amounts written off initially relate to provisions for risks that do not comply with IAS 37 as far as the basis on which the amounts are set aside is concerned.

IAS 39 – FINANCIAL INSTRUMENTS

FINANCIAL ASSETS – (Note 8)

IAS 39 'Financial instruments: recording and valuation, applied by the group with effect from 1 January 2005, provides that financial instruments be classified not according to type but according to their intended function within the business. In particular IAS 39 provides for the following categories of financial asset:

- 'financial instruments assessed at fair value through profit or loss', which includes securities owned for the purpose of trading in the short-term and securities that, when initially recorded, are put into that category by the undertaking;
- 'loans and receivables' that, apart from receivables and loans in the strict sense as defined in the Italian principles, also includes unlisted debt securities;
- 'financial instruments held until maturity', which includes debt securities with fixed maturity and fixed or ascertainable payments that the undertaking intends and is able to hold until maturity;
- 'securities available for sale', which includes securities that cannot be classified in the categories above.

When first recorded the financial assets are entered at fair value, which generally corresponds to the price paid to acquire them. Subsequently, in accordance with IAS 39, different valuation criteria apply to the individual categories. In particular:

- financial instruments at fair value through profit or loss, as is obvious from the name of the category, are assessed at fair value, the difference between fair value and initial value being allocated to the profit and loss account;
- financial instruments held until maturity and loans and receivables are valued at cost less depreciation, calculated using the method of interest actually received;
- financial instruments available for sale are assessed at fair value, the difference between that and the initial value being allocated to the relevant provision in capital and reserves. This provision is written off per contra on the profit and loss account when the financial instrument is realized or if it is impaired.

In the case of financial assets recorded in the category 'fair value through profit or loss', when the fair value on the transition date is recorded (which, as already mentioned, in the case of IAS 39 and IAS 32 'Financial instruments: presentation in the accounts and notes to the accounts' is 1 January 2005), the difference between the fair value and the book value determined in accordance with the Italian principles must be allocated to the relevant provision in the capital and reserves, known as the provision for first-time application.

The IAS define the fair value as the amount at which an asset (or a liability) could be exchanged between informed and knowledgeable counterparties not subject to any constraint. The fair value of financial instruments is based on the following:

- in the case of financial instruments listed on active markets it is the market price on the date concerned;

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- in the case of unlisted financial instruments it is the price ascertained by using appropriate valuation methods.

In light of the above, after each security in the portfolio was allocated to one of the categories provided for in IAS 39, the following measures were taken:

- the initial value, or the fair value as at 1 January 2005, the date IAS 32 and 39 came into effect, of the securities recorded in the 'fair value through profit or loss' category was ascertained and the difference between that and the cost was allocated to the capital and reserves.
- the difference between the initial value ascertained in this way and the fair value as at 30 June 2005 was allocated to the profit and loss account, and thus the result for the first half of 2005 was adjusted in the case of securities classified as 'fair value through profit or loss'.
- the difference between the initial value ascertained in this way and the fair value as at 30 June 2005 was allocated to the relevant provision in the capital and reserves.

In the case of some receivables maturing after the end of the year the difference between the written-down cost and the book value ascertained in accordance with the Italian accounting principles of some long-term receivables recorded in the accounts as at 31 December 2004 and in the statement of assets and liabilities as at 30 June 2005 was calculated.

FINANCIAL LIABILITIES – (Note 9)

IAS 39 provides that financial liabilities be subdivided into two categories:

- financial liabilities assessed at fair value through profit or loss that, when first recorded, are recorded at fair value and subsequently assessed at fair value, with the difference between that and the initial value being allocated to the profit and loss account. This category includes, inter alia, derivative financial instruments. This category also includes all the Life business financial policies, such as index- and unit-linked. Allocating the variations in fair value to the profit and loss account enables them to be correlated with the valuation of the underlying assets. In addition this way of recording them is in line with statements issued by the European Commission relating to correlating the values of assets and liabilities in its explanatory memo of 19 November 2004;
- other financial liabilities that, when first recorded, are recorded at fair value and subsequently assessed at cost less depreciation ascertained using the method of interest payable.

In this case too, under the transition to IAS, the difference between the fair value and the value recorded in the accounts in accordance with the Italian principles is allocated to a specific item in the capital and reserves. In the case of other financial liabilities the effects on the capital and reserves as at 1 January 2005 both of the subordinated loan issued in 2003 and of the mandatory exchange to Banca Intesa shares issued in September 2004 were reassessed.

IFRS 4 – INSURANCE POLICIES

As from the date IFRS 4 came into effect (1 January 2005) all the policies were classified, and those that despite legally being insurance policies have no significant element of insurance risk and therefore do not come under IFRS 4 were identified. In particular all the Life policies, apart from those that are discretionary holdings, that do not come under the definition above must be recorded in the same way as financial policies and therefore in accordance with the provisions of IAS 39 and are classified using the deposit accounting method. Policies that on the other hand come under the definition provided for in IFRS 4 are recorded in accordance with the current rules provided for in the Italian accounting principles and the relative provisions are subjected to an adequacy test.

Therefore on the basis of the IAS/IFRS the insurance policies were classified in the following categories:

- insurance policies and financial instruments that are discretionary holdings, to which IFRS 4 'Insurance policies' applies.
- sundry financial instruments, which come under IAS 39 'Financial instruments: recording and valuation' and IAS 18 'Income', if there is any service element.

Based on the analyses carried out on the policies in the portfolio all the non-life policies and all the life policies came under IFRS 4 except index-linked policies in Class V and unit-linked policies, which were therefore valued on the basis of IAS 39 and IAS 18, that is the financial liability (assessed at fair value through profit or loss) was separated from the premium element attributable to the service provided to policyholders, valued in accordance with IAS 18.

PROVISIONS FOR DISASTERS/EQUALIZATION PREMIUMS – (Note 10)

IFRS 4 'Insurance policies' defines insurance liability as the insurer's net contractual obligation under an insurance policy.

According to this definition no elements of the provision for unearned premiums may be maintained in the accounts drawn up in accordance with the IAS/IFRS that, though compulsory according to Italian accounting principles since they are set aside in order to comply with specific rulings, relate not to individual insurance policies but to all the policies taken out as a hedge against certain types of disaster and are based on flat rates and set aside in addition to the provision for fractions of premium of individual policies, calculated on a pro rata temporis basis, with the aim of strengthening the provisions set up to cover these disaster risks.

Moreover these additional provisions are set aside not as a result of claims already made (which would bring one of the insurer's contractual obligations into effect, to be recorded as provision for outstanding claims) but in anticipation of the possibility that claims of this nature could arise in future. Therefore provision is made for such eventualities not by means of a current liability but by means of an increase in capital and reserves.

Therefore on the basis of the provisions of IFRS 4, the following elements of the provision for unearned premiums in existence as at 1 January 2005, the date of first-time application of IFRS 4, were eliminated and were used to increase the capital and reserves:

- the supplement in the provision for unearned premiums to cover losses arising out of nuclear power, provided for by the Ministerial Decree of 21 September 1981
- the supplement in the provision for unearned premiums to cover losses caused by hail and other natural disasters, provided for by the Ministerial Decree of 29 October 1981
- the supplement in the provision for unearned premiums to cover losses arising out of natural disasters such as earthquake, tidal wave, volcanic eruption and related phenomena (M.D. of 15 June 1984).

Consequently the profits as at 30 June 2005 were adjusted, the increase in these provisions in the first half year being written off.

The equalization provisions include:

- the equalization provision for risks of natural disasters governed by Ministerial Decree 705 of 19 November 1996
- the equalization provision for receivables provided for by Art. 24 of Legislative Decree 175 of 17 March 1995.

The remarks made in relation to the provision for unearned premiums also apply to these items. These provisions do not fulfil the requirements of the insurance liability as defined in IFRS 4 and were therefore eliminated and allocated to capital and reserves. Consequently the profits as at 30 June 2005 were adjusted, the increase in these provisions in the first half year being written off.

MATHEMATICAL PROVISIONS FOR LIFE BUSINESS, SHADOW ACCOUNTING – (Note 11)

The amount recorded relates to adjustments made to the mathematical provisions relating to policies in life business segregated accounts, carried out by applying the accounting procedure known as shadow accounting referred to paragraph 30 of IFRS 4.

This adjustment, which the undertaking may but does not have to carry out, enabled the level of the mathematical provision relating to these policies to be correlated to the value of the assets in the segregated accounts ascertained in accordance with the IAS, thus helping to make it easier to set out the figures clearly and to compare them.

The securities in the life business segregated accounts in fact come under both the 'available for sale' category and the 'fair value through profit or loss' category and thus were valued at fair value, increasing the capital and reserves or the result for the period by the difference between fair value and the value ascertained in accordance with the Italian principles.

Moreover, as you know, the return on the securities in the segregated accounts determines the return to be remitted to policyholders and, therefore, affects the amount of the mathematical provision.

Therefore the level of the mathematical provision for policies in segregated accounts was reassessed in line with the valuation of the underlying assets, the difference between that and the level of the provision calculated in accordance with the Italian principles being allocated to capital and reserves (or to the profit and loss account).

Essentially the difference in the mathematical provision for these policies when calculated in accordance with the Italian principles represents the policyholders' share of the potential capital gain on the securities in the segregated accounts which, in accordance with the contractual terms and current legislation, will be paid to policyholders only if and when the capital gains are realized when the underlying assets are sold, but which in this context is explicit since, as already mentioned, the potential capital gains on these securities were recorded as an increase in capital and reserves.

CONTRACTS OF SERVICE RELATING TO INSURANCE POLICIES OF A FINANCIAL NATURE (IFRS 4 – IAS 18) – (Note 12)

With reference to the service element of index- and unit-linked policies, under IAS 18:

- the income and the costs relating to the same operation must be recorded at the same time
- the income and the costs associated with an operation that involves the provision of services must be recorded with reference to the stage of completion of the operation.

The stage of completion may be recorded using various methods and, in particular, when the services are carried out via an indefinite number of actions over a definite period of time the income and costs are recorded on a straight-line basis unless it is evident that other methods would provide a better representation of the stage of completion.

On the basis of these considerations the proportion of the costs incurred on financial policies to be written down was determined on a straight-line basis, which increases the capital and reserves, as was the proportion of the income relating to these policies not yet due, which decreases the capital and reserves. The adjustment calculated in this way involved in particular the index-linked policies in the portfolio.

As far as the income elements of the other multiyear policies are concerned, in particular in the case of unit-linked policies, the compatibility of the criteria already used in drawing up the consolidated accounts in accordance with the IAS/IFRS principles was checked.

TAX EFFECT ON THE ITEMS IN RECONCILIATION – (Note 13)

These items include the tax effect relating to the adjustments made to the various items in the accounts in order to bring them into line with the IAS/IFRS. The adjustments carried out are not in fact relevant for tax purposes and therefore establish temporary differences between the values that are relevant for tax purposes and those recorded in accordance with IAS.

Recording prepaid and deferred taxes on these temporary differences enables the ratio of the tax burden recorded in the IAS accounts to the pre-tax profits to be maintained, both during the year in which these differences arise and in future years in which these differences will be cancelled out, for example as a

result of the sale of the asset to which they relate, their recovery through depreciation or redemption of the liability. The rate used is the nominal rate for corporation tax (Ires and Irap where applicable), taking account of the exemption profiles.

Milan, 9 September 2005

For the Board of Directors
The Chairman

Jonella Ligresti