

First Quarter Report
Financial Year 2005



FONDIARIA-SAI S.p.A.

FONDIARIA-SAI S.p.A. – HEAD OFFICE IN FLORENCE – PIAZZA DELLA LIBERTA 6 – HEAD OFFICE IN TURIN – CORSO G. GALILEI 12 – SHARE CAPITAL € 170,555,149 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 THE 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 Broggin	
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>
Girgio Di Giuliomaria	<i>Alternate Auditor</i>
Maria Luisa Mosconi	<i>Alternate Auditor</i>

INDEPENDENT AUDITORS

DELOITTE & TOUCHE S.p.A.

REPRESENTATIVE OF THE SAVINGS SHAREHOLDERS

Sandro Quagliotti

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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Introduction

Information about the assets and the economic data for the first quarter of 2005 are set out in accordance with the provisions contained in Consob Resolution no. 11971 of 14 May 1999.

The statements are presented in accordance with the specifications of annex 3D of that resolution.

More specifically:

- the economic data are compared with the data for the same period in the previous financial year;
- with effect from this quarter, the data produced show the consolidated result for the period. The economic data already presented at the time of the publication of the first quarter 2004 were extended to include the final result, in order to provide as homogeneous a comparison as possible;
- the accounts statements taken as the basis for the consolidation process are those prepared by the subsidiaries and associated companies with reference to 31 March 2005, which may be adjusted to bring them into line with the Group's accounting principles.

The economic and assets statement for the quarter is not audited by the independent auditor.

All the values set out are expressed in million or thousand Euro with the normal roundings.

The insurance market in the first quarter 2005

There was moderate macroeconomic development during the first quarter in the euro area, even if a widespread climate of lack of confidence is making future prospects uncertain.

The fragility of the economic recovery, already recorded at the end of the last financial year, was influenced by the trend in Italian family spending which recorded low, but lasting, growth in the first quarter (0.2%) mainly in the immediate purchase of durable goods. In comparison with this trend, the data recorded in the corporate sector show two basic problems:

- firstly, a general crisis in export, which reflects the difficulty in some Italian manufacturing sectors facing competitive pressures from the exchange rate and competition from countries in the East;
- secondly, a crisis of confidence penalising corporate investment. The crisis in the industry in recent months has caused the new downward revision of growth forecasts for 2005; estimates from the Commission indicate growth of 1.2%, in line with the International Monetary Fund's assumptions. Finally, according to the preliminary data produced, the inflation figure for March should be around 1.9%, in line with the figure for February.

With reference to the Italian non-life insurance business, in the periodic up-dating presented at the beginning of April, Moody's analysts confirm a stable outlook for the rating of listed Italian insurance companies. The Moody's analysis shows that, on the market for the non-life business in Italy, although companies are maintaining profitability strictly related to the trend in the Motor Third Party Liability class, financial performance and the trend in the technical results obtained in the period analysed were good.

With regard to vehicle registrations, 2005 opened on a negative note: sales were fluctuating with results progressively worsening, culminating in March at -8.6%. In the course of the year, demand is estimated to contract (-1.5%): demand from companies is only expected to recover from 2006 onwards, sustained by the stronger trend in production and interest rates which remain low. Estimated growth in the number of cars on the road also remains relatively low, according to the estimate recording 0.5/0.6 percentage points a year. The replacement rate remains at the level of 7% a year, more measured compared with the recent years, because of the weak economic framework and the reduction in car trading with Government incentives. Therefore, growth in premiums is weaker than in the past.

With regard to the trend in the Motor TPL class, the financial year 2004 was characterised by a further reduction in the frequency of claims, although this was less marked than in the past; on the other hand, the average amount settled on claims increased faster than the consumer prices index. These phenomena are confirmed partially, although with the precautions from the limited period of observation, in the Group's trend for the first three months of 2005.

More measured results in the Land Vehicles – own damage sector are forecast, linked to tariffs slowing down and economic factors which are showing modest growth. Furthermore, the forecast reduction in the demand for new cars contracts the demand for Land Vehicles - own damage.

The sector which should show greater dynamism during 2005 is "other non-life classes", although this was penalised by the Accidents and Health sector which was influenced by modest growth in the individual component.

In the life classes, the market rating forecasts are defined by Moody's as excellent, although the growth rates may not be maintained in the long-term in line with those in the recent past: in the last 5 years, the increase in premiums in Italy was greater than 20% on an annual basis, more than double the percentage compared with any other European country. Due to welfare reform, Moody's is expecting further revival in the sector, thanks in particular to the move from the employee severance fund to company funds in pension funds (approximately € 13bn a year).

The spread of life products in Italy increased significantly compared with recent years. The life insurance sector was in fact characterised by great dynamism

with the creation of products to meet three crucial aims: welfare, savings and investment.

The profound social transformation, which took place in recent years in the organisation of work, the demographic curve and family structures, requires the individual consumer to start to provide for himself, using private insurance services to obtain essential cover.

The data available in February 2005 confirm the strong acceleration in income from life policies observed already at the end of January. The trend in new life production in Italy (only in the sector of individual policies) was particularly positive also in February 2005: the monthly income of Italian companies in fact increased by approximately 46% compared with February 2004 at € 4.7bn against € 3.2bn in February 2004 (+50% since the beginning of the year: € 8.7bn against € 5.8bn). The sustained growth in index-linked policies continued representing 27% of total income in the first two month period, as premiums increased by approximately 146% compared with the same period in 2004 (€ 2.4bn against € 0.9bn); growth in traditional life policies was also positive (Classes I and V), which represented 58% of total income in the two month period in question, growth of 43% compared with 2004 (€ 5.1bn against € 3.5bn).

With regard to supplementary welfare, the surveys conducted show a wide spread of financial instruments for pensions and a strong development in health cover and long term care products.

On 1 March 2005, ISVAP, the sector's Supervisory Authority, issued a circular introducing new obligations on transparency in the life insurance market, equating life policies with other sectors of the financial market. The essential change compared with the circular issued last year (533/D) is that welfare policies were also subject to regulatory obligations on transparency, although the delegated legislation on the reform of supplementary pensions, transferred the competencies on transparency from ISVAP to COVIP (Commissione di Vigilanza sui Fondi di Pensionee – Pension Fund Inspection Committee).

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, by using standardised performance equivalent for all policies which thereby allows 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 the consumers' actual interests.

Basis of consolidation

The basis of consolidation does not show significant changes compared with the situation as at 31/12/2004.

The quarterly report of the Fondiaria-SAI S.p.A. Group includes data for the Fondiaria-SAI S.p.A. parent company and for 99 Italian and overseas subsidiaries and/or associated companies, of which 20 operate in the insurance sector, 21 in the financial, banking and fund management sector and 58 in the property, agricultural and services sector.

Valuation Criteria

The drafting principles and valuation criteria used for the accounts for the financial year were applied to the quarterly report.

Express reference is made to what is published in the file of accounts as at 31/12/2004 for an accurate illustration.

However, the quarterly report is influenced by a greater estimative approach and greater use of simplifications; consequently, methodologies are used which, although they make greater use of estimates, are in any case suitable for substantially safeguarding the end of year principles.

In particular:

Financial investments

Debt and capital securities are valued in accordance with the accounting principles used for the accounts, on the basis of the prices on the last day of the quarter. Any capital loss on the valuation of the short-term securities, net of obligatory write-ups, is recorded in the profit and loss account.

Long-term securities are maintained at the book value, with the exception of those positions for which permanent losses of value are shown at the end of the quarter.

Technical provisions from the direct business:

- Provision for unearned premiums in the non-life business

Within the scope of that provision, there was no change in the component of the provision for risks compared with 31 December 2004, in the classes in which provision was made at the end of the last financial year, if the trend in current generation does not show significant deteriorations in the claims ratio.

- Provision for outstanding claims in the non-life business

In the non-motor classes, in order to determine the current generation, the operative estimate is used which may be adjusted in those classes where the valuation of the settlement network is not considered sufficiently representative of the level of claims.

For previous generations, the operative estimate is adjusted on the basis of past experience taking account of the result of the reduction for partial and/or total settlements. For the motor classes, the current generation and previous generations are combined, taking account of the average cost of the claims settled and the balance between files closed for claims not followed up and files reopened.

Information about the Assets

The statement below shows the investments and net technical provisions as at 31/03/2005, compared with the corresponding amounts as at 31/12/2004.

(thousand Euro)	31/03/05	31/12/04	Change %	31/03/04
INVESTMENTS:				
Land and buildings	2,062,135	2,051,603	0.51	2,412,963
Investments in group companies and other participating interests	341,160	350,711	(2.72)	516,575
Other financial investments	20,731,604	19,925,693	4.04	19,727,764
Deposits with ceding undertakings	53,795	52,750	1.98	59,475
Investments for the benefit of life policyholders who bear the risk and deriving from pension fund management	3,850,161	3,697,307	4.13	3,150,706
Total investments	27,038,855	26,078,064	3.68	25,867,483
Cash in hand and at bank	655,152	555,242	17.99	613,050
Total investments and cash at bank and in hand	27,694,007	26,633,306	3.98	26,480,533
NET TECHNICAL PROVISIONS:				
Non-life business				
Provision for unearned premiums	2,411,971	2,342,758	2.95	2,340,180
Provision for outstanding claims	8,291,721	8,302,621	(0.13)	8,076,215
Other technical provisions	24,422	25,154	(2.91)	27,013
Life business				
Technical provisions				
Technical provisions where the investment risk is borne by the policyholders and provisions deriving from pension fund management	11,561,653	11,202,485	3.21	10,762,442
	3,867,475	3,692,235	4.75	3,148,103
Total net technical provisions	26,157,242	25,565,253	2.32	24,353,953
Financial payables	206,778	210,192	(1.62)	564,829

The investment structure remains substantially unchanged compared with the 2004 financial year. It is pointed out that the heading of other financial investments includes approximately € 425m for repurchase agreements with underlying debenture securities.

The bonds and other fixed income securities component amounts to more than € 16,675m and represents approximately 61.67% of total investments (approximately 62.5% as at 31/12/2004).

The financial payables heading includes the mandatory issued by the subsidiary Sainernational reimbursable exclusively in Banca Intesa shares owned by the parent company.

Debts

The debt situation of the Fondiaria-SAI Group as at 31 March 2005 is as follows:

(million Euro)	31/03/2005	31/12/2004	Change
Subordinated loan	400.0	400.0	0.0
Mandatory Sainernational	180.4	180.4	0.0
Borrowings from banks and other financing	26.4	29.7	(3.3)
Total debts	606.8	610.1	(3.3)

It is pointed out that the consolidated debts did not change significantly compared with 31/12/2004. In particular, the subordinated loan and the mandatory issued by Sainernational, although formally entered under the category debt on which interest is charged, are not substantially different from that. In fact, the subordinated loan shows intrinsic characteristics similar to equity, whereas the mandatory will be redeemed exclusively when a third party issuer's shares (Banca Intesa) are handed over.

With regard to the Convertible and Refundable Bonded Loan and the subordinated financing contract and mortgage loan taken out by the subsidiary I.S. s.r.l. (now International Strategy) with The Royal Bank of Scotland: € 1m is added to that position, included under the heading "Borrowings from banks and other financing" attributable to temporary debt positions which are not significant in their unit amount.

Therefore, as at 31 March 2005, the Group's debts amount in total to € 606.8m, a reduction of € 3.3m compared with 31/12/2004.

Economic Data

The economic situation for the quarter is set out below, compared with similar periods the previous year:

(thousand Euro)	31/03/2005	31/03/2004	31/12/2004
NON-LIFE BUSINESS			
Premiums earned	1,654,049	1,625,336	6,661,077
Charges on claims	(1,151,014)	(1,150,671)	(4,708,783)
Other net technical income	(55,068)	(61,745)	(161,939)
Operating expenses and other technical income/expenditure	(319,067)	(318,135)	(1,288,826)
Result of the non-life technical account	128,900	94,785	501,529
LIFE BUSINESS			
Premiums retained	735,266	833,632	2,781,381
Charges on claims and change in life technical provisions	(860,631)	(966,273)	(3,243,111)
Other net technical income	(3,305)	(5,608)	(15,378)
Operating expenses	(46,587)	(44,955)	(170,902)
(+) Share of life investments	120,833	118,329	460,844
Income and gains net of charges and losses on investments for the benefit of life policyholders	76,110	93,122	275,528
Result of the life technical account	21,686	28,247	88,362
Investment income net of equity and financial charges	243,281	277,463	717,559
(-) share of life investments	(34,107)	(49,994)	(191,570)
Other income net of expenses			
Result of ordinary business	238,927	232,172	655,036
Extraordinary income and expenditure	17,304	96	33,731
Pre-tax result	256,231	232,268	688,767
Corporation tax	(101,355)	(105,131)	(305,315)
Consolidated result	158,876	127,137	383,452
Third parties' share of the result	30,514	25,390	109,139
Group result	124,362	101,747	274,313

It is pointed out that the data as at 31/03/2004 are set out again in the ordinary business component, in order to include the effect of the write-downs and value readjustments for securities which are part of the short-term portfolio at that date into the result for ordinary business.

The net effect on the result of the ordinary business was positive at approximately € 18m.

Management and Comments

In the course of the first quarter of the 2005 financial year, the Fondiaria-SAI Group confirms the good technical trends recorded in recent years.

The positive development of the business of the Group companies is, therefore, in line with the efficiency targets set and the results expected.

Although there was a measured increase in premium income from the direct business, the technical result of the non-life business increased by 1.7% (compared with approximately 2% in the first quarter 2004) to reach € 129m (€ 94.7m as at 31/03/2004) thanks to the reduction in the number of claims reported in the motor class and to the continued improvement in the processes of dealing with and settling claims. The average amount of claims settled in the current generation was always higher than inflation. In the course of the first quarter 2005, the level of the combined ratio at 92.2% (94.2% as at 31/03/2004) is confirmed as excellent.

The result for the life business is also positive and its technical balance, of approximately € 22m compared with € 28m in the first quarter 2004, makes up for the negative effects linked to the close of the Consap dispute with the subsidiary Milano, with a negative effect of approximately € 6m.

Overall, life income shows an increase of approximately 1.3% in the Italian direct business, mainly attributable to the seasonality of income from the banking insurance channel. On the other hand, the increase in income from traditional networks, in particular the parent company and Milano, is confirmed at very positive levels (+27.9% compared with March 2004).

In the first quarter, the implementation of the Fondiweb periphery system in all the branches of the Sai division was completed.

With regard to individual products marketed with Open unico and Open Risparmio, standardised for the whole Group, the range of products was strengthened linked to special business featuring secure savings and investment products.

With regard to the collective sector, the sale of capitalisation policies continued efficiently and the range was enhanced with the new standardised capitalisation product for the whole Group – the Conto Aperto Corporate to meet the requirements of this segment of customers better. Strong demand for capitalisation policies continued from institutional clients with vast liquidity for their cash flow management.

The essential aspects of management, as at 31 March 2005, were:

- a significant improvement in the result of technical insurance management in the non-life business (€ 129m against € 95m as at 31 March 2004).

- the result of the technical account of the life business, €22m, shows a fluctuation compared with 31 March 2004 (€28m).
- operating expenses amount to approximately €366m and represent 15.3% of the premiums (15.5% as at 31/12/2004).
- investment income, net of expenses, was €243m. Of these, more than €121m came from life policyholders.

Net capital gains of a total of €76m were realised on the short-term investment portfolio attributable mainly to the parent company and to the subsidiary Milano Assicurazioni.

- the heading other income net of expenses, - €34m (- €50m as at 31/03/2004) includes more than €26m for share of depreciation of intangible assets for the quarter.
- Investments, net of depreciation on property, equal to €27,039m against €26,078m as at 31/22/2004, an increase of 3.7%: also considering the short-term liquidity positions the increase is equal to 4.0%.

Class C securities investment portfolio, equal in total to €20,452m consists of shareholdings and mutual funds of €3,776m and debt securities of €16,676m. Investments in Class C III long-term securities equal to approximately €5,118m. The class CIII listed portfolio of records latent gross capital gains of approximately €873m and latent capital losses of €257m: the latter relate to long-term investments:

- the amount of the net technical provisions reached €26,157m, an increase compared with 31/12/2004 of approximately €592m. In the life business, these increased by €534m; and by approximately €58m in the non-life business.

In this area, at the end of March, the Fondiaria-SAI S.p.A. Group's total premium income was €2,525,723K (-2.84% compared with the figure for March 2004).

Of this, €1,786,628K (+1.6% compared with 31 March 2004) can be attributed to the non-life business and its sub-division into categories of business is set out in detail in the table below:

(thousand Euro)	31/03/2005	31/03/2004	Change
NON-LIFE BUSINESS			
ITALIAN DIRECT BUSINESS			
Accident and health	166,478	164,343	1.30
Land vehicles TPL	1,071,852	1,042,120	2.85
Motor insurance, other classes	185,192	177,960	4.06
Marine, aviation and transport insurance	47,253	50,767	(6.92)
Fire and other property damage	156,854	159,010	(1.36)
General TPL	120,068	125,881	(4.62)
Credit and bonds	19,093	16,985	12.41
Pecuniary losses	5,200	6,065	(14.26)
Legal protection	3,713	3,715	(0.05)
Assistance	7,670	7,286	5.27
TOTAL ITALIAN DIRECT BUSINESS	1,783,373	1,754,132	1.67
OVERSEAS DIRECT BUSINESS	0	499	(100.00)
INDIRECT BUSINESS	3,255	4,458	(26.99)
TOTAL	1,786,628	1,759,089	1.57

As at 31/03/2005, premiums earned in the direct business by the parent company totalled approximately €986m (+1.6% compared with 31/03/2004), of which approximately €692m in the motor classes (+4.2%).

The subsidiary Milano Assicurazioni S.p.A. contributed €673m of premiums (+1.6%) to the result at group level.

Claims paid in the Italian direct business in the non-life business as at 31/03/2005, amount to approximately €1,112m (+4.9% compared with 31 March 2004): of these €620m related to the parent company (€573m as at 31/03/2004).

With regard to the motor TPL sector, in the parent company the number of claims reported fell by 6.7% compared with the figure for the previous financial year: that trend for the year relates to physical and material claims.

The average cost of claims paid in the year shows an increase of 2.8%. The speed of settlement for the current generation is 38.4% (+3.4 percentage points).

The average cost of the claims paid is consequently increasing, amongst other reasons, due to the significant increase in the speed of settlement.

In the Land Vehicles – own damage sector, claims reported fell by around 7% whereas the costs of claims fell by 3.1%.

With regard to the subsidiary Milano, the technical account for the non-life business recorded a profit of approximately €66m compared with the profit of approximately €42m in the corresponding period in the previous financial year (+57%). The improvement is mainly due to the motor TPL branch which was

influenced negatively in the first quarter of 2004 by some significant contracts entered into in previous financial years in the “fleet” sector, which were marked by a high level of claims.

The land vehicles – own damage class continues to show a particularly satisfactory trend, moreover in a favourable market context. In the other non-life sectors, the company continues to adopt underwriting policies prepared on selection criteria aimed at maintaining the high quality of the portfolio acquired; the technical result consequently remains positive.

Within the scope of direct business/inward insurance, the non-life business shows an increase of 1.6% in premiums written of approximately € 674m; approximately € 498m refer specifically to the motor class (+1%) whereas approximately € 175m relate to other classes where a development of 3.5% was recorded compared with the corresponding period in the previous financial year.

As mentioned previously, the development in premiums written in the first quarter is experiencing the effects of an unfavourable economic cycle, the consequent weakness in internal demand and in particular, with reference to the Motor TPL branch, the negative trend in registrations of new cars: in this context, the company continues to pursue the target of combining development and profitability, through underwriting policies capable of maintaining the high quality of the portfolio.

In the first quarter, 199,832 claims were reported, a reduction of 0.7% compared with the first quarter 2004. With regard to the motor classes, the number of claims reported increased by 1.7% (+1.6% in the motor TPL class and +2.7% in the land vehicles – own damage branch) whereas in other non-life classes the claims record a reduction of 4.6%.

The redevelopment of the subsidiary Sasa S.p.A., in recent years, led to an increase of approximately 50% in the result on ordinary business in the first quarter 2005 (approximately € 3m, compared with a result of € 2m in the same period in the previous financial year). Premiums earned in the first three months of the year amount to approximately € 91.5m, an increase of 1.7% compared with those for March 2004 (€ 90m). The development of motor premiums (TPL and land vehicles – own damage) and that in other non-marine classes continue to experience the effects overall of the opening of new sales channels carried out in the course of recent years. It should be pointed out that, with regard to the accident class, the development activity continues to allow the rebalancing of the composition of the portfolio in favour of the individual sector.

The number of claims reported in the motor TPL class is falling (-10.2%) compared with the corresponding period in 2004 (8,661 as at 31 March 2005 against 9,648 as at 31 March 2004). In general, this reflects a reduction in total claims of -2.5% (15,717 as at 31 March 2005 compared with 16,115 as at 31 March 2004).

In the 2005 financial year, the activity aimed at obtaining selective growth of the portfolio will continue which will materialise in the opening of new points of sale accompanied, however, by a reform of the current portfolio.

For the subsidiary Siat S.p.A., the trend as at 31 March 2005 continues to show moderately positive results in the technical section, in particular in the transport sector. However, with regard to the non-technical section, from the comparison with the data for the similar quarter in the previous financial year, there is a marginal decrease in the balance. In fact, a more measured contribution from financial management contrasts with substantial stability in administration expenses and a heavy balance on other net expenses.

The premiums of the subsidiary Siat S.p.A. of €33m, are in line with those for the comparable period in the previous year. The result of the non-life technical account is substantially balanced. That phenomenon is related to the trend in the transport insurance market, which was characterised mainly by stable or slightly improving premium rates and by an unfavourable trend in the claims ratio: there were no significantly serious claims amongst the claims reported.

Premiums earned in the life business amount to € 739,095K (-12% compared with 31 March 2004): that decrease is due mainly to the reduction in the number of policies entered into by the subsidiary Lawrence Life of € 111m during the similar period last year.

The sub-division into categories of business is set out below:

(thousand Euro)	31/03/2005	31/03/2004	Change
LIFE BUSINESS			
ITALIAN DIRECT BUSINESS			
I – Life insurance	264,513	265,496	(0.37)
III – Insurance in points I and II linked to investment funds	163,431	240,314	(31.99)
IV – Health insurance pursuant to art 1 EEC Dir. 79/267	26	20	30.00
V – Capitalisation operations in art. 40 of Legislative Decree no. 174 of 17/3/95	300,475	212,368	41.49
VI – Pension fund management operations	7,991	8,542	(6.45)
TOTAL ITALIAN DIRECT BUSINESS	736,436	726,740	1.33
OVERSEAS DIRECT BUSINESS	151	111,258	(99.86)
INDIRECT BUSINESS	2,508	2,390	4,94
TOTAL	739,095	840,388	(12.05)

Premiums earned in the direct business by the parent company in the first quarter 2005 amount to approximately € 375m (+31.7%). The increase can be ascribed mainly to the income earned through pure capitalisation operations (+73% more than € 217m), this compares with a satisfactory increase (+13% at more than € 147m) in traditional type income.

The subsidiary Milano shows a similar tendency (+18.2%), where pure capitalisation products amount to €69m (+70%).

The trend in payments shows a decrease compared with that recorded in the corresponding period in the previous financial year. In the first quarter 2005, payments amounted to €360m compared with €460m in the first quarter 2004.

Within the scope of banking insurance companies, amongst other companies in the Group, we would highlight the reduction in premium income of Po Vita and Novara Vita.

For Novara Vita first quarter 2005 premium income was €123m (€215m in the same period in 2004), a decrease of approximately 43% compared with the same period in 2004, whereas the result on ordinary business as at 31 March 2005 is approximately €5m (€8m as at 31 March 2004).

Premium income for Po Vita however reached €174m compared with €208m in the first quarter 2004 (-16.4%). However, it is pointed out that, as occurred in the first part of the previous financial year, the network favours the sale of index-linked policies (class III contracts, that is, products which have a lesser effect compared with the past on the need for the company to form the solvency margin), although focussing attention closely on separate management products. The first three months of 2005 close with an ordinary result of €6m (€4m as at 31 March 2004), are significantly influenced by the good trend in investment income. Furthermore, it is stated that, from April 2005 onwards, the products catalogue will be strengthened with the marketing of three new unit lines with differing financial content, but all based on sectors which are considered to be able to have significant developments in the coming years, such as water, biotechnologies and alternative energies.

Within the scope of the other subsidiaries, at the end of the first quarter 2005, growth in premium income for Sasa Vita SpA. reached +42%, increasing from €7m as at 31 March 2004 to approximately €10m as at 31 March 2005. That increase can be attributed mainly to the launch of a new index-linked policy at the end of February. The recovery in single premium products, to the development of commercial initiatives aimed at selling savings and welfare Policies with annual premiums and recurrent premiums, to the further increase of premium income from term life assurance policies (individual and collective), the latter thanks to the strengthening and extension of some conventions with financial institutions to cover personal loans and the launch of new commercial instruments to offer policies for the individual market (risk savings and welfare policies) and collective sector (directors, key person). The result in the period is substantially balanced.

Investment Management

Financial management

At the end of February 2005, the stock markets were still below the highest levels reached at the end of the first quarter of 2000. The adjustment of expected profits, due to the forecast slowdown in the economic cycle, should produce lower returns on the stock markets for the current year than those for the past two years.

2005 started in virtually the same way as the previous financial year the fund management and insurance products with financial content should regain strength.

The parent company's financial activity in the first quarter 2005 was characterised by selective asset allocation in order to reduce rate risks to a minimum and, at the same time, to monitor market opportunities for trading operations closely.

In order to maintain a substantially measured total duration, the welfare component of the portfolios is normally represented by repurchase agreements and CCT.

In detail, the non-life business shows a more prudent asset allocation, with a fixed rate component of 54.2% with a duration of 2.95. The variable rate component however is 36.7% with a duration of 0.67. Repurchase agreements reached 9.1%. The total duration of the portfolio is 1.84.

The life business however shows a total duration of 4.61 compared with liabilities with longer maturity dates. The composition sub-divides into a fixed rate component of 64.4% with a duration of 6.79 and a variable rate component of 34.6% and a duration of 0.69. Repurchase agreements recorded 0.9%.

In the non-life bonds portfolio, Government bonds represent 88.26% and corporate bonds 10.69%; in the life business, the business concentrated on special management portfolios favouring Investments producing a higher return (the percentage for corporate bonds is 28.38% and for Government bonds falls to 70.10%) with futures sales of Government bonds aimed at achieving the targets for the separate businesses.

Own shares and shares of the holding company

In the first quarter of 2005, 861,000 ordinary own shares were acquired in total for an outlay of € 17,242K.

Therefore, as at 31 March 2005, there were 6,690,212 ordinary shares equal to 5.197% of the ordinary share capital in the portfolio.

Subsequent to the close of the first quarter 2005, 20,000 ordinary shares were acquired for an outlay of € 426K; as at 06/05/2005, there were 6,710,212 ordinary shares in the portfolio equal to 5.213% of the ordinary share capital, whereas the subsidiary Saifin-Saifinanziaria S.p.a. holds a further 1,060,000 ordinary shares equal to 0.823% of the ordinary share capital and the subsidiary Milano Assicurazioni S.p.A. owns a further 3,896,557 shares equal to 3.027% of the ordinary share capital.

Shares in the holding company:

In the course of the first quarter 2005, 827,500 shares were acquired in the holding company Premafin Finanziaria S.p.A..

As at 31/03/2005, your company owns 18,340,027 shares in the holding company equal to 5.853% of the share capital.

Subsequent to the close of the first quarter, further shares were acquired, therefore as at 06/05/2005 your company owns 18,340,027 shares equal to 5.853% of the share capital, whereas the subsidiary Saifin-Saifinanziaria S.p.A. owns a further 66,588 ordinary shares equal to 0.021% of the share capital and the subsidiary Milano Assicurazioni owns a further 5,899,700 ordinary shares equal to 1.883%.

Other Information

Sales organisation and staff

It is reported that, as at 31/03/2005, the Fondiaria-SAI Group has 5,960 employees (5,904 as at 31/12/2004), of which 2,751 employees of the parent company (2,749 as at 31/12/2004) and 3,209 employees of the subsidiaries (3,155 as at 31/12/2004).

As at 31/03/2005, income was produced mainly by 3,629 agencies (3,643 as at 31/12/2004), which operate through 3,306 points of sale (3,327 as at 31/12/2004) representing the traditional sales chain.

In particular, the distribution structure includes 1,399 single agent agencies and other locations belonging to the parent company (1,408 as at 31/12/2004) and a further 2,230 single agent and multi-agent agencies (2,235 as at 31/12/2004) which work with the other companies in the Group.

890 of the above-mentioned agencies operate under the BancaSai mandate (which also includes mandates for Effe Investimenti Sim) collecting public savings and sell Effe Gestioni SGR unit trusts, supported by the network of 1,471 Banca SAI financial advisers.

In the first three months of 2005, the implementation of the voluntary redundancy incentives plan was continued for staff fulfilling the requirements for retirement/old age pension which has enabled the parent company only, 27 voluntary redundancy incentive agreements which will be effective before the end of this year. 11 employees have resigned.

External relations and communications

The most important initiatives in the first quarter of the financial year were:

- the launch of the new motor product "Nuova 1° 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.
- The Presto&Bene incentive, a Group initiative aimed at supporting and supplying the single bodywork repair network which, in co-operation with the Claims Department and the ICT department, produced a complex system of conversion of claims channelled through cumulative points for the collection of premiums and a website launched on 1 April.
- The review of the entire communications tools for health products (Sanicard System).

Within the scope of the brand identity activity, the Group's Style Chart was brought to an end. From the beginning of the year, it was applied to all the on-line and off-line communication tools for Fondiaria-Sai and the other companies in the Group. The distribution of paper manuals to Group employees is planned for the month of May to produce communication media and the publication of the on-line Visual Identity Manual. Furthermore, in the same area of activity, the new Group Profile was completed and produced in two editions: one for the institutional community and one for the agency network. Finally, a new concept-store in line with the Group's values system and the visual identity – was defined for the agency: in synergy with the territorial commercial structures of the Sai Division, the project is at the test stage.

With reference to ISVAP circular 533/D issued relating to the introduction of new obligations on transparency in the life insurance market, the parent company is continuing its support for the development of systems and procedures suitable for guaranteeing the control required in the communication of traditional and on-line, product/services produced by the agencies.

Activities aimed at defining and producing a specific communications kit for products to be distributed to agency networks in formats more suitable for production, which will enable them to activate commercial initiatives on its territory supported by communication tools complying with the requirements stated by ISVAP and, therefore, authorised by the company responsible.

With regard to support measures implemented within the social and cultural sphere and in order to maintain the company's image, the completion of the Group's identification system is planned, by using the main institutional tools (Group institutional advertising, continual implementation of the Visual Identity

Manual, institutional communication kit for agencies in the territory), as well as restyling the image of products in the non-life area with the preparation of information on the internet for wider circulation, as stated by ISVAP. In order to continue to harmonise the pre-existing company culture, thereby producing a Group culture, co-ordination of Internal Communications guaranteeing consistency and harmonisation of initiatives aimed at all staff in the Group and distribution networks. Tools aimed at sharing information such as: NEWS newsletter, TEAM house magazine, LINEA DIRETTA CLUB magazine.

Transition to international accounting principles (IAS/IFRS)

The programme implementing the operational and procedural changes required by the introduction of international accounting principles continued in the quarter. Within the scope of that programme and through the formation of appropriate working parties, interventions were determined to adapt the Group's company processes and systems required to supply and produce the IAS data required by the charts and new accounting information.

Interventions are also planned considering the fact that, on the basis of Legislative Decree no. 38 of 28 February, the parent company's accounts should still be prepared pursuant to Legislative Decree 173/1997.

The transition phase involved and still involves a significant undertaking following the reference regulatory framework still at the definition stage, in any case the Group will circulate accurate Information on the basis of international accounting principles with effect from the half year report as at 30 June 2005 also showing the main impacts compared with the current accounting principles.

With regard to the results of the business carried out relating to the main qualitative differences of the accounting principles, which it is considered may derive from the adoption of new standards, please refer to the relevant section of the notes to the 2004 accounts.

Significant events occurring after the End of the Quarter

The following transactions are highlighted in the property sector:

Garibaldi – Republic Project

Negotiations were completed with the American property group HINES for the purposes of forming a joint venture with the FONDIARIA-SAI Group and through that, in particular, with MILANO ASSICURAZIONI – to carry out a property development project in an area of Milan called “Garibaldi Repubblica”.

It is planned that the “Garibaldi Repubblica” project will develop approximately 105,000 m² building surface area, of which approximately 51,000 m² for office use, approximately 10,000 m² for commercial areas, approximately 9,000 m² for residential areas, approximately 20,000 m² for exhibition areas and approximately 15,000 m² for accommodation . The town planning instruments for the suitable development of the area are currently receiving final approval from the competent authorities. On the basis of the latest estimates, the total cost of the project is quantifiable at approximately € 650 m and the planned time the initiative will take is about 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. at the price of € 15.3m through the acquisition of a share in a members’ loan for virtually the whole amount of the transaction. Through another Luxembourg holding company, that company will control several company vehicles under Italian law which will develop the building areas.

The total economic commitment by MILANO ASSICURAZIONI is estimated at € 100m in the period 2005-2010, compared with expected income, in the same period, of € 130/140 m. The company’s investment will mainly take the form of interest-bearing loans granted to the participating interest Garibaldi S.c.s. and, to a lesser extent, through capital contribution payments.

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

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

It is an essential step towards realising the initiative that, together with the current plan in Milan with CITYLIFE for the former Fiera area, as to size and town planning significance, is one of the most significant property projects currently in Italy at this time.

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

The approval therefore allows the implementation stage of the project to start, which will include the design activity, whereas it is presumed that construction will not start before 2006.

**Acquisition of a property for hotel use 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. for the acquisition of a complex for hotel use to be constructed by the company IM.CO. on land owned by the latter situated in Parma. Furthermore, the company Atahotels S.p.A. agreed with IM.CO. that it was prepared to guarantee a return on the investment by underwriting the hotel Complex and additional ancillary structures. The price is €28,160,000, on the basis of 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. company owning a share in Premafin Finanziaria S.p.A. and in which, on the other hand, some of the company directors have interests and shareholdings. Accurate studies and research have ascertained that the area is suitable, due to its location and its connections, for the construction of a complex including accommodation and a conference centre, well-being centre and sports and recreational facilities.

It is a breath-taking intervention, carefully assessed on the basis of the forecast of an economic and cultural revival of the city of Parma and related areas, following the setting up of the headquarters of the European Food Safety Authority (EFSA), which it is fair to predict a considerable increase in visitors from European Union countries.

The company organisation of IM.CO. and Atahotels shows the latter to be related parties of the company, so that the Board, on the preliminary examination of the transaction, had decided to acquire suitable fairness and legal opinions, as stipulated in the corporate governance system adopted by the company, stating that, for Fondiaria-SAI, as stated above, the transaction 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 the legal opinion.

KPMG Corporate Finance considered the sale price of the property appropriate at a future date, equal to the value determined from the expert valuation stated above.

For its part, the legal opinion provided justification for the draft contract (future sales), making 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 stated by KPMG Corporate Finance and the legal assessment made by the firm of lawyers Ashurst.

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

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

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

- transfer by Meridiano Secondo of a building site in San Donato Milanese, in favour of I.C.E.IN., subsidiary of Sinergia Holding di Partecipazioni S..A., a company holding a stake in Premafin Finanziaria S.p.A. and in which some of the company directors have interests and holdings;
- acquisition in the future from I.C.E.IN., by Progestim, of a property complex to provide accommodation, to be constructed on the same building area as above, with deferred payment of the price on the basis of the progress of the works, consequently taking on the obligation to build the property complex according to the specification of the approved project. Furthermore, it is planned that the property will subsequently be rented 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 valuation produced by the independent advisor Scenari Immobiliari, whereas the acquisition price of the finished property complex is fixed, without any possibility of revision, at € 18,090,000, 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 would transfer to the construction company any business risk, with the latter taking on any organisation and worksite control commitments and therefore Progestim having merely a role as investor. Furthermore, the acquisition price fixed at the outset guarantees against any revision of the prices of materials and manpower. Therefore, at the end of the transaction, Progestim will be the owner of a property source of income at market value, without taking on business charges (and the related risks) typical of the construction business, therefore limiting its intervention to that of an institutional investor, also with guaranteed income, as stated, from the rental to Atahotels.

The company organisation of I.C.E.IN. and Atahotels shows the latter to be related parties of the company, so that the Board, on the preliminary examination of the transaction decided to acquire fairness and legal opinions, as stipulated in

the corporate governance system adopted by the company, stating that, for FONDIARIA-SAI, as stated above, the transaction is an transaction with related parties through a subsidiary.

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

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

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

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

Business Outlook

The final results as at 31 March are substantially consistent with what is stated in the company's industrial plan and give a very positive sign that the targets on profitability, efficiency and solvency set at the time will be achieved

The Group's targets for 2005 will also consolidate the market position by maintaining the current high level of profitability.

Therefore, in the absence of unforeseeable events of an anomalous or exceptional nature linked to the trend in the financial markets, the Group's income forecasts for the current financial year are very positive.

Milan, 11 May 2005

*For the Board of Directors
The Chairman*

JONELLA LIGRESTI

