Third 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 € 173,114,113 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 L AW NO. 473 OF 17 APRIL 1925.

BOARD OF DIRECTORS

Salvatore Ligresti	*Honorary Chairman*
Jonella Ligresti *	*Chairman*
Giulia Maria Ligresti *	*Vice Chairman*
Massimo Pini *	*Vice Chairman*
Antonio Talarico *	*Vice Chairman*
Fausto Marchionni *	*Managing Director and Chief Executive Officer*
Andrea 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	*Secretary to the Board and to the Executive Committee*

BOARD OF AUDITORS

Benito Giovanni Marino	*Chairman*
Giancarlo Mantovani	*Auditor*
Marco Spadacini	*Auditor*
Sergio Castellini	*Alternate Auditor*
Giorgio Di Giuliomaria	*Alternate Auditor*
Maria Luisa Mosconi	*Alternate Auditor*

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.

Contents

Introduction

The quarterly report as at 30 September 2005, produced on a consolidated basis, is in conformity with the provisions contained in regulation no. 11971 dated 14 May 1999, as amended and supplemented by CONSOB Resolution no. 14990 of 14 April 2005.

Specifically:

- this quarterly report was produced in accordance with the IAS/IFRS international accounting principles issued by the IASB (International Accounting Standard Board) and to date approved by the European Union;
- the information supplied is that stipulated in annex 3D to the stated regulation no. 11971;
- the profit and loss account and the statement of the net financial position were prepared taking note of the ISVAP document concerning the instructions on the production of consolidated insurance accounts in accordance with the new international accounting principles circulated on 9 June 2005 for public consultation;
- all the accounting information and statements are prepared on a consolidated basis. The economic data are compared with those for the similar period in the previous financial year; the data on the assets and the financial data are compared with the situation existing at the close of the previous quarter and the previous financial year. For ease of comparison, the economic data relating to the 2004 financial year have been re-determined and re-classified for comparison in accordance with the IAS/IFRS international accounting principles with the exception of IAS 32 (Financial instruments: disclosure and presentation), IAS 39 (Financial instruments: Recognition and measurement) and IFRS 4 (Insurance contracts), which were applied with effect from 1 January 2005, as already stated in the half year report as at 30/06/2005.

The financial and assets statements for the quarter are not audited by the independent auditor.

All amounts are expressed in million or €K with the normal roundings.

The insurance market in the third quarter 2005

According to International Monetary Fund forecasts, growth in the world economy, which is increasingly dependent on growth rates in the United States and China, is likely to slow down slightly in the second half of the year, remaining at very high levels (4.3%) in any event. The main risks for the world economy remain the trend in the price of oil, the presence of speculative bubbles in the property markets of some countries and the exacerbation of the differences in growth rates in different economic areas.

The final data for the second quarter and the first indications for the third quarter show the start of a moderate phase of expansion in the Italian economy which is not free of uncertainties, however. GDP has started to grow again (0.7% on a quarterly basis, 0.1% compared with the corresponding period in 2004) after two quarters of contraction.

Economic performance in the insurance sector shows further progress in all classes thanks to the improved quality of the portfolio, the good performance of exogenous variables in the automotive sector and the generalised containment of costs.

In Italy, the number of life policies taken out started to increase again, after July when the number taken out was quite low.

New production in the sector increased by more than 43% compared with the same month in 2004, taking growth from the beginning of the year to 20.3%. The good result on class I policies is confirmed, representing 40% of the premium income and of index-linked, which are accelerating constantly.

The spread of life products in Italy has increased significantly compared with recent years and the sector is showing greater dynamism in the creation of products to meet three crucial aims: welfare, savings and investment.

With reference to the Italian non-life insurance market, although the companies are maintaining profitability strictly linked to the performance in the Motor TPL class, good financial performance is reported and the technical results were good again in the course of the third quarter. In July and August, vehicle registrations increased by 5.2% compared with the same period in 2004 and new orders in July increased by 7.5% in one year.

On 1 March 2005, the sector's supervisory body, ISVAP, issued circular no. 551/D which introduces 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 the regulatory obligations on transparency. The delegated legislation on the reform of supplementary pensions transferred its competencies on transparency from ISVAP to COVIP - Commissione di Vigilanza sulla Previdenza Complementare (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 for the policyholder which must accompany the placement of the policy;
- possible comparisons by using equivalent standardised performance for all contracts thereby allowing investors to have an objective basis on which to compare the products offered by the different companies;
- the adequacy of the contracts, in order to offer policyholders products which meet consumers' actual interests.

The Italian insurance sector is, moreover, involved in intense activity on regulations and standards, of which the circulars on transparency are only one aspect.

In addition to the new features relating to the adoption of the IAS/IFRS international accounting principles, we would highlight the activities relating to the "Solvency II" project and those following the incorporation of the new Private Insurance Code into the national regulations.

In this context, it is evident that the company has made considerable effort to adjust, at a not insignificant monetary and organisational cost.

Basis of Consolidation

The report on the third quarter for the Fondiaria-SAI S.p.A. Group includes data for the parent company and the 101 Italian and foreign subsidiaries and/or associated companies, of which 20 operate in the insurance sector, 21 in the financial, banking and investment fund management sector and 58 in the property, agricultural and services sector.

Work is continuing on rationalising and simplifying the company structures of the Group's different component entities, through the regrouping of operations and the simplification of structures. As these are operations inside the Group, there are no economic effects or effects on the assets.

It should be pointed out that the effect of the introduction of IAS/IFRS is that some subsidiaries, which were previously valued using the net equity method in accordance with Italian accounting criteria, as they were carrying out activities other than insurance, have been fully consolidated in the current quarterly statement. It should be stated that the Tikal R.E closed property fund was fully consolidated pursuant to paragraph 19 of IAS 27.

In addition to what has already been stated in the half year report, the following operations are highlighted in the third quarter:

- the sale of the shareholding in the associated company FINART S.p.A.;
- the shareholding in BANCA SAI S.p.A. increased from 80.47% to 100%;
- the sale of shares in MILANO ASSICURAZIONI by FONDIARIA-SAI. The direct shareholding falls to 58.42%.

Transition to IAS/IFRS

Reference table

Following the entry into force of European Regulation no 1606 of July 2002, European companies whose shares are traded on a regulated market are obliged to adopt the IAS/IFRS accounting standards to produce the 2005 consolidated accounts.

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

We would point out specifically that the CESR invited companies to circulate information on the transition only when they had sufficiently reliable data to prevent the circulation of misleading accounting information.

With reference to that recommendation, on 15 April 2005, CONSOB published an amendment to the Issuers Regulation which stipulates a gradual transition for the 2005 periodic financial statements.

The complexity of the valuation of insurance contracts was highlighted by the IASB which, as it is well known, decided to split this into two phases; the first phase ended on 31 March 2004 with the publication of IFRS 4 and there are currently no drafts available for the second phase.

The specific nature of the insurance sector was also stressed by the Council of Ministers which stipulated in its legislative decree approved on 25 February ("IAS decree") the so-called "compulsory *doppio binario*" (dual-track accounting), on the basis of which companies which produce consolidated accounts must prepare them in accordance with international accounting principles whereas the accounts for the financial year must be prepared pursuant to Legislative Decree 173/1997. Pursuant to art. 9 paragraph 2 of the IAS decree, last June ISVAP started the consultation procedure about the instructions on the production of models for consolidated accounts in accordance with IAS/IFRS principles; publication of the relevant regulation is still awaited.

With regard to the initiatives undertaken, we would recall that, already with effect from July 2003, the Fondiaria-SAI Group started a programme to implement the operating and procedural amendments required by IAS/IFRS, through the formation of working parties, sub-divided into area of accounts and specialist skills.

The transition has involved and is still involving a considerable commitment to the definition of interventions to adapt the Group's company processes and systems, required to supply and produce the IAS data required by the scheme and the new accounts report which is still in the phase of precise definition in the regulations.

2005 half year

For the reasons set out above, it was considered appropriate to prepare a consolidated half year report produced using the same accounting principles as those used for the accounts closed as at 31/12/2004 and for the half year to 30/06/2004, also in order to have a historical series of comparisons of data to provide a proper understanding of the Group's performance.

The Fondiaria-SAI Group, therefore, produced its half year report as at 30 June 2005 in accordance with the criteria established by art. 81-bis of CONSOB Resolution 11971 of 14 May 1999, introduced by CONSOB Resolution no. 14990 of 14 April 2005, which stipulates that listed issuers must provide:
a) a quantitative reconciliation of the equity as at the close date of the half year and as at the close date of the previous financial year and the result as at the close date for the half year, determined using the criteria for producing the accounts for the previous financial year, compared with its value taken by application of the international accounting principles. The reconciliation table must describe clearly, using

the appropriate analysis, the nature and amount of the most significant adjustments to be made to the equity and the result for the period; and
b) in a separate appendix, the reconciliations stipulated by paragraphs nos. 39 and 40 of international accounting principle IFRS 1: first adoption of the International Financial Reporting standards adopted in accordance with the procedure referred to in article 6 of (EC) Regulation no. 1606/2002, with the attached explanatory notes on the drafting criteria and the headings shown in the reconciliation tables.

The objective of the reconciliation tables is to provide the main quantitative data on the impact of the changeover from the current accounting system to the international accounting principles and to show a clear starting point for the drafting and presentation of the intermediate accounts in accordance with IAS/IFRS.

Third quarter

The quarterly report as at 30 September 2005, produced on a consolidated basis, consists of accounting statements produced in accordance with the information required by art. 82 of the Issuers Regulation adopted with CONSOB Resolution 11971 of 14 May 1999 and recently amended by Resolution no. 14990 of 14 April 2005; the quarterly report was therefore produced by applying the international accounting principles as set out in annex 3D of that Regulation; consequently, measures were taken to reclassify the data for the previous periods in accordance with the international accounting principles.

Choices made

It is reported, first of all, that the Fondiaria-SAI Group decided to apply the following accounting principles with effect from 1 January 2005:

- IAS 32 – Financial instruments: disclosure and presentation
- IAS 39 – Financial instruments: recognition and measurement
- IFRS 4 – Insurance contracts

for financial instruments and insurance contracts; the above-mentioned principles contain particularly significant new elements compared with the accounting principles used to produce the accounts up until now.

The new accounting principle IFRS 1 sets out the technical rules for the changeover to international accounting principles and stipulates, inter alia, some concessions in the phase of the first application. The transition to IAS/IFRS, therefore, requires the selection of the accounting principles and the determination of choices to be made for the first application.

The choices relating to the application of IFRS 1 include:

- the criteria for the transition to IAS with the possibility of adopting some optional valuation criteria or making use of some exemptions in the retroactive application of the new principles,
- the options stipulated by some specific international accounting principles.

The choices made by Fondiaria-SAI can be summarised as follows:
a) aggregation of companies involved before the date of the transition to IAS/IFRS (1/1/2004): Fondiaria-SAI decided to adopt the prospective method of IFRS 1, which allows business combinations completed before 1/1/2004 not to be reopened. Therefore, goodwill recorded in the consolidated accounts produced in accordance with Italian principles on acquisitions made prior to 1 January 2004 (date of the transition to IFRS), was maintained at the previous value, subject to checking the reliability of that value and reporting any losses of value.
b) property and other tangible long-term investments: at the time of the first application, these are permitted to be recorded on the basis of the fair value instead of at cost. That option allows the assets stated at the fair value to be recorded in the accounts and that value to be used as a substitute for the cost. Fondiaria-SAI did not take advantage of that option, except for some properties specifically listed,

and chose to record the tangible long-term investments at the depreciated cost, recording some losses of value.
c) employee severance indemnity (TFR) has no equivalent in other countries and, therefore, the most appropriate accounting methodology to be applied to that heading is controversial. While awaiting guidance from the regulations, it was considered appropriate to bring the TFR back within the scope of IAS 19 "employees' benefits" in accordance with that principle, the TFR is considered to be an obligation for defined benefits which must be re-calculated using actuarial methods applying the criterion of "unit projection of the amount to be received".
That principle allows actuarial profits and losses not to be recorded when there are insignificant variations, laid down by specific parameters (so-called "corridor").

Fondiaria-SAI decided to record the actuarial profits and losses accumulated on the transition date, whereas subsequently they are recorded only if they exceed the limits stipulated in the accounting principle.

d) In particular, it is confirmed that the accounting principles
- IAS 32 – Financial instruments: Disclosure and presentation
- IAS 39 – Financial instruments: Recognition and measurement
- IFRS 4 – Insurance contracts
were applied with effect from 1 January 2005.

It is obvious that the comparison with the 2004 data for the headings affected by the stated principles cannot be fully significant, therefore, for the data on the assets as at 31 December 2004, measures have been taken to re-classify the financial investments into the categories stipulated by IAS 32/39 and to re-classify the life provisions of insurance contracts as they do not present a significant insurance risk in accordance with IFRS 4, notwithstanding the application of the valuation criteria stipulated by the stated principles with effect from 1 January 2005.

Other information

The consolidated accounts as at 31 December 2005 will be prepared exclusively using the IAS/IFRS issued by the IASB and approved by the European Union on that date. All the statements, comparative information and explanatory notes required to provide a complete representation in accordance with IAS/IFRS for the Group's financial situation and results will be provided at that time.

It is stated that the valuation and measurement of the accounting amounts contained in the reconciliation tables and the explanatory notes are based on the IAS/IFRS principles which have been approved to date by the European Commission and on their current interpretation by the official bodies.

It is pointed out that the process of approval by the European Commission and the interpretation and adjustment by the official bodies responsible for this is still continuing. At the time the first consolidated accounts are prepared in accordance with IAS/IFRS (31 December 2005), new IFRS principles and IFRIC (International Financial Reporting Interpretation Committee) interpretations may be issued. Therefore, it cannot be excluded that, given the rapid and continuous developments in this area during this transition phase, there may be amendments in the course of 2005 which could involve changes to the information presented here.

Valuation Criteria

The drafting principles and valuation criteria used in the half year to produce the reconciliation table stipulated in art. 81 bis were applied to the quarterly report.

Therefore, express reference is made to what is published in the half year accounts documents as at 30 June 2005, in order to provide an accurate illustration of the IAS/IFRS principles adopted, whereas for the headings not affected by the international accounting principles, it is possible to make reference to the accounts as at 31 December 2004; we set out below the criteria for the most significant amounts set out in the quarterly report.

We would also point out that 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.

Property, plant and equipment – property investments

IAS 16 "Property, plant and equipment" stipulates that, at the time of the initial recording, property used by the company is recorded at cost; subsequently reporting may be made on the basis of the cost model (paragraph 30) or on the basis of the revaluation model (paragraph 31).

IAS 40 "Property investments", which governs property held by the company for investment purposes, stipulates that the property must be recorded at cost at the time of acquisition whereas, on subsequent valuations, the company may choose between the valuation at cost and the valuation at the fair value.

The fair value is the price at which the ownership of the property can be exchanged between informed and willing parties and available in a free settlement, that is, what is normally defined as the market price.

Unless otherwise stated, the company chose to use cost as the principle of valuation for all property, both that used by the company and that owned as an investment and, as such, intended to be used by third parties.

At the time of the first application, as permitted by IFRS 1 (first adoption of the International Financial Reporting standards), the value used was that redetermined on the basis of the previous accounting principles instead of cost.

On the basis of the stipulations of IAS 16 and of IAS 40, measures were taken:

- to separate from the value of the property wholly owned the value of the land on which it is constructed which, as it is for an unlimited term, is not depreciated;
- to subject the net value obtained in this way to the appropriate depreciation process, on the basis of the estimated useful life of the buildings;
- consequently, to redetermine the value of the buildings on the date of the transition to IAS, charging to the equity the difference compared with the present value in the accounts drafted in accordance with the Italian principles.
- adjust the result for the period by the amount equal to the difference between the depreciation set out in the accounts in accordance with the Italian principles and those determined on the basis of the IAS principles.

Property investments are subjected to the impairment test by comparing the accounting value with the estimated fair value, ascertained by means of an expert valuation.

With regard to the revaluations of the properties carried out in previous financial years, these were not removed from the process of redetermination of the cost as it is considered they are being used to determine the depreciated cost to reflect the change in the price indices.

For property contributed to the TIKAL R.E closed property fund, however, measures were taken to use the fair value as the substitute for cost, as those properties are systematically revalued, through the above-mentioned contribution, in order to maximise profitability, even in the short-term.

Financial instruments

Financial assets

IAS 39 "Financial instruments: recognition and measurement", applied by the group with effect from 1 January 2005, stipulates that the financial instruments are not classified according to their nature but on the basis of their functional use within the scope of the management of the company. IAS 39 specifically stipulates the following categories of financial assets:

- "financial instruments valued at the fair value through profit or loss", which includes the securities owned to be traded in the short-term and securities which, on the initial recording, are designated in that category by the company;
- "financing and loans" which, in addition to loans and financing in the strict sense, as defined by the Italian principles, also include unlisted certificates of indebtedness;
- "financial instruments owned up to maturity", which includes certificates of indebtedness with a fixed maturity date and fixed or determinable payments which the company intends and is capable of owning up to maturity;
- "securities available for sale", which includes securities which cannot be classified into the previous categories.

On the first recording, the financial assets are recorded at the fair value, which generally corresponds to the price paid to acquire them. Subsequently, different valuation criteria are applied to the individual categories, again in accordance with IAS 39. Specifically:

- financial instruments at fair value through profit or loss, as the name of the category explains, are valued at the fair value, charging the difference between the fair value and the initial value to the profit and loss account;
- financial instruments owned up to maturity and financing and loans are valued at the depreciated cost, calculated using the actual interest method;
- financial instruments available for sale are valued at the fair value, charging the difference compared with the initial value in the appropriate equity provision. That provision is written off to offset the profit and loss account at the time the financial instrument is realised and in cases of its impairment.

For financial assets recorded in the "fair value through profit or loss" category, when the fair value is reported on the transition date (which, as already stated, for IAS 39 and the related IAS 32 "Financial instruments: Disclosure in the accounts and supplementary information", is 1 January 2005) the difference between the fair value and the book value determined in accordance with the Italian principles must be charged to an appropriate equity reserve, called the first application reserve.

The IAS principles define the fair value as the amount at which an asset (or a liability) could be exchanged between informed and willing parties and experts not subject to any restraint. The fair value of the financial instruments is determined on the basis of the following:

- for financial instruments listed on active markets: the current market price on the reference date (mark to market);
- for unlisted financial instruments, the price determined on the basis of appropriate valuation techniques (mark to model).

In the light of the above, after having assigned each security in the portfolio to one of the categories stipulated by IAS 39, measures were taken to:

- determine the initial value, that is the fair value as at 1 January 2005, the date IAS 32 and 39 came into force, for the securities recorded in the "fair value through profit or loss" category and to charge the difference compared with the cost to the equity.

- charge the difference between the initial value determined in that way and the fair value as at 30 September 2005 to the profit and loss account, consequently adjusting the result for the period for the securities classified as "fair value through profit or loss".
- charge to the appropriate equity provision the difference between the initial value determined in that way and the fair value as at 30 September 2005 for securities available for sale.

For loans with a maturity date of more than one year, measures were taken to calculate the difference between the depreciated cost and the book value determined in accordance with the Italian accounting principles for certain long-term loans.

Financial liabilities

IAS 39 stipulates that financial liabilities must be sub-divided into two categories:

- financial liabilities valued at the fair value through profit or loss which, at the time of the first recording, are recorded at the fair value and subsequently valued at the fair value, charging the difference compared with the initial value to the profit and loss account. That category includes derivative financial instruments, inter alia. That category also includes all life business financial policies, such as index- and unit-linked: the change in the fair value is charged to the profit and loss account and provides a correlation with the valuation of the underlying assets. That approach, moreover, is in line with what was affirmed by the European Commission on correlated valuation of the assets and liabilities in the explanatory memorandum dated 19/11/2004;
- other financial liabilities which, when first recorded, are recorded at the fair value and are subsequently valued at the depreciated cost determined using the actual interest method. Also in that case, at the time of the transition to IAS, the difference between the fair value and the value recorded in the accounts in accordance with the Italian principles is charged to a specific equity heading. With reference to other financial liabilities, measures were taken to redetermine the effects on the equity, as at 1 January 2005, of the subordinated loan issued in 2003 and of the mandatory exchangeable in Banca Intesa shares issued in September 2004.

IFRS 4 – Insurance contracts

With effect from the date IFRS 4 came into force (1 January 2005), all contracts were classified by determining which have an insignificant insurance type risk component, although legally they are insurance contracts, they do not come within the scope of the application of IFRS 4. Specifically all contracts in the life business, except for those with a discretionary participation, which do not come within the previous definition must be entered in the accounts in the same way as financial contracts and, therefore, in accordance with the rules stipulated by IAS 39, and are classified using the "deposit accounting" method. However, contracts which comply with the definition stipulated by IFRS 4 are entered in the accounts in accordance with the current rules stipulated by the Italian accounting principles and the relevant provisions are subject to a reliability check.

Therefore, on the basis of the IAS/IFRS principles, insurance policies were classified into the following categories:

- insurance contracts and financial instruments with discretionary participation, to which IFRS 4 "insurance contracts" applies
- other financial instruments, which come within the scope of application of IAS 39 "Financial instruments: recognition and measurement" and IAS 18 "Revenue" for any service component.

On the basis of the analyses of the policies in the portfolio, all the contracts in the non-life business and all the contracts in the life business come within the scope of application of IFRS 4, with the exception of index-linked contracts in class V and unit-linked contracts which were valued on the basis of the stated principles IAS 39 and IAS 18, that is separating the financial liability (value at the fair value through profit or loss) of the premium component which can be ascribed to the service activity in favour of the policyholders, valued in accordance with IAS 18.

Provisions for disasters/premiums and equalisation provisions

IFRS 4 “Insurance contracts” defines an insurance liability as the insurer’s net contractual obligation pursuant to an insurance contract.

On the basis of that definition, no components of the provision for unearned premiums can be maintained in the accounts produced in accordance with the IAS/IFRS international principles, although they are compulsory in accordance with Italian accounting principles as they are set aside in order to comply with specific regulatory measures, concern not only individual insurance contracts but all contracts taken out to provide cover for certain types of disaster and are based on flat rates and set aside in addition to the provision for fractions of premiums of individual contracts, calculated using the pro-rata temporis method, for the purpose 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 the insurer’s contractual obligation into effect, to be recorded as a provision for outstanding claims) but in anticipation that claims of that type could occur in the future. Therefore, provision is made for such eventualities not by means of a current liability but by means of an increase in the equity allocation.
On the basis of the stipulations of IFRS 4, therefore, measures were taken to eliminate the following components of the provision for unearned premiums as at 1 January 2005, the date of the first application of IFRS 4, thereby increasing the equity:

- the supplement of the provision for unearned premiums for insurance to cover losses caused by nuclear energy, stipulated by Ministerial Decree 21 September 1981
- the supplement of the provision for unearned premiums for insurance to cover losses caused by hail and other natural disasters, stipulated by Ministerial Decree 29 October 1981
- the supplement of the provision for unearned premiums or insurance to cover losses caused by natural disasters such as earthquakes, tidal waves, volcanic eruptions and related phenomena (Ministerial Decree 15 June 1984).

Consequently, the profit as at 30 September 2005 was adjusted and the increase in those provisions in that period was written off.

The equalisation provisions:

- the balancing provision for risks of natural disasters governed by Ministerial Decree no. 705 of 19 November 1996
- the provision for offsetting the credit branch stipulated by art. 24 of Legislative Decree no. 175 of 17 March 1995.

The considerations relating to the provision for unearned premiums are valid for those headings: these provisions do not meet the requirements for insurance liabilities, as defined by IFRS 4 and were therefore eliminated charging their amount to the net equity. Consequently, the profit as at 30 September 2005 was adjusted, by writing off the increase in those provisions in that period.

Actuarial provisions in the life business, shadow accounting

The amount recorded relates to the adjustment of the actuarial provisions for contracts in the life business segregated accounts made by applying the accounting practice known as “shadow accounting” referred to in paragraph 30 of IFRS 4.

That adjustment, which represents an option and not an obligation for the company, enabled the value of the actuarial provision in those contracts to be correlated with the value of the assets in the segregated accounts determined using the IAS principles, thereby contributing to providing greater clarity in the representation and comparison of data.

The securities in the life business segregated accounts in fact come into the “available for sale” category and the “fair value through profit or loss” category and, as such, were valued at the fair value, recording the increase in the equity or the profit for the period as the difference between the fair value and the value determined in accordance with the Italian principles.

Moreover, as it is well-known, the income from the securities in the segregated accounts determines the income to be paid back to the policyholders and, therefore, affects the amount of the actuarial provision.

Measures were, therefore, taken to redetermine the amount of the actuarial provision of the contracts in the segregated accounts in line with the valuation of the underlying assets, charging to the equity (or to the profit and loss account) the difference between that and the amount of the provision calculated according to the Italian principles.

In conclusion, the difference between the actuarial provision of those contracts in accordance with the Italian principles represents the policyholders’ share in the period of the latent capital gains on the securities in the segregated accounts which, on the basis of the contractual clauses and the regulations in force, will be paid to policyholders only if and when the capital gains are realised on the sale of the underlying assets, but which in this context are explained as the latent capital gains on those securities, as already specified, which were recorded to increase the equity.

Service contracts linked to insurance policies of a financial nature (IFRS 4 – IAS 18)

With reference to the service component of index- and unit-linked contracts, IAS 18 requires:

- the revenue and costs relating to the same transaction to be recorded at the same time
- the revenue and costs associated with a transaction which involves the provision of services to be recorded with reference to the stage of completion of the transaction.

The stage of completion can be recorded using various methods and, in particular, when the services are rendered through an indefinite number of actions over a specific period of time, the revenue and costs are recorded in equal instalments unless it is obvious that other methods would provide a better representation of the stage of completion.

On the basis of those considerations, the straight-line method was used to determine the proportion of the depreciation of the costs borne on financial contracts, which increases the equity and, conversely, the proportion of the revenue relating to those contracts not yet due, which decreases the equity.

The adjustment calculated in that way related in particular to the index-linked type policies in the portfolio.

With regard to the income components of other multi-year contracts, in particular unit-linked policies, the compatibility of the criteria already used to produce the consolidated accounts with the IAS/IFRS principles was checked.

Fiscal effect on the reconciliation headings

Recording the advance and deferred tax on the temporary differences, arising as a result of the application of the IAS/IFRS principles, allows the correlation of the tax burden recorded in the IAS accounts with the profit gross of tax to be maintained in the financial year in which those differences arise and in future financial years in which those differences will be cancelled following, for example, the sale of the assets to which they refer, their recovery through depreciation or the discharging of liabilities. The rate used is the nominal rate stipulated for corporation tax (IRES or IRAP where applicable), taking account of any applicable exemptions.

Premium income

The gross premiums entered in the accounts include the amounts accrued during the financial year for insurance contracts, as defined by IFRS 4 (insurance contracts). That heading does not include the revenue relating to policies which, although legally they are insurance contracts, present an insignificant insurance risk, and therefore come within the scope of application of IAS 39 (Financial instruments: recognition and measurement) and IAS 18 (Revenue). Those contracts are in fact dealt with by the "deposit accounting" method which, as will be stated further on, charges only the explicit and implicit loading charges to the profit and loss account recorded under the heading of "commission received".

More specifically, on the basis of the analyses made on the policies in the portfolio, all non-life and life contracts come within the scope of application of IFRS 4, with the exception of:

- index-linked contracts in class V "Capitalisation";
- unit-linked contracts, which are therefore valued on the basis of the stated IAS 39 and IAS 18 principles and dealt with by the "deposit accounting" method.

Contracts which come within the scope of application of IFRS 4 are dealt with in accordance with the principles applicable to the statutory accounts. In particular, pursuant to art. 45 of Legislative Decree 173/1997 and the instructions contained in the ISVAP measure on accounts charts for insurance companies, the premiums include:

- cancellations in respect of technical write-offs of individual securities issued in the financial year;
- the cancellation of premiums in the life business for subsequent annual payments accrued in previous financial years;
- changes of contract with or without changes of premium, made through substitutions or appendices; whereas they are not included, provided that they are charged to the "other technical charges" heading;
- write-downs of unrecoverable loans to policyholders for premiums in the financial year made at the close of that financial year;
- write-downs of loans to policyholders for non-life premiums in previous financial years.
- write-downs of loans to policyholders for first year or single life premiums issued in previous financial years.

Commission received/commission paid

The headings include commission on investment contracts which do not come within the scope of application of IFRS 4. As already stated under the comments on the premiums headings, it is a case of:

- index-linked contracts which come within class V "Capitalisation",
- unit-linked contracts, for which the loading charges charged on the contract and the management commission received are recorded under commission received and commission paid to intermediaries is recorded under commission paid.

Investment income

Net income from financial instruments at fair value recorded in the profit and loss account

These include the profits and losses, including dividends and net trading results, and the positive and negative changes in the financial assets and liabilities included in the “fair value through profit or loss” category. Changes in value are determined on the basis of the difference between the fair value and the accounting value of the financial instruments recorded in that category.

For financial instruments listed on active markets, the fair value is the current market price on the reference date whereas for unlisted financial instruments it is the price determined on the basis of appropriate valuation techniques.

Income/charges from shareholdings in subsidiaries, associated companies and joint ventures

These include the share of the result for the period achieved by those participating interests.

Income/charges from other financial instruments and property investments

The following are recorded under those headings:

- income and capital gains realised (and charges and capital losses realised) on investments classified in the “available for sale” category;
- income and charges on financing and loans;
- income and charges relating to property investments.

Net charges on claims

The heading includes:

- amounts paid, net of recoveries;
- the change in the provision for outstanding claims and other technical provisions in the non-life business;
- the change in the actuarial provisions and other technical provisions of the life business;
- the change in the technical provisions for contracts for which the investment risk is borne by the policyholders for insurance contracts and financial instruments which come within the scope of application of IFRS 4.

The amounts recorded include the settlement expenses paid and for which provision is made, which include all expenses relating to inquiries and investigations into the valuation and settlement of claims and which are allocated to the individual classes in accordance with the amounts of the claims processed and the sums paid, taking account of their different effects.

Operating expenses

The heading includes:

- the acquisition costs of insurance contracts and financial instruments referred to in IFRS 4.2, net of reinsurance cessions;
- staff expenses and other general expenses for the management of financial instruments, property investments and shareholdings and, as agreed, the general expenses and staff expenses of consolidated companies which do not carry out insurance business;
- other general and administration expenses, including the cost of the staff, of consolidated insurance companies, not allocated to specific headings.

Other revenue/costs

The heading includes, inter alia:

- other technical income and charges net of reinsurance cessions, including cancellations and write-downs of amounts owed by policyholders for premiums written in previous financial years;
- positive/negative foreign exchange differences charged to the profit and loss account for the period in accordance with the stipulations of IAS 21;
- revenue and costs of the sale of goods and provision of services other than those of a financial nature;
- revenue and costs relating to the use of tangible and intangible assets and other assets of the company;
- profits and losses realised, adjustments and value readjustments of the tangible and intangible assets, including depreciation, not allocated elsewhere under other headings in the profit and loss account;
- additional provisions made in the period for the liabilities defined in IAS 37.

Information on the Assets

The table below shows the investments and net technical provisions as at 30/09/2005, compared with the corresponding amounts as at 30/06/2005, as at 31/12/2004 and as at 01/01/05 (the latter date is the date on which IAS principles 32, 39 and IFRS 4 became effective).

The latter comparison has become necessary in order to have a homogeneous series of data, considering that the principles IAS 39 and IFRS 4 were applied with effect from 01/01/2005.

(€K)	30/09/05	30/06/05	Change %	31/12/04	01/01/05
INVESTMENTS					
Property investments	2,127,378	2,121,950	0.26	2,066,924	2,066,924
Shareholdings in subsidiaries,					
associ-ated companies and	62,971	62,970	0.00	61,987	61,987
joint ventures	876,647	815,650	7.48	544,019	690,601
Financing and loans	-	-	-	-	-
Investments owned up to maturity	19,866,663	19,138,281	3.81	17,766,940	18,433,342
Financial assets available for sale	6,677,186	6,629,303	0.72	5,735,898	5,444,604
Financial assets recorded at fair value in the profit and loss account					
Total investments	29,610,845	28,768,154	2.93	26,175,768	26,697,458
Intangible assets: property and other intangible assets	391,782	394,711	(0.74)	405,459	405,459
Total non-current assets	30,002,627	29,162,865	2.88	26,581,227	27,102,917
Cash at bank and in hand and equivalent	723,105	917,675	(21.20)	755,797	755,797
Total non-current assets and cash at bank and in hand	30,725,732	30,080,540	2.14	27,337,024	27,858,714
NET TECHNICAL	10,684,230	10,700,990	(0.16)	10,670,533	10,593,652
PROVISIONS	13,639,419	13,212,732	3.23	11,226,233	12,339,098
Non-life technical provisions					
Life technical provisions					
Total net technical provisions	24,323,649	23,913,722	1.71	21,896,766	22,932,750
FINANCIAL LIABILITIES					
Subordinated liabilities	395,160	394,788	0.09	390,883	393,420
Financial liabilities recorded					
at fair value in the profit and	3,219,474	3,129,661	2.87	3,619,586	2,782,503
loss account	1,009,729	1,037,441	(2.67)	995,695	997,561
Other financial liabilities					
Total financial liabilities	4,624,363	4,561,890	1.37	5,006,164	4,173,484

The heading Property Investments includes property held by the company for investment purposes and intended to be used by third parties as such.

The heading “shareholdings in subsidiaries, associated companies and joint ventures” includes shareholdings in associated companies, which were valued using the net equity method, in addition to the book value of some shareholdings in subsidiaries which were not fully consolidated as this was totally irrelevant for the purposes of providing a truthful and correct representation and because they were being restructured and not operational.

Financing and Loans include € 113,233K for certificates of indebtedness, € 173, 092K for repurchase agreement transactions and € 98,647K for loans on life policies and other financing and loans, including reinsurers' deposit accounts with ceding undertakings of € 33,211K.

The heading also includes € 128,939K for financing granted by Finitalia to its own customers and the loan secured by a lien on property which can be attributed to the sale of part of the property assets made in the 2003 financial year for € 76,661K. That loan matures in 2010 and provides for partial advance repayments in accordance with the debtor's repayment schedule for properties in the transaction. The debtor also has the option of total or partial early repayment of the financing at any time.
Finally, the heading also includes a loan for approximately € 152m, recorded for the future sale of the Banca Intesa shares owned by the parent company through the mandatory convertible exclusively in Banca Intesa shares, issued by the subsidiary SAINTERNATIONAL in September 2004. That loan was up-dated considering the maturity time profile of the future sale underlying the issue of the mandatory.

With reference to investments owned up to maturity, the Group did not consider it appropriate to increase the value of any such financial instrument, in line with the portfolio management strategy.

The financial assets available for sale include the debenture securities and shareholdings not classified in any other way. Although this is a residual category, it represents the largest category of financial instruments, in line with the characteristics and aims of the insurance business.

The heading includes € 16,555,664K for certificates of indebtedness and € 3,310,999K for shareholdings.

The financial assets recorded at fair value in the profit and loss account include securities held for trading and securities assigned to that category by the Group companies.

It should be pointed out that the so-called designated financial instruments include € 333m for the holding in Swiss Life Holding, for which the fair value variations therefore affect the profit and loss account for the period. The positive impact is equal to approximately € 38m.

That heading also includes the investments and financial instruments for insurance contracts or investment contracts issued by insurance companies for which the investment risk is borne by the policyholders.

That heading also includes € 2,343,044K for certificates of indebtedness, € 830,145K for capital securities and € 3,503,997K for class D investments.

In accordance with the international accounting principles, properties for direct use by entities which produce consolidated accounts are not considered to be investments: measures were taken to revalue that activity within the scope of the tangible assets, where the remaining property is included, for which the criteria of IAS 2 were applied.

Property for direct use by the Group is recorded at cost and depreciated in accordance with the estimated residual useful life. However, the remaining property is valued at the lower of the cost and market valuation.

Other tangible assets also include furniture, plant, machinery/equipment and motor vehicles used by the Group for its own business.

Net technical provisions

The technical provisions of the non-life business as at 30 September 2005 include the provision for unearned premiums (€ 2,178m), calculated using the pro-rata temporis method, and the provision for outstanding claims (€ 8,506m). With the introduction of the IAS/IFRS international accounting principles, with effect from the 2005 financial year, the equalisation provisions and provisions set up to provide cover for the risks of disasters determined using the flat rate method on the basis of specific regulatory measures in the national legislation are no longer included under that heading. In fact, those provisions are still compulsory for the purposes of producing the statutory financial statements but are no longer set aside in the consolidated accounts and the accumulated amount as at the transition date to IAS was used to increase the equity. The logic behind the new approach was that insurance companies must not set aside insurance liabilities, unless these are for claims which have already been made, whereas for claims for disaster that might occur in the future, the entity which produces the consolidated accounts must make provision for that possibility through a larger equity allocation, generated using the profits not distributed in previous financial years.

The lack of provision for the above-mentioned components within the scope of the technical provisions for the non-life business involved an economic benefit in the period equal to approximately € 6m gross of the fiscal effect.

The technical provisions in the life business are those relating to insurance contracts governed by IFRS 4. Liabilities for index- and unit-linked policies are governed by IAS 39 (Financial instruments) and are recorded under the financial liabilities, as they are contracts with an insignificant insurance risk.
In accordance with the stipulations of IFRS 4, the technical provisions, recorded in accordance with the previous accounting principles, were subjected to liability adequacy tests which confirmed their reliability for IAS purposes.

It is also pointed out that the technical provisions of the life business were increased by € 510m by entering the deferred liabilities to policyholders in the accounts, by applying the shadow accounting technique stipulated in IFRS 4.

Financial liabilities

The application of the international accounting principles has meant significant changes in the presentation of the Group's financial liabilities. In particular, the widening of the basis of consolidation and the different classification of some insurance contracts as investment contracts affects a large number of headings for which there is no comparison with the presentation of the accounts in accordance with local criteria.

It should also be reported that the higher amount of financial payables does not involve any impact in terms of the burden of the provisions in the Group's accounts, as it is an accounting representation in accordance with the new international standards, which does not have a significant effect on the Group's financial leverage.

The heading liabilities at fair value recorded in the profit and loss account as at 30 September 2005 includes € 3,130m for the liabilities of financial contracts issued by the insurance companies, dealt with by the deposit accounting methodology which essentially stipulates that only income margins are charged to the profit and loss account and premiums written are entered under financial liabilities.

The heading also includes approximately € 21.1m for hedging derivatives operations entered into by the parent company for which the financial instruments owned by the Group recorded a similar positive variation affecting the profit and loss account.

Financial liabilities include € 113m for the bank borrowings of the subsidiary Finitalia, € 232m for customers' deposits with the subsidiary BancaSAI, € 175.8m for debts for a nominal € 180.4m, taken out by the subsidiary Sainternational and repayable exclusively in the Banca Intesa shares it owns. The heading also includes € 68m for investment contracts taken out by life policyholders valued in accordance with the depreciated cost method, € 87m for repurchase agreements relating to financing taken out by the subsidiary SAI Mercati Mobiliari and € 25m for loans paid by the subsidiary International Strategy s.r.l. The remainder refers to deposits opened with reinsurers.

Consequently, in order to represent the headings in question correctly, it is considered appropriate to state the headings separately for the single financial payable, understood to be the total amount of the financial liabilities for which it is not possible to establish a specific correlation with the assets headings. The situation is summarised in the statement below.

Debts

The financial debt situation of the Fondiaria-SAI Group as at 30 September 2005 is as follows

(€m)	30/09/2005	01/01/2005	31/12/2004
Subordinated loan	395.2	393.4	400.0
Mandatory Sainternational	175.8	176.1	180.4
Borrowings from banks and other financing	146.8	150.2	149.5
Total debts	717.8	719.7	729.9

The subordinated loan heading includes the financing taken out with Mediobanca in July 2003 and at the same time the early repayment of the loan taken out previously on 12/12/2002.

The loan of an amount equal to a nominal € 400m was taken out to increase the component elements of the solvency margin.

In July 2003, after authorisation from ISVAP and on the basis of the understandings reached with Mediobanca, Fondiaria-SAI acquired a new subordinated loan, for the amount of that contract in December 2002, with early repayment at the same time as the existing financing.

For more details about the terms of the financing, please refer to the accounts documents.

The amount stated in the table (€ 395.2m) corresponds to the valuation of the subordinated loan at the depreciated cost, less the commission already capitalised in the accounts in accordance with Italian principles, using the actual interest criterion stipulated by IAS 39.

The difference between the amount as at 31/12/2004 and that as at 01/01/2005 is due to the different valuation method. As at 31/12/2004, the debt was stated at its nominal value in accordance with Italian principles; as at 01/01/2005, it was valued at the depreciated cost using the actual interest criterion.

On 27 September 2004, the Luxembourg subsidiary SAINTERNATIONAL S.A. issued a Convertible and Repayable Debenture Loan exclusively with BANCA INTESA ordinary shares owned by Fondiaria-SAI, maturity date 29 September 2010.

Debentures of a total nominal value of € 180,400K will be repaid at maturity by handing over 44,000,000 BANCA INTESA ordinary shares, owned today by Fondiaria-SAI, at the exchange price of € 4.10 per share and, therefore, with a bonus of 35.13% compared with the price of the BANCA INTESA ordinary shares at the time the offer price is set.

The annual coupon for the debentures and the return at maturity is 6.10%.

The debentures were listed on the Luxembourg Stock Exchange on 21 October 2004.

However, with regard to the commitment by SAINTERNATIONAL to hand over the BANCA INTESA shares being converted to the noteholders, Fondiaria-SAI directly took on the commitment to hand over the shares to the noteholders.

That transaction enabled the Fondiaria-SAI Group to rebalance the mix of investments, reducing the share component of the portfolio further.

The difference between the amount as at 31/12/2004 and that as at 01/01/2005 is due to the different valuation method. As at 31/12/2004, the debt was stated at its nominal value in accordance with the

Italian principles; as at 01/01/2005, it was valued, as stipulated by IAS 39, at the depreciated cost less the commission already capitalised in the accounts in accordance with the Italian principles, using the actual interest criterion.

The value stated as at 30/09/2005 (€ 175,760K) is due to the application of IAS 39.

Borrowings from banks and other financing heading consist of € 25,046K for the residual debt outstanding on the financing contract and the mortgage loan taken out by the subsidiary International Strategy S.r.l. with The Royal Bank of Scotland.

There are other borrowings from banks of € 120,590K, including € 113,206K for the Finitalia debt to credit institutions and other debtor positions of an insignificant unit value of € 1,204K.

Economic Data

In order to guarantee a proper comparison, all the data for the third quarter 2004 were set out by applying the IAS/IFRS international accounting principles used at the time the report for the third quarter 2005 was produced, advising that the data as at September 2004 do not incorporate the effects of the application of IAS 39 and IFRS 4 which, as stated previously, were first applied only with effect from 1 January 2005. The economic situation for the quarter and the first nine months are set out below, compared with the similar periods in the previous year:

(€K)	3rd quarter 2005	3rd quarter 2004	Jan-Sept 2005	Jan-Sept 2004
Net premiums	2,218,255	2,225,446	6,801,506	7,014,611
Gross premiums earned	2,288,504	2,281,075	7,015,930	7,241,667
Premiums ceded in reinsurance in the period	70,249	55,629	214,424	227,056
Commission received	15,029	1,900	51,164	12,397
Net income from financial instruments, recorded at fair value in the profit and loss account	28,247	31,478	201,080	145,797
Income from investments in subsidiaries, associated companies and joint ventures	(238)	(976)	941	1,219
Income from other financial instruments and	230,635	259,608	780,472	875,161
property	187,496	155,506	481,124	472,286
Interest received	2,542	27,510	80,296	115,324
Other income	30,463	65,854	191,475	241,563
Profits realised	10,135	10,738	27,577	45,988
Valuation profits	46,367	23,731	193,607	206,489
Other revenue				
TOTAL REVENUE	2,538,295	2,541,187	8,028,770	8,255,674
Net charges on claims	1,790,823	1,857,770	5,680,579	5,920,540
Amounts paid and change in technical provisions	1,818,420	1,844,237	5,766,979	6,089,406
Reinsurers' share	27,597	(13,533)	86,400	168,866
Commission paid	23,644	1,299	30,990	7,764
Charges of investments in subsidiaries, associated companies and joint ventures	-	2	-	6
Charges on other financial instruments and	43,705	35,851	148,625	207,402
property	2,678	22,909	40,597	34,529
Interest paid	2,334	24,059	48,512	64,576
Other charges	11,159	15,862	23,110	53,381
Losses realised	27,534	(26,979)	36,406	54,916
Valuation losses	304,414	377,693	1,098,142	1,152,932
Operating expenses				
Commission and other acquisition expenses on	224,709	287,482	842,521	872,204
insurance contracts	7,876	11,928	25,406	47,189
Investment management charges	71,829	78,283	230,215	233,539
Other administration expenses	151,471	60,630	401,408	386,171
Other costs				
TOTAL COSTS	2,314,057	2,333,245	7,359,744	7,674,815
PRE-TAX PROFITS (LOSSES) IN THE YEAR	224,238	207,942	669,026	580,859
Tax	74,957	89,276	220,726	239,609
PROFITS (LOSSES) IN THE YEAR NET OF TAX	149,281	118,666	448,300	341,250
PROFITS (LOSSES) ON CEASED OPERATIONS	-	-	-	-
CONSOLIDATED PROFITS (LOSSES)	149,281	118,666	448,300	341,250
PROFITS (LOSSES) IN THE YEAR – THIRD PARTIES	36,175	15,532	93,185	64,860
PROFITS (LOSSES) IN THE YEAR – GROUP	113,106	103,134	355,115	276,390

Management and Comments

In the course of the third quarter of the 2005 financial year, the business of the Fondiaria-SAI Group is reporting growth as at 30 September 2004, which is definitely higher than the targets forecast in the industrial plan for the whole of the current financial year.

The favourable cyclical trends on the financial markets and the high level of efficiency achieved in the claims handling and settlement processes have contributed to the good results. This can be set against a development of premiums achieved in a reference macroeconomic context which has been made difficult by the trend in the economic cycle. The Group's management indexes are positive and reporting growth compared with the corresponding period in the previous financial year.

With reference to the essential management aspects, as at 30 September 2005, we would highlight:

- the **consolidated result** was € 448m compared with € 341m in the first nine months of the 2004 financial year. The lack of depreciation of the goodwill, for which the gross figure was confirmed on the impairment tests, the positive effect of the fair value valuation recorded in the profit and loss account for the financial instruments in the HFT and designated category, contributed to the size of the result.
- **the technical performance in the insurance business** is showing further improvement in the **non-life sector**. According to charts in the traditional form of representation, the technical account for the sector reported results in excess of € 325m (€ 305m as at 30/09/2004), the good performance in the non-marine classes contributed to this, adding to the satisfactory performance in the motor vehicle classes. That result is even more significant considering the fact that a lower amount of deferred acquisition costs were capitalised in the course of the period compared with what was reported historically by the group.
  With regard to the **life business** segment, the good performance in premium income is confirmed for traditional type policies (+19.5% at Group level). Moreover, the application of the international accounting principle IFRS 4 involved writing off approximately € 504m for premiums for index- and unit-linked policies for which no significant insurance risk was identified. The result on the technical account is equal to approximately € 46m, a slight fluctuation compared with the figure for the last period due to the effect of the closure of the Consap disputes with the subsidiary Milano (a negative effect of approximately € 6.5m on the technical account) and due to the gradual reduction of the income margins in the existing portfolio.
- **operating costs** totalled € 1,098m (€ 1,153m as at 30/09/2004) and represent approximately 15.6% of the premiums for the year, a substantial improvement compared with the figure for the previous period for comparison (the incidence was approximately 15.9%).
- excluding the contribution of the financial instruments recorded at the fair value in the profit and loss account, the **total gross income from investments** reached € 780m (€ 875m as at 30/9/2004). That amount is adjusted by € 108m for the corresponding charges. A further € 108m of that amount was contributed by the net profits on the realisation of movables and immovables. The balance of profits and losses from the valuation was negative by approximately € 9m.
- **interest paid** of approximately € 41m is virtually all chargeable to the financial indebtedness.
- the contribution of the **financial instruments** recorded **at the fair value** in the profit and loss account totalled € 201m, of which approximately € 38m related to the valuation of the participating interest Swiss Life Holding.
- the balance of the **other revenue and other costs** is negative by € 207m, (€ 180m as at 30/09/2004). These residual type headings include the technical and non-technical income and charges not classified elsewhere, more than the depreciation, extraordinary income and losses and the net change in the provisions for risks and charges.
- the **tax burden in the period** fell compared with September 2004 due to the effect of the phenomena already recorded in the half year including the realisation of some shareholdings under the exemption rules and due to the higher contribution of the dividends of the participating interests.

Non-life business

At the end of September, the premium income of the Fondiaria-SAI Group totalled € 5,180.7m (+1.62% compared with 30/09/2004) chargeable to the non-life classes and sub-divided into categories of assets is set out in detail in the table below:

(€K)	30/09/2005	30/09/2004	Change %	30/06/2005
NON-LIFE BUSINESS				
ITALIAN DIRECT BUSINESS				
Accident and health	450,542	441,989	1.94	325,807
Land vehicles TPL	3,172,052	3,143,388	0.91	2,215,454
Motor insurance, other classes	528,949	531,027	(0.39)	374,920
Marine, aviation and transport	151,542	140,867	7.58	103,427
insurance	455,890	433,599	5.14	328,274
Fire and other property damage	307,630	293,660	4.76	227,564
General TPL	51,228	47,797	7.18	36,946
Credit and bonds	20,285	19,750	2.71	12,198
Pecuniary losses	10,788	10,076	7.07	7,782
Legal protection	22,822	20,392	11.92	15,945
Assistance				
TOTAL ITALIAN DIRECT BUSINESS	5,171,728	5,082,545	1.75	3,648,317
INDIRECT BUSINESS	9,013	15,505	(41.87)	7,253
OVERALL TOTAL	5,180,741	5,098,050	1.62	3,655,570

Premiums earned in the quarter totalled € 1,525,171K and represent 29.4% of total income as at 30 September 2005.

By September, the parent company's premium income from the direct business totalled € 2,811,750K (+0.9%), of which € 2,016,053K (-0.7%) was produced by the motor vehicle classes.

The Milano Assicurazioni Group contributed income of € 1,984m to the result, an increase of 2.3% compared with September 2004.

Claims paid in the Italian direct business, up to 30/09/05, including settlement costs totalled € 3,561.3m, of which € 2,041m related to the parent company (€ 1,859m as at 30 September 2004).

The loss ratio for the period was approximately 72.11%, in line with the figure for September 2004. The ratio of operating costs to premiums was also stable.

Consequently, the combined ratio shows a ratio of approximately 93.6%, a further improvement compared with September 2004 (93.9%).

With reference to the operating performance of the Motor TPL class, the figures up to 30 September 2005 show a further slight fall in the claims frequency accompanied by a significant reduction in the number of claims for the parent company. That phenomenon is accompanied by a significant increase in the speed of settlement for the current generation and previous generations and represents a sign of the efficiency achieved in dealing with and settling claims, in order to contain the rise in the average cost of claims paid, which is still increasing above the rate of inflation and against which the recourse to tariff leverage cannot be set.

With reference to the parent company, the number of claims reported in the Motor TPL class fell by approximately 4.2% whereas the average cost of claims paid in the year increased by approximately 8.7%: the corresponding speed of settlement was around 60.2%, an increase of a more than 2 percentage points compared with 30/09/2004.

Performance in the land vehicles – own damage or loss class is positive again as, unlike what was recorded in previous periods, its performance suffered from the atmospheric events of last summer and the general increase in the cost of claims not followed up.

With reference to the parent company's non-motor vehicle classes, premiums written in the Italian direct business totalled € 795.7m, an increase of 5.0% compared with the third quarter of 2004. The number of claims reported, 307,415, fell by 0.39%. The costs of claims in the current generation totalled € 542.3m, an increase of 9.2%.

Looking at the individual classes in the account:

Accidents
Premiums € 165.6m (+4.3%)
38,699 pro-quota claims (-2.7%)
28,083 claims were paid, 8.7% less than in the third quarter of 2004.
The cost of claims in the current generation totalled € 75.0m, a fall of 2.0% compared with the third quarter of 2004.

Health
Premiums € 111.4m (-0.1%)
109,679 claims (-4.5%)
102,928 claims were paid, 2.7% less than in the third quarter 2004.
The cost of claims in the current generation totalled € 98.1m, an increase of 1.2% compared with the third quarter of 2004.

Fire and other natural disasters
Premiums € 126.4m (+7.7%)
29,105 claims (+8.0%)
22,002 claims were paid, an increase of 4.7% compared with the third quarter 2004.
The cost of claims in the current generation totalled € 82.1m, an increase of 25.5% compared with the third quarter of 2004.

Other property damage
Premiums € 138.8m (+5.9%)
59,960 claims (+9.4%)
48,550 claims were paid, an increase of 5.3% compared with the third quarter of 2004.
The cost of claims in the current generation totalled € 92.8m, an increase of 28.1% compared with the third quarter of 2004.

General TPL
Premiums € 178.9m (+6.2%)
43,848 claims (-5.2%)
31,905 claims were paid, an increase of 5.0% compared with the third quarter of 2004.
The cost of claims in the current generation totalled €155.4m, an increase of 14.4% compared with the third quarter of 2004.

Other damage classes
Premiums €71.7m (+5.7%)
26,124 claims (+0.3%)
22,212 claims were paid, a fall of 4.4% compared with the third quarter 2004.
The cost of claims in the current generation totalled € 38.9m, a fall of 21.1% compared with the third quarter of 2004.

The speed of settlement for the main non-motor vehicle classes for the third quarter 2005 is set out below:

CLASSES	Current generation %	Previous generations %
Accident	30.36	63.03
Health	86.53	77.26
Fire and other natural disasters	55.55	75.07
Other property damage	60.24	77.65
General TPL	44.58	34.97
Other classes	62.17	35.40

For the subsidiary Milano Assicurazioni, the third quarter of the 2005 financial year closed with a profit of € 160.3m, a further increase compared with the positive result already achieved in the corresponding period of the previous financial year, of € 152.2m (+5.3%).

Premiums written as at 30 September 2005 totalled € 2,371.5m, an increase of 4% compared with the premium income for the corresponding quarter in the previous financial year.

Within the scope of the direct business, the non-life classes show an increase of 2.6% for premiums written of € 1,959K, of which € 1,476K refer to the motor vehicle classes (+2.7%), whereas € 484K relate to other classes, where an increase of 2.4% was recorded compared with the corresponding period in the previous financial year.
In the first nine months of this financial year, the claims reported in the Italian direct non-life business increased by 5.4% compared with the third quarter of 2004.

The subsidiary Sasa reported a profit of € 6,269K, based on IAS principles. The different classes of the marine sector recorded an increase in premium income of 5.0% (motor vehicle classes +6.0%, non-marine classes +1.7%). These increases, were higher than those recorded on the market and can be attributed to the development of commercial operations Following the opening of new agencies in the last two financial years, a development which offset the difficulties encountered in the broker sector, which was more exposed to the strong competition reported in the course of this financial year.

The contraction recorded in the hull sector is due virtually totally to the broker's decision to transfer the delegation of the Yard Cover Fincantieri (hull) to other companies in the Group, consequently halving the company's share. The contraction recorded in the goods sector is due to a general and widespread erosion of rates by virtue of strong competition on the market. The aviation sector fully confirms the very positive figure last year, thereby confirming the company's position at the height of the reference market sector.

With regard to Siat, operating performance as at 30 September 2005 generally confirms what emerged at the half year in 2005, although the trend in the technical balance has experienced a slowdown. That is essentially due to the Motor TPL class, which is experiencing a market revaluation of the provision for some claims from previous generations. Production continues to record a considerable increase in premiums compared with the figure for last year, further strengthening what had already emerged in the half year as at 30 June 2005. Claims in the year continue to show a favourable trend in the transport classes and in the motor vehicle classes. Moreover, as stated above, the Motor TPL class has suffered from the negative influence of the deterioration of the provisions for some claims reported in previous years. As has already occurred in the past, the non-marine classes, however, are experiencing the effects of the claims made in the year for policies issued in the "coda lunga" (long tail) classes (specifically for General TPL). Investment income and charges recorded an improvement compared with those for the similar period in the previous financial year, essentially due to increases in the profits made on the sale of stock market securities (in particular shares).

Life business

Premiums written in the life business totalled € 1,746,344K. The comparison with the figures reported as at 30/09/2004 and 30/06/2005 is not significant, as the figure as at 30/09/2005 incorporates the full application of IFRS 4, consequently writing off premiums headings for all income components for which there is no significant insurance risk.

That new approach involved writing off more than € 504m for premiums entered in the accounts in accordance with the old accounting criteria.

The assets are sub-divided into categories as set out below:

(€K)	30/09/2005	30/09/2005	Change %	30/06/2005
LIFE BUSINESS				
DIRECT BUSINESS				
I – Life insurance	886,517	741,798	19.51	617,877
III – Insurance in points I and II related to investment funds	60.079	714,941	(91.60)	391,668
IV – Health insurance pursuant to art. 1	87	88	(1.14)	68
EEC Dir 79/267	793,176	577,649	37.,31	522,566
V – Capitalisation operations in art. 40 of Legislative Decree no. 174 of 17/3/95	-	15,563	-	12,038
VI – Pension fund management operations				
TOTAL DIRECT BUSINESS	1,739,859	2,050,039	(15.13)	1,544,217
INDIRECT BUSINESS	6,485	8,271	(21.59)	4,948
OVERALL TOTAL	1,746,344	2,058,310	(15.16)	1,549,165

Premiums earned by the parent company in the direct business in the third quarter of 2005 totalled approximately € 980m (+26.6% in homogeneous terms). The increase can be ascribed mainly to the income earned through pure capitalisation operations (+41.2% more than € 491m), which compared with a satisfactory increase (+24% more than € 458m) of traditional type income.

With regard to the life business, the first nine months of the financial year were characterised by the continued action to protect the segment of capital maturing on life and capitalisation policies.

With a view to the gradual standardisation of the range of products in the first half of the year, the parent company launched two new products onto the market (Open Unico and Open Risparmio) linked to the segregated accounts for customers' specific savings and investment requirements.

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

In July, while continuing its work on redefining and standardising the range of products at Group level, the company launched onto the market a new annual premium product called Open Protetto linked to a new segregated account called FONSAI RE providing the possibility of investing in assets in the property market.

The product, intended to cover customers' medium- to long-term savings requirements, is characterised by a series of insurance cover intrinsic in the tariff structure and the possibility of acquiring additional cover voluntarily.

With reference to the individual pensions segment, as in the previous financial year, the whole market was still characterised by levels of demand which were still below expectations.

The market trend in the "corporate" segment continued with the acquisition of capitalisation products. Demand for this type of product specifically from institutional customers with huge amounts of money to invest remained at high levels.

In that sense, the choice made by the company to launch the new capitalisation product Conto Aperto Corporate in the first half of the year, aimed at companies, organisations, associations and small-scale entrepreneurs intending to diversify their investments in the current economic and financial situation proved effective and is recording an interesting level of acceptance by its target customer group.

Furthermore, with effect from the third quarter, the work on consolidating and developing the customer portfolio intensified through operations aimed at protecting cover, risk and maturity dates.

This involved the performance of the traditional type collective portfolio (Group TCM, welfare for employees and employee severance indemnities (TFR/TFM)).

Alongside the constant monitoring of the supply on the market, an interesting restyling of the Group's TCM products and employee severance indemnities (TFR/TFM) is being carried out, in the light of ISVAP circular no. 551/D on the transparency of life insurance contracts.

With regard to the performance of the three Open Pension Funds, it is reported that, in the first nine months of the financial year, the company recorded income from the new members and contributions in line with the same period in the year 2004, with a situation of anticipation and uncertainty persisting on the market as to whether the reform of additional pensions, and more particularly the provisions contained therein, will be approved.

The life business of the subsidiary Milano Assicurazioni recorded an 11% increase in premiums written compared with 30 September 2004, € 412.1m against € 370m: a favourable trend was recorded in particular in traditional type products (+12.1%) and pure capitalisation products (+17.8%) also required by institutional customers as an effective instrument for managing their liquidity.

With regard to Novara Vita, the new production totalled € 486m, corresponding to 86.8% of the budget set for 2005.

By analysing the sales results, it can be seen how the index-linked products are achieving better placement compared with products in the segregated accounts, even though the comparison with the same period in the previous year shows a reduction in the incidence of index- and unit-linked policies on the total placed.

With reference to Po Vita, its commercial performance as at 30 September should be considered very positive: the new production totalled € 563m, approximately 13% higher than the budget value set for 2005 at € 500m. The number of active contracts is as positive at the end of the third quarter of the year recorded 194,000 policies, a net increase of more than 29,000 policies since the beginning of the year. The positive sales results as at 30 September were sustained by the good performance of the segregated accounts which continued to record income in excess of 4%. Not taking account of the premiums for the three new unit lines sold with effect from April 2005, the appropriation of the total placement between the two main types of products, index and segregated accounts, remains virtually unchanged compared with that in the same period in the previous financial year.

With regard to Sasa Vita, the result for the period as at 30 September 2005 shows a loss of € 209m, which does not take account of the profit-sharing for reinsurers of € 1,798K which, on the basis of the existing treaties will become definite and available only after the close of the financial year and which, therefore, were not recorded in the profit and loss account in this quarterly report as at 30 September 2005. Premium income as at September 2005 is 20% higher than the corresponding figure for the previous financial year. The result was obtained thanks to the different activities planned and the following are highlighted specifically: the positive trend in sales of investments, savings and risk policies; the result achieved in the second index at the end of September was slightly less than the second index for 2004. The contribution made by the supplementary pensions products continues to be modest, causing permanent difficulty on this market. One significant figure is that for pure risk premiums, of € 8,000K (6,528 in 2004) and 19.1% of the total, of which € 3,075K relates to individual policies and € 4,925K for collective policies. The level of claims in the portfolio remains at very high levels for the company, considering the considerable increase in the number of risk policies.

Assets and Financial Management

Property management

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

Please refer to the property management chapter in the consolidated half year report for information about the type of operation.

In addition to what was reported in detail in that chapter, it is stated that the Boards of Progestim and Immobiliare Lombarda approved the merger project and the respective capital increases on 22 September.

The merger deed will be entered into at the end of next November and the legal effects of the merger may come into force from 1 December next.

The operation comes within the strategy of developing the property services for the market, strengthening and developing the current mission of Progestim as a company in the Fondiaria-SAI Group working on property services. The company produced by the merger will own important property initiatives which will be carried out in the course of the year and immovables which today are part of Immobiliare Lombarda and require upgrading to be developed.

That operation will produce one of the main property leaders listed on the Italian market operating in all lines of business.

In particular, it is planned to strengthen and expand the operations of the company produced by the merger to all the business areas in which the main Italian and international property companies are present.

Invitation to tender issued by Fintecna for the development of the former Florence tobacco factory

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 grouping of companies (called the "Cordata Metropolis") of which PROGESTIM, BALDASSINI-TOGNOZZI 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 was € 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 ownership of properties for the task of recovering and converting them.

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

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

Acquisitions of properties by the closed property fund TIKAL

On 29 September, the TIKAL closed property fund signed the following purchase deeds:

- building for residential use situated in Milan via Lampedusa, 11/A for € 15,000,000;
- building for office use situated in Milan via Tucidide, 56 for € 103,000,000;
- future purchase of a property (construction of a hotel) situated in Pero, via Keplero for € 87,000,000.

The legal effects of those transactions will start from 1 October 2005.

Please refer to the specific paragraphs in the chapter on property management in the consolidated half year report for other property transactions carried out in the first six months of the financial year.

Financial management

During September, the main influence on the macroeconomic data was the negative effect of the tropical hurricanes in August. What seems to be most significant is the consequence of the hurricanes on the production and refining of oil in terms of lower supply and the consequent price rise. That scenario would involve lower economic growth and higher inflation.

For the moment, the 10 year level of the bund is staying around the values for the end of June with a return of 3.15% at the end of September, is reflecting the ECB's monetary policy, which has not changed its rates.

The financial activity carried out by the parent company in the third quarter of 2005 kept to the parameters followed at the beginning of the year and continued to be characterised by a selective asset allocation activity, in such a way as to reduce the rate risks as far as possible and, at the same time, paying attention to the market opportunities for trading operations.

All the financial operations on the debenture markets followed as far as possible a trend correlated to the bund which is the reference for management on the market, seeking to maintain an appropriate percentage of the latent margin on the portfolios.

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

In detail, the non-life business shows a more pure prudent asset allocation, with a fixed rate component of 57.8% and a duration of 3.22. The variable rate component, however, is 36.8% with a duration of 0.85. Repurchase agreements represent 5.5% of the assets. The total duration of the portfolio is around 2.17.

The life business shows a total duration of 4.82 compared with liabilities with longer maturity dates The composition is sub-divided into a fixed rate component of 70.2% with a duration of 6.12 and a variable rate of 29.8% with a duration of 1.73.

In the non-life bonds portfolio, government bonds represent 76.60% and corporate bonds 23.40%; the life business activity concentrated on the portfolios of the special businesses favouring investments which produce higher returns (the corporate percentage is 25.48% and the government bonds fall to 74.52%).

The stock market also followed a positive trend in this quarter (the SPMIB index increased from 32,500 to 34,700) increasing the latent capital gain and producing capital gains.

Cover operations were also implemented for the share portfolio in order to contain its volatility risk.

With regard to the foreseeable trend in financial management in the months ahead, the negative impact of the price of oil on economic growth will lead to inflationary pressures which could result in a rise in interest rates.

Own shares and shares of the holding company

In the first nine months of 2005, 1,011,000 ordinary own shares were acquired for an outlay of € 20,840K.

Therefore, as at 30/09/2005, there were 6,840,212 ordinary shares in the portfolio equal to 5.27% of the ordinary share capital.

After 30/09/2005, 520,000 ordinary shares were acquired for an outlay of € 12,459K; as at 04/11/2005 there were 7,360,212 ordinary shares in the portfolio equal to 5.609% of the ordinary share capital, the subsidiary Sainfin-Saifinanziaria Spa holds a further 230,000 ordinary shares equal to 0.175% of the ordinary share capital, the subsidiary Sai Holding holds a further 1,177,000 ordinary shares equal to 0.897% and the subsidiary Milano Assicurazioni S.p.A. holds a further 5,362,557 ordinary shares equal to 4.087% of the ordinary share capital.

In the first nine months of 2005, 827,500 ordinary shares in the holding company were acquired for an outlay of € 1,269K. Therefore, as at 30/09/2005, there were 18,340,027 ordinary shares equal to 5.825% of the share capital.
After 30/09/2005, no operations were carried out, therefore, as at 04/11/2005 there were 18,340,027 ordinary shares in the portfolio equal to 5.825% of the share capital, while the subsidiary Saifin-Saifinanziaria S.p.A. holds a further 66,588 ordinary shares equal to 0.021% of the share capital and the subsidiary Milano Assicurazioni holds a further 8,947,710 ordinary shares equal to 2.822% of the share capital.

Other Information

Sales organisation and staff

It is reported that, as at 30/09/2005, the Fondiaria-SAI Group has 5,960 employees (6,020 as at 30/06/2005), of which 2,728 are employees of the parent company (2,746 as at 30/06/2005) and 3,232 employees of subsidiaries (3,274 as at 30/06/2005).

With reference to the third quarter of 2005, the territorial distribution of the Fondiaria-SAI agencies is as follows:

	SAI Mandate	Fondiaria Mandate	Total as at 30/09/05	Total as at 31/12/04
North	439	254	693	704
Centre	207	157	364	355
South	177	154	331	349
TOTAL	823	565	1,388	1,408

As at 30/09/2005, income was produced mainly by 3,651 agencies (3,643 as at 31/12/2004), which operate through 3,314 points of sales (3,327 as at 31/12/2004) representing the traditional sales channel.

There are 823 agencies with the SAI mandate, consisting of 236 town agencies and 587 general agencies

With reference to the agencies with the La Fondiaria Assicurazioni S.p.A. mandate, it is reported that, as at 30/09/2005, there were 569 agencies, of which 565 on contract and 4 direct agencies.

External relations and communications

The most significant initiatives in the first nine months of the financial year were:
- the launch of the new motor vehicle product “Nuova la Global”, through the organisation of the Convention with the Fondiaria and Sai agency networks and the preparation of communication tools to support the local marketing initiatives.
- the Presto&Bene incentive, a Group initiative aimed at supporting and supplying the single bodywork repair network for which a complex system of conversion of claims channelled through

cumulative points was developed – in co-operation with the Claims Department and the ICT department - used for the collection of premiums, and a website was launched on 1 April.

- the review of all the communications tools for products in the health sector (Sanicard system).

Within the scope of the brand identity activities, the Group's Style Chart was completed and it was applied to all the on-line and off-line communications tools for Fondiaria-Sai and the other Group companies from the beginning of the year. In that area of activity again, the new Group Profile was completed and produced, planned in two editions: one for the institutional community and one for the agency networks. Finally, a new concept-store – in line with the Group's system of values and visual identity – was defined for the agencies: 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 on the introduction of new obligations on transparency in the life insurance market, the parent company is continuing its support for the agencies on introducing systems and procedures capable of guaranteeing the control required on the communication of traditional and on-line products/services by the agencies.
There are currently activities aimed at defining and producing specific product communications kits to be distributed to the agency networks in the formats most suitable for production, which will enable them to activate commercial initiatives on their own territory supported by communication tools which meet the ISVAP requirements and, therefore, authorised by the company responsible.

With regard to cultural and social interventions and those aimed at maintaining the Group's image, it is planned that the Group identification system will be completed by using the main institutional tools (Group institutional advertising, continuous implementation of the Visual Identity Manual, institutional communication kit for agencies on the territory) and a restyling of the image of the products in the non-life sector by preparing information sheets on the internet for wider circulation, as stated by ISVAP. In order to continue to harmonise the existing company cultures, thereby producing a unique Group culture, Internal Communication started to be co-ordinated to guarantee consistency and approval of the initiatives intended for all the Group's employees and the distribution networks. There are plans to produce tools aimed at sharing information: NEWS newsletter, TEAM in-house paper, LINEA DIRETTA CLUB magazine.

The press office is working to guarantee a constant flow to the media relating to Group companies. It supported the publication of the results of the half year reports, the Group's objectives and strategic operations started, in the banking insurance and property sectors, with interviews with the Managing Director and encouraging contact between senior management and journalists with a view to transparency and dialogue for a better perception outside the company of the company's image and the activities it carries out.

Significant Events Occurring after the Quarter

Within the scope of the process of the company reorganisation and rationalisation in progress, on 20 October 2005, the Board of Directors of Fondiaria-SAI approved pursuant to the statutory law, by a resolution recorded in a public deed, the merger by incorporation with the company of the companies Effe Servizi S.r.l., Assicapital S.r.l. and Webb@ti.S.p.A. all wholly-owned subsidiaries of Fondiaria-SAI. The merger will be completed by the end of this financial year.

As it is a company reorganisation within the Group, these operations will not affect the result and the consolidated equity.

Business Outlook

The profit for the third quarter is essentially in line with what is stated in the company's industrial plan. The actions and interventions aimed at reaching the internal and external growth targets will continue. The target specifically in the motor vehicle classes will be to maintain the current market share and the current profitability, while the direction in the non-motor vehicle classes will be to increase the market share, using a highly selective approach, maintaining and improving the current profitability. In this context, an important role may be played by the development of supplementary commercial channels, in line with what occurs in other countries.

In the life business, the management objectives will involve paying greater attention to traditional type products and an approach aimed at the new market of supplementary pensions. Similarly, action will be taken to respond effectively to the new social 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.

On assets and financial management, the action already undertaken to rebalance the mix of the company's assets will continue with a further fluctuation of the share component of the total assets managed and by reducing the volatility of the portfolio also through hedging operations.

Activity in the property sector will continue, especially through the subsidiaries, and will be preparing to consolidate the initiatives started to improve profitability and increase the value of the existing equity.

2005 is also the financial year in which the plan to integrate operations and produce synergies will conclude, implemented following the merger between SAI and Fondiaria: the result is that the plan will not be directed mainly at the internal rationalisation of processes and structures, but will pay greater attention to the market with a view to development and growth, especially qualitative.

Having considered the results achieved in the third quarter of the financial year, the prospects for the close of the financial year are very positive and, notwithstanding any extraordinary events occurring, which cannot be envisaged to date, the final result for the 2005 financial year will be very satisfactory.

Milan, 10 November 2005

On behalf of the Board of Directors
The Chairman
JONELLA LIGRESTI