FIRST QUARTER REPORT FINANCIAL YEAR 2006

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 € 173,880,363 FULLY PAID UP – TAX CODE, VAT REGISTRATION NUMBER AND NUMBER UNDER WHICH THE COMPANY IS REGISTERED IN THE COMPANIES' REGISTER OF FLORENCE 00818570012 – AUTHORISED TO OPERATE AS AN INSURANCE COMPANY BY ARTICLE 65 OF THE ROYAL DECREE LAW NO. 966 OF 29 APRIL 1923, CONVERTED INTO LAW NO. 473 OF 17 APRIL 1925.

BOARD OF DIRECTORS

Salvatore Ligresti	Honorary Chairman
Jonella Ligresti*	Chairman
Giulia Maria Ligresti*	Vice Chairman
Massimo Pini*	Vice Chairman
Antonio Talarico*	Vice Chairman
Fausto Marchionni*	Managing Director and General Manager
Andrea Broggini	
Mariella Cerutti Marocco	
Maurizio Comoli	
Francesco Corsi	
Carlo d'Urso	
Vincenzo La Russa*	
Gioacchino Paolo Ligresti*	
Lia Lo Vecchio	
Enzo Mei	
Giuseppe Morbidelli	
Cosimo Rucellai	
Salvatore Spiniello	
Ezio Toselli	
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
Alessandro Malerba	Alternate Auditor
Maria Luisa Mosconi	Alternate Auditor
Pierino Rosati	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, 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 € 10 m for each transaction;
- transfer and/or purchase of shareholdings with a value greater than € 25 m for each transaction and controlling shareholdings;
- taking on financing at a sum greater than € 50 m 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 Board by law or statute and without prejudice to the said 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 28 April 2006. The Board's term will end at the same time as that of the Board of Auditors, with the meeting to approve the financial statements for 2008.

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INTRODUCTION

The quarterly report as at 31 March 2006, 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, and previously used in the consolidated financial statements as at 31 December 2005;
- the information supplied is that stipulated in annex 3D to the stated regulation no. 11971;
- The profit and loss account and the statement of net financial position were prepared taking note of the ISVAP document concerning the instructions on the production of consolidated financial statements in accordance with Provision 2404 of 22 December 2005;
- all the accounting information and statements are prepared on a consolidated basis. the economic data are compared with those for the same period in the previous financial year; the data on assets and the financial data are compared with the situation existing at the close of the previous financial year. For ease of comparison, the economic data relating to the 2005 financial year have been redetermined and re-classified in accordance with the IAS/IFRS international accounting principles.

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

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

MACROECONOMIC TREND AND THE INSURANCE MARKET

International macroeconomic scenario

The economic data for end 2005 and the first few months of the current year confirm the increasing economic growth in the euro area.

During the last quarter of last year, extra-EU exports increased significantly, with year over year growth of about + 9%, driven both by an increased global demand and by a slight depreciation in the effective exchange rate.
For 2006, the sustained international trend and the dynamic foreign demand could continue to boost exports. At the same time, generally favourable financial and profitability conditions should stimulate investment decisions, despite the recent increases in official interest rates, rising to 2.50% in March, an increase of 0.25%.

Despite a moderate growth in full-time employment and considerable stagnation in salaries in real terms, there are encouraging indications in the area of consumer spending. Security for the economic outlook of households has once again begun to grow, confirmed by the increase in retail sales, which, from November 2005 to January 2006 grew by over 2.5% compared to the previous year.

Based on this trend, economic activity in the euro area should return to growing at a slightly increased pace compared to last year's slowdown. An increase in the GDP in the first quarter 2006 has been estimated at 0.5%, with a slightly higher increase (+0.6%) in the second and third quarters, supported by domestic demand arising from investment spending.

The Italian market

In Italy, after a relatively weak trend in the last three months of last year, the economy should gradually strengthen during 2006, as demonstrated by several indicators. This strengthening should be mainly driven by domestic demand, in terms of consumer spending and investments.

With reference to Italian industry, ISTAT data for the end of February 2006 demonstrate a positive trend, recording a month over month increase of 1.9% in turnover (+8.1% year over year) and 4.3% in orders (+14.1% year over year). it is worth noting that orders have reached their peak since December 2000. The trend regarding Italian consumer confidence, recorded in April 2006 by ISAE (Institute of Analysis and Economic Study) tells a different story: security for the economic outlook of Italian households has returned to the lowest levels recorded in October 2005, the seasonally-adjusted index reached 106.1, falling by 3 points compared to march (109.1). Adjusted also for erratic factors, the indicator of the total retail sales fell from 108.4 to 106.1. It was difficult to measure this figures in the first half of April and therefore, it is possible that the fall recorded could also have been affected by uncertainties regarding the election period.
However, the opinion regarding the general economic climate of the country have slightly improved, above all due to the more favourable expectations for the evolution of the labour market, able to compensate for the deterioration of the Italian economic situation.

Opinions regarding the inflationary trend have been consolidated further. In the first quarter, the national consumer price index for the entire country reached 2.1% (with a month over month change of +0.2% compared to February 2006).

The difficulty in stabilising this trend was affected by: the decrease in the year over year growth rate in prices of energy goods in the month of March, despite the significant increase in oil prices for the period, also due to the delay (and the gradualness) with which the increase in price at the origin is transferred onto the final goods. Secondly, from the slowdown recorded in the services sector.

The outlook for inflation for the next few months is uncertain, due to the expected increases in the cost of energy products.

Lastly, signs of prudence emerge regarding the outlook on future opportunities for saving, and on the cost-effectiveness of making significant investments, such as purchasing long-term goods in general, and cars and homes in particular. For the latter, in particular, it is noted that in March 2006, mortgage interest rates reach 4% (4.04%), a level which had not been reached for 33 months.

The insurance sector

2005 was, in absolute, the most serious year in terms of victims and damage caused by natural disasters, with burdens on insurance companies estimated at about 94 billion dollars (about double the 2004 figure). Despite this, Standard and Poor's increased its rating for the reinsurance sector, raising the outlook from “negative” to "stable". In fact, this rating agency stated its belief that the sector was able to manage the massive losses it took, while pointing out that reinsurers are still dealing with difficulties linked to reduced retrocession capacity and a potential increase in catastrophic losses.

In Europe, the Italian market for Non-Life business remains relatively under-insured. At end 2005, premium volumes increased by 2.5% compared to the previous year, amounting to € 36.3bn, with spending equal to 2.6% of the GDP (compared to a European average of 3.8%) and spending reduced by one percentage point, if non-motor products are considered.

With reference to the non-life insurance business, according to Prometeia estimates, for 2006, the demand for automobiles should be greater than last year: the market should primarily be sustained by the corporate segment, as a result of the recovery in the investment cycle. Only from 2007, following an increase in the consumer spending trend, will there be greater increases on total demand.
During the first quarter of 2006, vehicle registrations in Italy increased by 8.62% compared to the end of March 2005, reached 250,328 units. The expected growth in the number of cars on the road during 2006 is only slightly different from the 2005 estimate (+0.3%). For the next two years, a modest recovery in the trend is forecast, with an increase of 0.5-0.6%, due to the greater strength in consumer demand and the recovery of the investment cycle.

The latest figures published by ANIA, referring to the end of September 2005, reveal a fall of 0.9% in the frequency of Motor TPL claims as compared to September 2004, and a fall of 2% compared to all of 2004. A further decrease in the frequency of claims is expected for all of 2007, but with smaller rates, estimated at an average of 0.5% for the two year period 2006-2007. From 2006, the number of claims is predicted to grow, as a result of economic recovery, which should lead to a greater demand for mobility: this effect should be more evident during the two year period of the forecast.

For all of September 2005, the average amount of Motor TPL claims paid is 3.5%, a decrease compared to the 5% from the first half year of 2005. This rend involved all types of vehicles, with a particularly positive result for motor vehicles: between the second and third quarters of 2005, growth in the average cost paid fell from 13% to 6.2%. It is expected that for the end of 2005, the growth in average costs should be near the final figure for September (about +3.8%), and the decreasing trend should continue, though moderately, for 2006. From 2007, it will be possible to see the effect of the Motor TPL reform: the introduction of direct compensation should lead to a reduction in costs of disputes, and settlement times.

The development of premium income for the Motor Business estimates an end 2005 figure slightly growing (+0.6%), as a result of both the slow economic context which affected the decisions of household and company spending, and a moderate trend in tariffs.

During the first quarter, the rating agency Moody's assigned a positive outlook for the Italian non-life business. In fact, forecasts are stable, thanks to the constant improvement in financial year results, the relative prudence of the capitalisation ratio, and the solidity of the financial statements, in addition to good prospects for growth of the market, despite the fact that recent developments suggest that Motor TPL prices have already reached their peak, and are beginning to decrease. The forecasts made consider a less articulated cycle, with a gradual decrease in tariffs, but with substantially stable claim rate which, together with a generally prudent investment strategy, consistent reserves and a solid capitalisation ratio, should lead to increased sustainability of profitability and claim/premium ratios.
Nonetheless, the performance of tariffs continues to be affected by both the lingering risk of government intervention in prices of Motor TPL policies, due to pressure from consumer associations, and the increase in competition in the sector in question.

Last year was a period of even more evident slowdown in the Land Vehicles class: tariffs decreased and the trend in the economy further penalised the demand for non-obligatory guarantees. For this sector, new elements of support are forecast for the next few years, arising from the recovery of household income and investments, with consequent positive effects on the demand for new automobiles and commercial vehicles.

With reference to the health sector, the outlook is for an increasing growth in premiums deriving from individual policies, for which Prometeia estimates an average yearly increase of 11% for the next two years. In this regard, the bancassurance channel will play a fundamental role in the development of the segment.
More generally, an increase in premium income in the non-motor vehicle classes for the next two years is estimated at about 7%.

Regarding the life business, in Italy, this sector has been going through a long period of growth. From 1999 to the end of 2005, the life market was characterised by growth sustained by premiums from Italian direct business, which were, on average, 13%, with a stock of market reserves which have grown at about 17% per year over the last six years. Despite the fact that "pure risk" products are not very common, the majority of the market is retail. In the first two months of 2006, premiums for new individual policies decreased. However, the future outlook for long term investment and complementary pension fund management remains positive.

On the other hand, the life insurance market should demonstrate smaller growth rates, with a driving role played by unit products and a positive contribution from traditional products. There should be no significant changes in the product composition, with traditional products retaining the largest share of income.

With reference to new life business, after 2005, in which premium income increased by 12% (to € 73.5bn), the figures available as at February 2006 demonstrate a reduction in income from new individual policies, amounting to € 4,289m (-8.5% compared to the same month in 2005). Two months of weak business, from the beginning of the year, resulted in premiums for the sector of € 7,764, 10.6% less compared to the same period of the previous year.
The figures are different depending on the distribution channel. In February, premium income from bank and postal branches decreased by 11% compared to February 2005. From the beginning of the year, this figure amounts to € 6,035 with a decrease of 11.9% compared to the same period of the previous year. Income from agents also fell as compared to February 2005, a decrease of 10.2%, amounting to € 382m (-18.7% considering the figure from the beginning of the year compared to the same period of 2005).

This negative trend is also confirmed by financial advisors, whose income decreased by 24.8% compared to the same month in 2005. The only positive change regarded company agencies, whose income increased by 52.3% compared to the same period of the previous year.

Compared to February 2005, the income from traditional policies once again decreased. In particular, income from class I policies fell by 13.8%, while the income for class V policies remained relatively unchanged (+0.9%). From the beginning of the year, the volume of premiums amounts to € 3,269m for class I and € 1,064m for class V. Compared to February 2005, the volume of premiums for the entire linked market (class III) decreased by 6.6%. This was influenced by the decrease in “guaranteed” unit-linked policies (-59.5%) and index-linked policies (- 17.1%). During February, premium income for class III reached € 1,997m (46.6% of the total new business) broken down as follows: 24.6% for index-linked policies and 22.0% from unit-linked policies. The trend in the opening of new individual pension plans is lively, with an increase of 25.5% compared to February 2005. However, income volumes remain modest: from January, the income was equal to € 40m, a growth of 27.4%.

New business remains concentrated on single premium contracts. From the beginning of the year, single premiums decreased by 12%, while annual and recurring policies increased by 6.7% and 10.7% respectively, as compared to the same period of last year.
Recent changes in legal regulations regarding the transparency of complementary pension contracts are certain to affect the life business.

Specifically: with the new regulations on transparency and the placement of life products, the new requirements regard the strengthening of pre-contractual and contractual disclosure of information, the explicit obligation of the broker to evaluate the adequacy of the contract offered, as well as other contractual provisions for the protection of policyholders. The new regulations regarding complementary pensions, which will take effect starting from 01 January 2008, introduces incentives for promoting the subscription of complementary pension plans and new governance rules for pension products.

With reference to managed savings, at the end of February 2006, Assogestione demonstrates gross assets of about € 1,080bn (about € 956bn at end February 2005). The drivers of this income were the investment funds and SICAV funds, with about € 599bn (€ 542bn in the same period of 2005), followed by the management of insurance products for € 194bn (€ 170bn in February 2005). Third place was reconfirmed by retail fund asset management, with €119bn (about € 97bn in the same period of last year). These are followed by retail monetary asset management with about € 83bn (about € 68bn in February 2005), other management with about € 69bn (about € 64bn in the same period of last year) pension fund management with € 16 bn (about € 13bn in February 2005).

BASIS OF CONSOLIDATION

The report on the first quarter for the Fondiaria-SAI S.p.A. Group includes data for the parent company and the 112 Italian and foreign subsidiaries and/or associated companies, of which 18 operate in the insurance sector, 20 in the financial, banking and investment fund management sector, and 74 in the property, agricultural and services sector.
In compliance with par. 19 of IAS 27, the closed property fund Tikal R.E. was entirely consolidated.

During the first quarter, there were no significant variations in the basis of consolidation, with the exception of the following operations:

- the acquisition by Scai S.p.A. of control of the company DIANOS S.p.A.;
- the acquisition by Casa di Cura Villanova S.r.l. of control of the service company FLORENCE S.r.l.;
- the transfer to third parties, by Immobiliare Lombarda, of the shareholding in S.E.P.I. S.r.l., a company providing property services and design;
- the acquisition, by the subsidiary Immobiliare Lombarda, of the 20% share in the company PENTA DOMUS S.p.A.;
- an increase in the Fondiaria-SAI Group’s shareholding in the property fund Tikal RE. FOUND (from 77.16 to 78.40% as at 31 March 2006).

VALUATION CRITERIA

The valuation criteria and international accounting principles IAS/IFRS used for the consolidated financial statements closed at 31December 2005 were applied to the quarterly report.

Express reference is made to that published in the file of the consolidated financial statements as at 31 December 2005 for an accurate illustration.

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

In particular, as regards Technical Provisions from the direct business:

- Provision for unearned premiums in the Non-Life Business

  Within the scope of that provision, there was no change in the component of the provision for risks compared to 31 December 2005, in the classes in which provision was made at the end of the last financial year, if the trend in current generation does not show significant deteriorations in the claims ratio.

- Provision for outstanding claims in the Non-Life Business

  In the non-motor classes, in order to determine the current generation, the operative estimate is used which may be adjusted in those classes where the valuation of the settlement network is not considered sufficiently representative of the level of claims.
  For previous generations, the operative estimate is adjusted on the basis of past experience taking account of the result of the reduction for partial and/or total settlements. For the motor classes, the current generation and previous generation are combined, taking account of the average cost of the claims settled and the balance between files closed for claims not followed up and reopened files.

FINANCIAL AND ASSET MANAGEMENT

INFORMATION ABOUT THE ASSETS

The statement below shows the investments and net technical provisions as at 31 March 2006, compared with the corresponding amounts as at 31/12/2005 and 31 March 2005.
Note that the data as at 31 March 2005 are also shown in compliance with IAS/IFRS accounting principles.

(thousand Euro)	31/03/2006	31/12/2005	Change %	31/03/2005
INVESTMENTS				
Property investments	2,034,238	2,041,721	(0.37)	2,022,094
Shareholdings in subsidiaries, associated companies and joint ventures	68,652	71,675	(4.22)	89,834
Investments owned up to maturity	0	0	0	0
Financing and loans	1,431,620	1,408,658	1.63	1,520,078
Financial assets available for sale	21,815,373	20,972,111	4.02	19,392,476
Financial assets recorded at fair value in the profit and loss account	5,572,654	5,570,855	0.03	5,168,218
Total investments	**30,922,537**	**30,065,020**	**2.85**	**28,192,700**
Tangible assets: Property and other tangible assets	1,111,466	1,086,135	2.33	457,415
Total non-current assets	**32,034,003**	**31,151,155**	**2.83**	**28,650,115**
Cash at bank and in hand and equivalent	652,892	526,505	24.00	577,325
Total non-current assets and cash at bank and in hand	**32,686,895**	**31,677,660**	**3.19**	**29,227,440**
NET TECHNICAL PROVISIONS				
Non-life technical provisions	10,413,350	10,752,732	(3.16)	10,657,066
Life technical provisions	13,749,507	13,709,923	0.29	12,326,157
Total net technical provisions	**24,162,857**	**24,462,655**	**(1.23)**	**22,983,223**
FINANCIAL LIABILITIES				
Subordinated liabilities	485,929	483,888	0.42	394,997
Financial liabilities recorded at fair value in the profit and loss account	3,395,744	3,231,858	5.07	3,335,753
Other financial liabilities	1,520,946	1,456,632	4.42	783,852
Total financial liabilities	**5,402,619**	**5,172,378**	**4.45**	**4,514,602**

The heading Property Investments includes property held by the company for investment purposes and, as such, intended to be used by third parties.
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 € 112,822K for certificates of indebtedness (€ 111,963K as at 31 December 2005), €165,296K for repurchase agreement transactions (€ 109,630K as at 31 December 2005) and € 70,065K for loans on life policies and other financing and loans (€ 71,291K as at 31 December 2005), including reinsurers' deposit accounts with ceding undertakings of € 36,503K (€36,835K as at 31 December 2005) and € 180,555K for loans to transferred agents for claim compensation paid to ceded agents (€ 192,701K as at 31 December 2005).

The heading also includes € 153,602K for financing granted by Finitalia to its own customers (€ 155,036K as at 31 December 2005), € 377,241K of loans from the consolidated company Bancasai to the other banks, for interbank deposits (€ 411,992K as at 31 December 2005) and for € 56,075K to banking customers (€ 56,637K as at 31 December 2005) and the loan secured by a lien on property which can be attributed to the sale of a part of the property assets made in the 2003 financial year for € 69,776K (€ 69,907K as at 31 December 2005). The loan matures in 2010 and provides for partial advance repayments in accordance with the debtor's repayment schedule for the 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 € 155m (about €154m as at 31 December 2005), recorded for the future sale of the Banca Intesa shares owned by the parent company through the mandatory convertible loan exclusively in Banca Intesa shares, issued by the subsidiary SAINTERNATIONAL in September 2004. That loan was updated considering the maturity time profile of the future sale underlying the issue of the mandatory convertible loan.

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 its 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.
In particular, this heading includes € 18,041,881K for certificates of indebtedness (€ 17,200,376K as at 31 December 2005), as well as € 504,901K of shares in UCIs (€ 492,407K as at 31 December 2005).

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 (designated securities).
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.
This heading includes € 4,608,159K for certificates of indebtedness (€ 4,661,888K as at 31 December 2005), € 177,022 for capital securities (as at 31 December 2005 € 145,912K) € 603,071K for shares in UCIs (€ 593,751K as at 31 December 2005) and € 184,402K for other financial investments (€ 169,304K as at 31 December 2005).

In accordance with international accounting standards, properties for direct use by entities which produce consolidated accounts are not considered to be investments: Measures were taken to value these assets within the scope of tangible assets, where the remaining property is included, for which the criteria of IAS 2 were applied. In particular, this heading includes € 750m regarding real estate property of the subsidiary Immobiliare Lombarda S.p.A.

Property for the 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 value.
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 31 March 2006 include the provision for unearned premiums (€ 2,371m), calculated using the pro-rata temporis method, and the provision for outstanding claims (€ 8,042m). 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 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.

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 € 161m, as compared to the value determined by Italian accounting principles, 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 31 March 2006 includes € 3,267m for the liabilities of financial contracts issued by the insurance companies, dealt with by 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 € 128m for hedging derivatives operations entered into by the parent company Milano for which the financial instruments owned by the Group recorded a similar positive variation affecting the profit and loss account.

Financial liabilities include € 123.7m for the bank borrowings of the subsidiary Finitalia (€ 115.8m as at 31 December 2005), € 305.5m for customers’ deposits with the subsidiary BancaSAI (€ 302.8m as at 31 December 2005), € 177.0m (€ 176.8m as at 31 December 2005) 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 € 61.7m for investment contracts taken out by life policyholders valued in accordance with the depreciated cost method, € 57.4m for repurchase agreements relating to financing taken out by the subsidiary SAI Mercati Mobiliari. 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.

DEBT

The debt situation of the Fondiaria-SAI Group as at 31 March 2006 is as follows:

(million Euro)	31/03/2006	31/12/2005	Change
Subordinated loans	485.9	483.9	2.0
Mandatory Sainternational	177.0	176.8	0.2
Borrowings from banks and other financing	522.6	518.0	4.6
Total debts	1,185.5	1,178.7	6.8

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 December 2002.
The loan of an amount equal to a nominal € 400m was taken out to increase the component elements of the solvency margin.

With reference to the subordinated loan acquired from Mediobanca, the Company established understandings with Mediobanca, after authorisation from ISVAP:

- Several contractual amendments for the subordinated loan itself, regarding, among other things, the reduction of the interest rate, from six month Euribor + 265 basis points to six month Euribor + 180 basis points;

- the stipulation of a new subordinated loan agreement with a term of twenty years (fixed expiry) for a total of € 100m at an interest rate of six month Euribor + 180 basis points, with the same characteristics as the aforementioned subordinated loan. This loan contributes, within the limits set forth by the law in force, to a further improvement in the solvency margin, for 25% of the lesser of the available margin and the requested solvency margin.

Within the scope of the agreement illustrated above, the company has also agreed with Mediobanca for the stipulation of a preliminary contract which provides for the future subscription by Mediobanca and Fondiaria-SAI of a further subordinated loan agreement for a total of € 300m (which Milano Assicurazioni may also adhere to), having similar characteristics to the loans set out above. The use of said loan shall remain the right of Fondiaria-SAI and/or Milano (should it decide to adhere to the agreement), which may access the loan, at their discretion, until 31 July 2007. Said loan may be utilised with a maximum total number of six uses, at the discretion of the company, for a minimum amount of €50m (or multiples thereof) per use.

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, formally owned 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 was 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.

With reference to borrowings from banks and other financing, it is noted that in the first quarter 2006, the total exposure of the Gruppo Immobiliare Lombarda increased by about € 922K, from € 288,215K as at 31 December 2005 to € 229,137K. The increase in indebtedness is mainly attributable to the following operations:

- the subsidiary Progetto Bicocca La Piazza S.r.l., whose indebtedness consists of mortgage loans strictly linked to the construction and sale of buildings under construction, reduced its exposure towards banking institutions by about € 1,135K, as a result of sales agreements stipulated during the quarter.
- the holding company increased its own debt as a result of the charges accrued during the quarter, equal to € 2,043K, which will be settled on 31 June 2006.

It is pointed out that the amount of long term mortgage loans held by the subsidiary Progetto Bicocca La Piazza S.r.l., with contract expiry at 31 September 2009, shall decrease starting from the 2nd half of 2006, coinciding with sales activities. Nonetheless, the long term recording of this loan will continue, considering the fact that it is not possible to quantify the amount of the tranches of repayment linked to the deeds of sale provided for 2006.
Loans to shareholders, equal to € 6,440K, refer to loans, non-interest bearing since 1 October 1998, granted to Progetto Bicocca la Piazza S.r.l. from Pirelli & C. Real Estate S.p.A., a minority shareholder holding 26%.

The loans described above, both regulated at Euribor with a spread of 0.9%, are guaranteed by mortgages on Group property, more specifically, a first or second degree mortgage on the Progetto Bicocca la Piazza S.r.l. area and first degree mortgages for a total of € 408m on property owned by the parent company.

Always referring to borrowings from banks, € 170m regards the mortgage stipulated by the closed property fund Tikal R.E. with Banca Intesa, with the latter in the role of Organiser bank, Agents and Financer. The purpose of the loan is to improve the return on own means of the fund, and thus on the capital investment by fund participants. The amount issued, which does not use the entire agreed credit limit, is equal to a total nominal value of € 280m, and will be used both to invest in new initiatives, and to make improvements in view of future returns or increases in income. The cost of the loan is equal to Euribor plus a variable credit spread from 70 to 110 b.p.
The remaining borrowings refer to bank debt of the subsidiary Finitalia (€ 124m), and other positions of insignificant unitary amounts.

INVESTMENT MANAGEMENT

At the end of February 2006, the increasing trend in the long term rates of the securities of reference, recorded from the beginning of the year was confirmed.
American interest rates grew slightly, if compared to the robust economic expansion. Probably, the results of the real U.S. GDP in the fourth quarter 2005, which increased less than expected, led other operators to reduce their expectations of economic prospects.

The increase in the first two months of 2006 in the euro area can be attributed to the consolidation of the improvement in the outlook for economic growth, confirmed by the recent figures for the economic trend in the countries in this area. The recent increase in interest rates by the European

Central Bank does not seem to have excessively influenced the performance of European rates, if short and medium term maturities are excluded.

Moreover, during February, the share prices in the markets of the United States and the euro area increased, boosted by the positive (effective and expected) business profits, while securities exchanged on Japanese markets had an abrupt halt, while the appeal of securities and bonds in this country grew.

It is important to note that in the last few months, the share prices of insurance companies have significantly increased. While the share prices of U.S. insurance companies are still affected by heavy charges from the natural catastrophes of last summer, recording earnings no greater than 8% in six months, French insurance companies confirm their positive performance, with share prices rising by about 30% since September 2005. The growth in share prices in other European countries is more contained (slightly higher than 20%).

With reference to the Fondiaria-SAI Group, financial assets developed during the first quarter 2006 were characterised by a diversification of asset allocation, in order to benefit from the strengthening of the stock market, mitigating the disappointing effects of bond performance.
During the quarter, the prudent policy regarding bond duration in the non life business continued, as well as nearing the liability duration in life business.

In detail, the non-life business demonstrates more prudent asset allocation, with a fixed rate component of 64.6%, and a duration of 3.04. The variable rate component, however, has a weight of 33.1%, and a duration of 0.19. Repurchase agreements represent 2.3% of the assets. The total duration of the portfolio is 2.03.

The life business shows a total duration of 5.52 compared to liabilities with longer maturity dates. The business is sub-divided into a fixed rate component of 79.8%, with a duration of 16.84, and a variable rate component of 19.9%, with a duration of 0.28.

In the non-life bonds portfolio, government bonds represent 88.4% and corporate bonds 11.6%; for the life business bonds portfolio, activity concentrated on government bonds for a total of 76.2%, while corporate bonds composed the remaining 23.8%.

With regard to the foreseeable trend in financial management, in the months ahead activity will be focused on reducing interest rate risk to the minimum, while maintaining the current levels of return for the portfolios under management.

Transfer of the shareholding in Swiss Life Holding

On 11 January 2006, subsidiaries Fondiaria Nederland B.V. and Milano Assicurazioni S.p.A. sold their entire shareholding in Swiss Life Holding to an institutional investor (UBS).
Fondiaria Nederland and Milano Assicurazioni sold 2,000,107 and 828,709 shares of Swiss Life Holding, respectively, for a total of 2,828,816 shares, equal to 8.3753% of the share capital, at the price of 234.75 CHF each. The price was determined by applying a discount of 0.53% compared to the closing price of 236 CHF as at 11 January 2006.

Proceeds from the transaction totalled approximately 664.1m CHF, against a total book value of approximately 702.8m CHF.
As regards the valuation of the shareholding in the 2005 financial statements, Milano Assicurazioni did not carry out any adjustment or write-up, as the sale of the shares in Swiss Life Holding took place, taking into account the book value CHF/€ exchange rate and the conversion CHF/€ exchange rate of the consideration for the sale, at a modest gain of about € 336K.

Fondiaria Nederland chose to write down the value of its shareholding in Swiss Life Holding, with reference to the performance and the exchange rate at the sale of the shareholding, with a negative impact of € 27.1m on the 2005 profit and loss account. However, this decrease in the book value of shareholders' equity for Fondiaria Nederland did not lead to a permanent loss of value for the shareholding in Fondiaria Nederland, as this company possessed gains yet to be recorded deriving from controlling shareholdings (The Lawrence Re and Effe Finanziaria).

During 2004, the Fondiaria-SAI Group had already evaluated, jointly with the Swiss Life Group, the lack of prerequisites for creating the possible joint venture in the Italian life sector.

Taking into account the opportunity provided by the performance of the Swiss Life Holding share price, it was considered important for the Fondiaria-SAI Group, and for said subsidiaries to carry out the sale of the shareholding in very short time, by contacting several institutional investors and inviting those interested to participate in a competitive auction, and to make a firm offer.
This operation allowed for increasing the diversification of asset allocation as well as, in perspective, the flexibility of strategic investments.

Acquisition of Liguria Assicurazioni S.p.A.

Following the procedure put in place by the seller, aimed at selecting the best bid for the acquisition of a controlling share in the capital of Liguria Assicurazioni S.p.A., which concluded with the acceptance of the bid presented by Fondiaria-SAI, on 24 January 2006, Gaula Consultadoria e Investimentos, a holding company owned by the De Longhi family, and Fondiaria-SAI stipulated a preliminary sale contract for the entire shareholding in Liguria Assicurazioni owned by the seller, equal to 99.97% of the capital, at a price of € 144,500K, paid as follows:

- bargain money and advance for a total of € 7,000,000, upon the signing of the self-same contract;
- the difference at the date of transfer of the shares, at the latter of the following dates: (i) 30 April 2006 or (ii) the last working day of the month in which all suspensive conditions will have been applied, consisting in authorisation from ISVAP in compliance with the law, and approval of the 2005 financial statements of the seller and Liguria Assicurazioni, which must be regularly certified and delivered to Fondiaria-SAI by 30 April 2006.

It is also required that the sellers create a suitable guarantee of their commitments for the buyer.
Liguria Assicurazioni is a company operating in the non-life business, which, in turn, owns 100% of Liguria Vita S.p.A.
The price of € 144,500,000 could be increased or decreased by an amount corresponding to the net profit or loss of Liguria Assicurazioni and Liguria Vita for the period from 01 July 2005 to 31 December 2005, as resulting from the financial statements of the same as at 31 December 2005, without prejudice, with regard to the net profit, to the maximum limit of € 5,000,000.

The price of € 144,500,000, possibly increased or decreased by net profit or loss as indicated above, should in any event be considered a provisional price. It will be subject to future review in order to take into account the performance of claims arising and reported following the transfer date of the shares and the technical reserves of Liguria Assicurazioni and Liguria Vita, to be carried out with reference to the financial statements of said companies as at 31 December 2010.

Assets in the non-life business represent about 90% of the total assets of the Liguria Group. Premium income is concentrated on small towns in the Centre-North of Italy (67% of premiums). The company operates through a network of 218 agencies and a staff of 118 employees. 60% of the agencies are located in towns of less than 50,000 inhabitants.

During 2005, Liguria Assicurazioni issued premiums for a total of € 157.8m, an increase as compared to the previous year (+7.4%). Technical results were positive, for € 12.7m, with a profit for the year of € 12.2m. The company's shareholders' equity as at 31 December 2005 amounted to € 52.7m. The combined ratio at that date was 91.9%.
Always with reference to 2005, Liguria Vita issued premiums for a total of € 17.8m, with new business remaining concentrated on single premium contracts, ending the year substantially breaking even. As at 31 December 2005, shareholders equity amounted to € 5.7m, in line with the same period of the previous year.

The strategic rationale for acquiring the Liguria Group can be summarised as follows:

- increasing the business volume of the Fondiaria-SAI Group;
- developing Fondiaria-SAI's market penetration through the expansion of its distribution network, as a result of the acquisition of Liguria Group's network of agents, characterised by its presence focused on small and medium-sized towns;
- creating value for Liguria Assicurazioni and Liguria Vita by applying competencies developed by Fondiaria-SAI in the areas of claims management, settlement processes and underwriting policies, as well as generally improving financial management.

In April 2006, the company merger operation received authorisation from the Italian Antitrust Authority, and was authorised by ISVAP. The transfer of shares is planned for the month of May.

Capitalia Shareholders' Agreement

With letter dated 11 January 2006, the company declared its willingness to increase its shareholding in CAPITALIA and contained in the Shareholders' Agreement, directly and through MILANO ASSICURAZIONI, from its current 2.57% to 3.50%.

In fact, the possibility was offered, for interested shareholders, to modify the quota of the Agreement, which was reduced following, on one hand, the entrance into the Agreement of several MMC shareholders following the splitting off of MMC (the beneficiary of the transaction was CAPITALIA) and, on the other hand, the addition of further CAPITALIA share to the Agreement, by several shareholders who were already shareholders of MCC and/or FINECO, which involved a further extraordinary merger by incorporation of FINECO into CAPITALIA.

The acquisition of new shares by interested shareholders, to be included in the Agreement was, in fact, made possible for two reasons. On one hand, TORO demonstrated its intention to sell its shareholding (equal to 0.83%) and, on the other hand, as the shareholding currently owned by the members of the Agreement exceeds 30% (30.54%), it is possible to consolidate the shareholding itself, without the obligation of Public Offer, for the maximum amount of 3% yearly, pursuant to art. 45 of the CONSOB Issuers Regulations.

In particular, FONDIARIA-SAI and MILANO purchased part of the shareholding sold by TORO, for a quota slightly higher than 0.5% of the share capital of CAPITALIA. Moreover, these two companies are gradually purchases further CAPITALIA shares on the market, in order to reach 3.50% of its share capital. The operation will require a total expenditure of about € 128m.

OWN SHARES, SHARES OF THE HOLDING COMPANY

Own shares and shares of the holding company PremaFin Finanziaria owned by the parent company as at 31 March 2006 and 31 December 2005 are set forth in the table below:

(thousand Euro)	**31/03/2006**		**31/12/2005**	
	Number	**Book value**	**Number**	**Book value**
Own shares held by:				
Fondiaria-SAI	8.590.212	155.022	8.075.212	138.079
Milano Assicurazioni	5.362.557	103.672	5.362.557	103.672
Sai Holding	1.200.000	28.285	1.200.000	28.285
Total	**15.152.769**	**287.000**	**14.637.769**	**270.036**
Holding company shares held by:				
Fondiaria-SAI	18.340.027	39.816	18.340.027	36.203
Milano Assicurazioni	9.157.710	19.881	9.157.710	18.077
Saifin - Saifinanziaria	66.588	144	66.588	132
Total	**27.564.325**	**59.841**	**27.564.325**	**54.412**

It is noted that the objectives of the strategic plan include a programme for repurchasing and cancelling own shares. This initiative is aimed at creating further value for all shareholders.

MANAGEMENT TREND

ECONOMIC DATA

In order to guarantee a proper comparison, all the data for the first quarter 2005 were set out by applying the IAS/IFRS used at the time the report for the first quarter 2006 was produced.
The economic situation for the quarter is set out below, compared with the similar period in the previous year:

(thousand Euro)	31/03/06	31/03/05	31/12/05
Net premiums	2,408,504	2,228,847	9,096,306
Commissions received	19,357	18,582	53,453
Net income from fin. Instruments, recorded at fair value in the profit and loss account	2,644	37,833	126,561
Income from investments in subsidiaries, associated companies and joint ventures	12,332	417	46,838
Income from other financial instruments and property	275,586	270,340	993,096
- Interest received	165,948	151,226	613,165
- Other income	22,287	9,493	172,411
- Profits realised	85,879	108,160	205,392
- Valuation profits	1,472	1,461	2,128
Other revenue	81,164	79,502	393,594
TOTAL REVENUE	**2,799,587**	**2,635,521**	**10,709,848**
Net charges on claims	1,855,521	1,806,950	7,480,620
Commissions paid	12,649	10,326	30,837
Charges from investments in subsidiaries, associated companies and joint ventures	0	155	2,976
Charges on other financial instruments and property	44,950	37,406	198,720
- Interest paid	17,518	13,252	50,078
- Other costs	7,651	9,665	32,771
- Losses realised	9,022	8,494	50,814
- Valuation losses	10,759	5,995	65,057
Operating expenses	401,261	365,466	1,602,649
- Commission and other acquisition expenses on insurance contracts	311,578	270,939	1,219,864
- Investment management charges	17,152	5,002	74,522
- Other administration expenses	72,531	89,525	308,263
Other costs	214,072	143,455	562,918
TOTAL COSTS	**2,528,453**	**2,363,758**	**9,878,720**
PRE-TAX PROFITS (LOSSES) IN THE YEAR	**271,134**	**271,763**	**831,128**
Tax	104,297	110,909	244,778
PROFITS (LOSSES) IN THE YEAR NET OF TAX	**166,837**	**160,854**	**586,350**
PROFITS (LOSSES) ON CEASED OPERATIONS	**0**	**0**	**0**
CONSOLIDATED PROFITS (LOSSES)	**166,837**	**160,854**	**586,350**
PROFITS (LOSSES) IN THE YEAR - GROUP	**134,763**	**128,482**	**465,283**
PROFITS (LOSSES) IN THE YEAR – THIRD PARTIES	**32,074**	**32,372**	**121,067**

During the first quarter of 2006, the business results of the Fondiaria-SAI Group were substantially in line with the strategic plan it presented to the financial community last April.
The positive results resulted considerably from the high level of efficiency reached in technical management, which is now characterised by a large client base, a highly competitive Group product portfolio, unequivocal risk underwriting policies, and the optimisation of claims management through a widespread, developed settlement network.

With reference to the essential aspects of management, as at 31 March 2006, we would highlight:

- the **consolidated result** amounted to € 167m compared to € 161m from the first three months of 2005;
- the **technical performance in the insurance business** is showing further improvement in the non-life sector. The technical account for the sector, according to charts in the traditional form of representation, reported results of approximately € 131m (€ 129m as at 31 March 2005). The positive performance of the motor classes contributed to this, in addition to the excellent performance of the non-motor classes.
  With regard to the **life segment** , the positive performance in premium income is confirmed for traditional type policies (+ 8.4% at Group level). Moreover, the application of the international accounting principle IFRS 4 involved writing off approximately € 295m for premiums for index- and unit-linked policies for which no significant insurance risk was identified. The pre-tax profit for the life business, as at 31 March 2006, exceeds € 70m;
- **operating costs** totalled € 384m (€ 360m as at 31 March 2005), and represent approximately 16% of the premiums for the period, 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 € 276m (€ 270m as at 31 March 2005). That amount is adjusted by € 45m for the corresponding charges. A further € 77m of that amount was contributed by the net profits from movable and immovable property. The balance of profit and loss from valuation was negative by approximately € 9m;
- **interest expense** of approximately € 41m is almost entirely chargeable to financial indebtedness.
- the contribution of the **financial instruments recorded at fair value** in the profit and loss account totalled € 3m;
- **income from investments in subsidiaries, associated companies and joint ventures** refers to gains achieved by the parent company upon the transfer of shares in the subsidiary Milano Assicurazioni S.p.A;
- the balance of **other revenue and other costs** is negative by € 133m, (€ 64m as at 31 March 2005). These residual type headings include the technical and non-technical income and charges not classified elsewhere, as well as amortisation, depreciation, extraordinary income and charges, as well as the net change in the provisions for risks and charges. the change as compared to 31 March 2005 is essentially a result of the increase in technical charges in the non-life business;
- the **tax burden in the period** fell slightly compared with March 2005, due to the realisation of some shareholdings under the exemption rules.

The table that follows sets out the pre-tax results broken down each single sector. The property sector includes the results achieved by the subsidiary property companies Immobiliare Lombarda and Nit, as well as the results for the period of the closed property fund Tikal R.E., while the Other Activities sector collects the performance of subsidiaries operating in the financial and diversified services sectors, including Banca SAI, SAI Mercati Mobiliari and Saifin-Saifinanziaria.

(thousand Euro)	**Non-life**	**Life**	**Property**	**Other Activities**	**Total**
Net premiums	1,739,540	668,964	-	-	2,408,504
Net charges on claims	(1,143,064)	(712,457)	-	-	(1,855,521)
Net commissions	-	3,576	-	3,132	6,708
Net income from subsidiaries and associated companies	-	11,684	648	-	12,332
Net income from investments	73,574	153,449	(4,689)	8,302	230,636
Net income from fin. instruments, recorded at fair value in the profit and loss account	6,556	(6,243)	-	2,331	2,644
Operating expenses	(341,188)	(32,744)	(13,558)	(13,771)	(401,261)
Other net income and charges	(135,837)	(15,735)	15,575	3,089	(132,908)
Pre-tax profits (losses) in the year	**199,581**	**70,494**	**(2,024)**	**3,083**	**271,134**
Income tax	-	-	-	-	(104,297)
Pre-tax profits (losses) in the year net of tax	-	-	-	-	**166,837**
Profits (losses) on ceased operations	-	-	-	-	-
Consolidated profits (losses)	-	-	-	-	**166,837**
Profits (losses) in the year – third parties	-	-	-	-	32,074
Profits (losses) in the year – Group	-	-	-	-	**134,763**

NON-LIFE BUSINESS

At the end of March, the Fondiaria-SAI Group collected premiums for a total of € 1,826m (+2.21% compared to 31/03/05). These are subdivided into categories of assets, set out in detail in the table below:

(thousand Euro)	**31/03/2006**	**31/03/2005**	**Change %**
NON-LIFE BUSINESS			
Accident and health	167,938	166,478	0.88
Land vehicles TPL	1,094,703	1,071,852	2.13
Motor insurance, other classes	187,699	185,192	1.35
Marine, aviation and transport insurance	50,547	47,253	6.97
Fire and other property damage	159,439	156,854	1.65
General TPL	126,019	120,068	4.96
Credit and bonds	20,305	19,093	6.35
Pecuniary losses	5,909	5,200	13.63
Legal protection	3,682	3,713	(0.83)
Assistance	8,166	7,670	6.47
TOTAL	1,824,407	1,783,373	2.30
INDIRECT BUSINESS	1,626	3,255	(50.05)
TOTAL	1,826,033	1,786,628	2.21

By March, the parent company’s premium income from the direct business totalled € 986,306K (+0.04%), of which € 688,178K (-0.54%) was produced by the motor vehicle classes.
The subsidiary Milano Assicurazioni S.p.A. contributed income of € 701m (+4.21%) to the result at Group level, deriving from an increase of 4.44% in the motor vehicle classes, and 3.53% in other non life business.

Claims paid in the Italian direct business, up to 31 March 2006 totalled € 1,292m (+13.8%), of which € 748m related to the parent company (€ 684m as at 31 March 2005

The loss ratio for the period was approximately 65.71%, a considerable improvement compared to the figure for March 2005. The ratio of operating costs to premiums was stable (19.44% as at 31/03/2006).
The combined ratio shows a ratio of approximately 92.4% (92.2% as at 31 March 2005), substantially stable, as it is increasingly affected by the weight of other technical costs.

With reference to the operating performance of the Motor TPL class, the figures up to 31 March 2006 show a slight increase in the frequency of claims due to, among other things, development actions implemented during the last year, and meteorological and geographical factors partially reabsorbed by the operativity for the month of April.

With reference to the parent company, the number of claims reported in the Motor TPL class increased by approximately 4.8%, while the average cost of claims paid in the year increased by approximately 2.6%; The corresponding speed of settlement was around 39.6%, an increase as compared to 31/03/2005 (equal to 38.4%).
In particular, the increase in claims for the parent company in the Motor TPL class is primarily characterised by the phenomenon of late claims, widely estimated in the definition of the reserve policy at the end of the last year. In fact, with number of claims made in the first three months of the year rose at a lower rate than last year, to 1.9%.
Performance in the land vehicles – own damage or loss class is positive again, though its trend is still affected by the reduction in tariffs and the economic trend which has penalised the demand for non-obligatory guarantees.
With reference to the parent company's non-motor vehicle classes, premiums written in the Italian direct business totalled € 298m, an increase of 1.4% compared with the first quarter of 2005. The number of claims reported rose by 8.8%.

Regarding the subsidiary Milano Assicurazioni, the first quarter of 2006 showed pre-tax profit of € 93m. This sector has recorded a decreasing trend in the Motor TPL classes as compared to the first quarter 2005, following an increase in claims reported, linked to the strong seasonal effects of the period. The land vehicle class was stable, while the overall results of the other non-life business improved, confirming the high quality of the portfolio acquired.

The profits for subsidiary Sasa, determined based on IAS principles, was equal to € 4,338K. Premium income for direct business had a positive increase overall (+11.19%) compared to the figure from the first quarter 2005. The Motor TPL classes drove the increase in premiums, reaching a level of € 68,220K (+11.95%). This trend continues to be affected by the opening of new sales channels in the last few financial years. Premiums in the non-life business totalled € 30,370K, an increase of 9.66% compared to March 2005.
The number of claims reported, calculated on the basis of the share of co-insurance, increased by 25.5%; the same trend was recording for claims reported in the current generation (+17.5%). The most significant changes were focused in the Motor TPL and Land Vehicle classes.

As regards Siat, the first quarter 2006 demonstrated moderately positive technical operating results, specifically in the "Transport" classes. The transport insurance market was mainly characterised by relatively stable premium rates, and steady rates of claims. In the reinsurance area, reinsurance professionals continue to be selective, paying specific attention to technical performance.

Income for the quarter amount to € 39.6m, an increase as compared to the same period in the last financial year (€ 32.8m). These premiums are affected by the ongoing creation of the "Transport Hub", due to company's concentration of Group business regarding the "Transport" sector in this hub. Production in this sector (specifically in the "Marine" classes) are positively affected by the similar trend in the US dollar. Reported claims have not included any specifically serious claims, while the reduction of the provision for outstanding claims was not shown to be insufficient.

The following table sets out the trend in claims paid and reported for the various classes:

	Claims paid (million Euro)			Claims reported (Number)		
	03/2006	**03/2005**	**% Change**	**03/2006**	**03/2005**	**% Change**
Accident and health	95.6	89.2	7.19	73,009	68,561	6.49
Land vehicles TPL	903.9	801.0	12.85	268,489	244,854	9.65
Motor insurance, other classes	82.5	71.9	14.72	62,717	53,595	17.02
Marine, aviation and transport insurance	6.8	6.8	(0.82)	1,027	1,093	(6.04)
Fire and other property damage	98.7	82.5	19.68	49,355	41,266	19.60
General TPL	80.0	69.4	15.37	27,380	24,190	13.19
Credit and bonds	18.6	11.1	67.96	258	253	1.98
Pecuniary losses	2.0	1.3	50.68	1,027	1,448	(29.07)
Legal protection	0.3	0.2	64.59	555	817	(32.07)
Assistance	3.9	2.1	81.98	17,973	15,648	14.86
TOTAL	1,292.4	1,135.5	13.81	501,790	451,725	11.08

The increase in the number of claims reported is mainly attributable to both the strong seasonality components linked to adverse weather, and to increased evidence of late claims in the Motor TPL and General TPL classes, which were already the subject of increases to reserves at the end of 2005.

LIFE INSURANCE BUSINESS

Premiums written in the life business totalled € 671,851K, and increase of 18.4% compared to the figure as at 31/03/2005, already re-presented in compliance with IAS/IFRS principles. The new accounting approach involved the writing off of premiums entered into the accounts according to the old accounting criteria, for a total of € 295m, of which € 10m refer to class VI.

These are subdivided into categories of assets, set out in the table below:

(thousand Euro)	**31/03/2006**	**31/03/2005**	**Change %**
LIFE BUSINESS			
I – Life insurance	286,280	264,017	8.43
III – Insurance in points I and II linked to investment funds	1,656	1,298	27.58
IV – Health insurance pursuant to art. 1 lett. d) EEC Dir. 79/267	19	26	(26.92)
V – Capitalisation operations in art. 40 of Legislative Decree no. 174 of 17/3/95	381,899	299,656	27.45
TOTAL	669,854	564,997	18.56
INDIRECT BUSINESS	1,997	2,508	(20.37)
TOTAL	671,851	567,505	18.39

Parent company premium income from direct business for the first quarter 2006 amounts to approximately € 393m (7.6%). This figure incorporates the full application of IFRS 4, consequently writing off premiums headings for all income components for which there is no significant insurance risk. The increase is mainly attributable to traditional type income (12%, over € 165m).
Summed with financial contracts, the income of the parent company in the first quarter 2006 would amount to approximately € 404m (7.9% in analogous terms).

In the individual insurance segment, continued development was carried out of initiatives for promoting sales of Class I products, which, as a general trend, offer greater profit margins for the Group and added value for customers.

The first three months of the financial year were characterised by the continued action to protect the segment of capital maturing on life and capitalisation policies.
As regards the individual products Open Unico, Open Risparmio and Open Protetto, the company continues to offer products linked to segregated accounts for customers' specific savings and investment requirements.

The market trend in the corporate segment (including also Institutional Customers with considerable amounts of money to invest) continued acquiring capitalisation products. The Conto Aperto Corporate product launched last year continues to maintain high levels of satisfaction from its target customers.

In light of the recent reform of supplementary pension plans, more specifically for those aspects which involve the maturing employee severance indemnities (TFR/TFM), the company is promoting the new, recently launched products, VALORE TFR and VALORE TFM. This activity is achieving significant results in terms of the distribution level of said products.

The programme of development of the customer portfolio regarding life insurance products, which begun during the last financial year, was also extended to the protection of matured policies, and is allowing for positive effects on the distribution of the products PLURAL VITA GRUPPI and PLURAL VITA DIRIGENTI, which were also recently updated, with significant increases in premium income.

With regard to the performance of the Open Pension Funds, during the first quarter, the market was considerably static, and the Group’s income from new members was slightly less than that of the same period in 2005, though flows from contributions increased.

The life business of the subsidiary Milano Assicurazioni recorded a 21.78% increase in premiums written compared with 31 March 2005, € 162m against € 133m. This development is mainly due to traditional type products (+ 22.5%), while index type insurance products were not the subject of commercial initiatives in the quarter in question.

With regard to Novara Vita, premium income reached € 17.4m, a decrease of 25.6% compared to 31 March 2005.
Vice versa, total income, that is, including investment contracts in the life business, reached € 189m, an increase of over 54%. The new Index Calliope, issued in January 2006, contributed significantly to this result.

With reference to Po Vita, its commercial performance as at 31 March demonstrated premium income of € 172m, a significant increase compared to the figure from March 2005 (equal to € 54m).
Total income, including investment contracts in the sector, amounts to € 390m (+ 224%).
The significant volume of new production as at 31 March 2006 is a result of the capacity of the network to concentrate the sale of policies into the first part of the year.
Overall, sales to retail customers, the real customers base for Po Vita products, are highly positive. It is worth mentioning the start up of the significant season of natural contractual maturities, for products under Separate Management. The possibility of extension has been made available for these products, for which the customer is required to apply approximately 50%.

With regard to Sasa Vita, the first quarter showed positive results, determined according to international accounting principles, and equal to € 1,728K. This results is influenced by the moderate income from investment and risk policies, though there was a decrease in significant acquisitions of policies for large amounts. From the second quarter, a substantial recovery is expected, as a result of the probable positive conclusion of negotiations which begun in the last few months, for the subscription of the abovementioned agreements, as well as the positive results achieved with the first Index issued for the year (€ 7.8 m sold).

Bancassurance partnership with Banca Popolare di Milan

On 21 December 2005, Fondiaria-SAI subscribed and agreement with the Banca Popolare di Milano Group in order to develop a wider project for business partnership with Banca Popolare di Milano (BPM) in the bancassurance sector. This agreement will be implemented through agreements in the life business, through the acquisition of shareholding, possibly controlling, in the capital of Bipiemme Vita S.p.A., as well as in the non-life business and in banking and financial services.
On 29 November 2995, the Board of Directors of BPM resolved to accept the offer to jointly develop, exclusively with the Fondiaria-SAI Group, bancassurance activities in the life business and, more

generally, to subscribe a Framework Agreement containing guidelines for the wider project mentioned above.
Subsequently, on 7 February 2006, Fondiaria-SAI, in agreement with subsidiary Milano Assicurazioni, designated the latter to purchase the aforementioned shareholding in the capital of Bipiemme Vita.
Pursuant to the Framework Agreement mentioned above, and after obtaining authorisation from the competent Supervisory Authorities, Milano will initially purchase from BPM and from the subsidiary Banca di Legnano, a share equal to 46% of the share capital of Bipiemme Vita S.p.A., with the possibility of transferring control of the latter from the BPM Group to Milano, through the sale of a further two shares equal to 4% and 1% respectively, at two separate times, within 31 December 2006, and 30 June 2007 respectively.
BPM and Milano are set to subscribe a shareholders' agreement containing the rules of corporate governance for Bipiemme Vita, as well as the business aspects of the partnership. The agreement specifies that Bipiemme Vita shall continue to have access to the distribution network of the BPM Group for 5 years, starting from the closing, with the possibility for renewal for a further 5 years, through joint agreement of the parties.

The price of 46% of Bipiemme Vita was set at € 94.3m, corresponding to € 205m as the total value of the company. Bipiemme Vita is the insurance company of the BPM Group, which operates through about 700 branches of the Group. The financial statements as at 31 December 2005 (drafted according to Italian accounting principles) showed premium income of € 632m (€ 518m in 2004) and net profit of € 24m (€ 12m in 2004). Shareholders' equity amounted to € 67m, while total technical reserves were equal to € 3,255m.

Bipiemme Vita's business plan, which formed the basis for the valuations used to determine its price, forecast an increase in new business premiums from € 481m for total 2004, to over € 750m in 2010, and an increase in net profit from € 11m in 2004 to € 25m in 2010.
The aforementioned price is intended as a provisional price, identified using an appraisal value approach. The definitive price on the closing date, expected within the first half of 2006, will be equal to the provisional price revalued between the signing date and the closing date at a rate to be agreed, net of 2005 dividends, and increased by any capital increased paid (both pro-rata).

The purchase price for the following shares of 4% and 1% of the capital of Bipiemme Vita has been stipulated in an amount corresponding to the definitive price paid for the 46%, revalued at the date of settlement of the use of options, at the reference rate, net of any dividends distributed, and increased by any increases in capital paid (both pro-rata) from the closing date to the respective settlement dates of the prices of said options.
The put and call options on 4% of Bipiemme Vita can be used during the period September-December 2006. The call option of Milano is conditional on the execution of the agreement regarding banking and financial services. The use of these options would lead to joint control and governance.
The put and call options on the remaining 1% of Bipiemme Vita, with the consequent acquisition of control, and total consolidation by Milano, can be used during the period March-June 2007. BPM may only use the put option on 1% after using the put option on 4%. The use of Milano's call option will be subject to approval by a joint committee composed of four members (two from each party) called from time to time to evaluate the execution and results of the agreement.
In the current market context, which is characterised by the customers' renewed focus on traditional insurance products, this partnership will allow Bipiemme Vita to benefit from the technical and commercial know-how of a leading insurance operator, favouring the development of new products and improving penetration on BPM customers. Milano Assicurazioni will benefit from the BPM Group's expertise in commercial banking.
For the BPM Group, this agreement will provide greater technical-management support for insurance services, required for pursuing significant objectives of growth in production volumes through a range of products that respond better to the needs of its customers. These products also refer to the

assistance that banks and insurance companies will be able to provide households and small-medium enterprises in view of the future development of complementary pensions.
For the company and for the Fondiaria-SAI Group, this agreement is a further opportunity for development in the life business. The operation, from the business point of view, fits perfectly with the current bancassurance agreements of the company and the Fondiaria-SAI Group, which will continue to have strategic value within the policies of growth for the company and the Group.
In April 2006, the company merger operation received authorisation from the Italian Antitrust Authority, and was authorised by ISVAP. The transfer of shares is planned for the month of June.

PROPERTY SECTOR

The results for the property sector include the business of Gruppo Immobiliare Lombarda, the subsidiary Nit and other minor companies, as we as the closed property fund Tikal R.E.
The economic results of the sector, before taxes, was negative, for € 2.0m, and influenced by the depreciation of the property in the Tikal fund, and by limited operativity during the period.
Specifically, as concerns the Gruppo Immobiliare Lombarda, management was not characterised by any significant events, and the costs and revenues regarding leasing maintained steady levels. Moreover, there were no significant sales of property carried out.

Property Portfolio

Among the main operations involving the property portfolio during the 1st quarter 2006, it is worth noting that the parent company Fondiaria-SAI purchased the building located in Turin, in Corso Vittorio Emanuele 48, where the Headquarters and General Management of Banca SAI is located. The price was equal to € 22,660K. The subsidiary Milano Assicurazioni sold the commercial building located in Milan, in via De Grassi 8, at a price of € 13,500K, achieving a gain of € 12,066K.
With reference to the closed property fund Tikal R.E., launched in 2004 by SGR, and operating within the insurance group, during the quarter, part of the commercial building located in Milan, in via Tocqueville 13 was sold, at a price of € 35,000K.

Shareholdings

With reference to property shareholdings, on 24 March, the subsidiary Immobiliare Lombarda Spa., with a deposit of € 24,000, equal to 20% of its share capital, created the company Penta Domus Spa. Through a specifically created special purpose vehicle, of which it will control 50% of the capital, this company will manage the recovery and development of an area located in the district, known as “Spina 3” in Torino.
On 28 March, the subsidiary Immobiliare Lombarda Spa paid the amount of € 2m as an advance of 40% of the total, for the purchase of 50% of the capital of Quadrante Spa, which owns an area located in Rome, in the neighbourhood of Torre Spaccata. During the first quarter, € 297,300 was paid for subscription of share capital of subsidiary Metropolis Spa, and € 2,973K as a loan, to allow for the start of operations regarding the redevelopment of the ex Manifattura Tabacchi area in Florence.
On 29 March, the subsidiary Immobiliare Lombarda Spa sold 100% of the capital of S.E.P.I., at a price of € 700K.

Leasing of the property named "Principi di Piemonte” to Atahotels

On 31 January 2006, Fondiaria-SAI stipulated a leasing agreement with Atahotels, regarding the hotel/conference centre property complex named “Principi di Piemonte” in Turin. This complex is currently undergoing renovation and finishing works, which are expected to be completed within the end of this year.

The term of the lease has been established, in compliance with the law, as nine years. The term, as well as the payment of the lease instalment, starts from 1 January 2007, the date set for the definitive completion of all work on the complex. Upon the expiration of the first nine years, the agreement shall be tacitly renewed at the same conditions, for a further nine years.
The agreement states that Atahotels is entirely responsible for the supply of equipment and all else required for its provision of hotel and restaurant services.

Nonetheless, taking into account the Winter Olympics, and considering the necessity to take advantage of the opportunities provided by said event, the parties demonstrated their reciprocal

interest in moving up the date of delivery of the property, with respect to the conclusion of works and the start date of the lease.
In this regard, on 1 February, Fondiaria-SAI delivered the complex to Atahotels, for the purposes of making it possible to begin operations in conjunction with the Olympics, and allowing the possibility of hosting important participants (also institution) for the opening ceremony of the Winter Games.

The annual lease instalment is agreed from this moment between the Parties as 18% of the total amount of income (net of VAT as provided by law), calculated excluding the compensation for accessory services provided to customers. In any case, it is understood that the lease instalment that Atahotels shall pay to Fondiaria-SAI for the leasing of the complex, for the entire duration of the relationship shall not be less than an annual amount calculated as 5% of the book value of the property, intended as the minimum guaranteed annual instalment.

Nonetheless, the Parties have agreed that for the first five years of the lease, considering the charges for Atahotels related to the start up phase of the lease of the complex and for investments made in this regard, the instalment and the minimum guaranteed annual instalment shall be determined at a lower rate, gradually increasing to reach the abovementioned amount starting from the fifth year, and for the remaining term of the lease.
Considering Atahotels to be a related party of the company, specific fairness and legal opinions were acquired in this regard, from KPMG Corporate Finance and Ashurt legal firm respectively.
Based on the estimates performed, KPMG Corporate Finance considered the lease instalment to represent a suitable return, also considering the valuation of the complex performed by the company Scenari Immobiliari S.r.l., referred to in the fairness opinion itself.
Ashurts legal firm made recommendations regarding the text of the agreement; such suggestions were incorporated into the definitive document.

In approving the operation, the Fondiaria-SAI Board of Directors took into account the following:

- the strategic and business value of the operation as a whole and, in this regard, the company's interest in stipulating a lease agreement;
- the methods of determining the terms and conditions of the deal, with specific attention to legal and fiscal aspects;
- the lack of atypical and/or unusual characteristics of the lease agreement and the opportunity for advance delivery of the complex to allow for opening to the public in conjunction with the Olympic events.

“Ex Varesine” property project

During the first months of 2006, negotiations were defined with the American property group Hines, for a further joint venture with the Fondiaria-SAI Group in order to create a property development project for the area in Milan known as “Ex Varesina”. This area is contiguous with the area known as “Garibaldi Repubblica”, which is the subject of a similar agreement concluded last year by the subsidiary Milano Assicurazioni, with the same leading U.S. property group.

This area is comprised of a lot of approximately 32,000 m2, located next to Piazza della Repubblica and Garibaldi station. The project includes the development of 82,000 m2 of Gross Floor Area (GFA) for office, commercial and residential use, which will proceed in the same time frame as that of the site “Garibaldi Repubblica”, in order to create elements of continuity which will directly link the two areas.

42,000 m2 of the area will be used for offices, 7000 m2 for shops, 33,000 m2 for residences, and a further 15,000 m2 may be developed for car parks and/or for activities of general interest.
More specifically, in executing the agreement, on 12 April 2006, Fondiaria-SAI, directly and through its subsidiary Immobiliare Lombarda, purchased a share of 28% of the share capital in a Luxembourgian special purpose vehicle. This vehicle owns 20% of Premafin Finanziaria S.p.A. and 51.9% of a company whose capital will be divided among the Hines Group, the Galotti Group (a Bologna property group) and Monte dei Paschi di Siena. Through a Luxembourgian subholding, the special purpose vehicle controls an Italian special purpose vehicle which develops building areas.
The remaining 0.1% of the special purpose vehicle will be owned by a company (the "General Partner"), of which the Hines Group owns 51% and the Galotti Group 49%. The Hines Group and Galotti Group will operate as developers of the initiative, while Fondiaria-SAI will fill the role of financial investor in the operation.

The total financial commitment of Fondiaria-SAI and its subsidiary Immobiliare Lombarda has been provisionally estimated as € 47m for the period 2006-2011, against expected profits for the same period of € 33m. The investment will primarily be carried out through interest-bearing loans granted to the special purpose vehicles and a small share of capital grants.

OTHER ACTIVITY

This sector includes the Group companies operating in managed savings, the financial companies, and the subsidiary Banca Sai.
Pre-tax profits for the sector were approximately € 3m, as a result of the positive contribution from the financial companies. Vice versa, the subsidiaries Banca Sai and Sai Mercati Mobiliari showed negative results for the period, confirming a revenue flow which is not yet able to absorb the related overheads.

In particular, in this context, the profit and loss account of Banca Sai showed a loss of € 1,887K (€ 2,275K as at 31 March 2005).
During the quarter, Banca Sai continued to expand the services offered to customers, regarding current accounts, payment services, credit and debit cards, home banking and credit allocation. At the end of the first quarter 2006, the number of existing current accounts equalled 13,231 (11,592 as at 31 March 2005). Loans to customers, net of doubtful loans, amount to € 67,555K, compared to € 21,391 at the end of the first quarter 2005. Direct deposits from customers totalled € 417,453K (€ 335,063K as at 31 March 2005).
The development of the placement of financial products continued (mutual funds, SICAV, asset management in securities and funds), recording an increase compared to the previous quarter, both in terms of gross deposits (€ 95,809K compared to € 34,936K as at 31 March 2006) and net deposits (€ 39,854K compared to 5,231K as at 31 March 2005). An important contribution to the total results of net deposits of managed savings products derived from the activities carried out by the Florence branch, which opened in October 2005 (€ 15,113K). The contribution from the insurance sales network was € 19,647K.
During the period, the intermediation margin increased from € 1,911K to € 3,011. This increase can be attributed to the increase in interest margin, from € 1,208K in 2005 to € 2,303K. The improvement in the interest margin is primarily due to the increase in volumes of loans to customers, and the increased property investments carried out by the Bank.

Sai Mercati Mobiliari Sim S.p.A. closed with a loss of about € 861K. The primary causes are both the results of independent operators who, due to the tensions in the markets where they operate, were unable to maintain the positive performance of the past, and the pursuit of the strategic plan, containing the operational and development strategy for 2006, which has not yet been able to obtain the best results due to organisational and logistics issues.

Finitalia S.p.A., which operates in the consumer credit sector, disburses personal loans and loans for the acquisition of insurance products to the best customer policyholders of the Group, through the Group's network of insurance companies. The first quarter profits were € 263K, compared to € 140K in the first quarter 2005. During the first quarter of this year, the company disbursed € 36,789K against € 31,926K in the same period of the previous year, an increase of 15.2%. This increase is especially due to financing of premiums (Finitalia and ex-My Fin), which amounted to € 16,976K against € 11,744K of March last year, an increase of 44.5%.
Gross loans amounted to € 161,668K, a decrease compared to December 2005 (€ 162,990). Net exposure towards Credit Institutions amounted to € 120,221K as at March 2006, against € 122,368K in December 2005, a decrease of about € 2m.
The interest margin was € 3,543K, compared to € 2,724K for the same period of 2005, above all attributable to the increased revenues from interest income.

OTHER INFORMATION

Sales organisation and staff

It is reported that, as at 31/03/2006, the Fondiaria-SAI Group has 5,905 employees (5,852 as at 31 December 2005), of which 2,691 employees of the parent company (2,673 as at 31 December 2005) and 3,214 employees of the subsidiaries (3,179 as at 31 December 2005).

With reference to the first quarter 2006, the territorial distribution of the Fondiaria-SAI agencies is as follows:

	Fondiaria Mandate	**Fondiaria Mandate**	**Total as at 31.03.06**	**Total as at 31/12/2005**
North	424	251	675	693
Centre	205	153	358	361
South	175	149	324	329
TOTAL	804	553	1.357	1.383

As at 31/03/2006, Group income was produced mainly by 3,529 agencies (3,555 as at 31 December 2005), which operate through 2,827 points of sales (2,858 as at 31 December 2005) representing the traditional sales channel.

External relations and communications

External relations

The most significant initiatives in the first three months of the financial year were:

- The launch of the new product "La Mia Assicurazione CASA", through the definition of the communication concept and the creation of a rich set of communication tools to support local marketing initiatives. On this occasion, a new approach was used, which is even more attentive to the requirements of transparency and risk prevention which, as highlighted by the supervisory body, improve disclosure of contractual information for the protection of policyholders.
- The upgrading of the entire company communication system of Società Immobiliare Lombarda.

Within the scope of the brand identity activities, the application of the Group Style Chart was extended to all Group companies, for the purpose of continuing to strengthen the awareness of the presence of the Fondiaria-SAI group in its different business areas.

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, providing, on the whole, communication tools (such as product communications kits) customised based on the specific requirements of local marketing.

Internal Communication

In order to harmonise the integration of existing company cultures in the Group, in the first quarter, the planning and study of numerous Internal Communication tools continued, through the creation of paper documents, on-line initiatives and internal events which involved and will involve the Group companies in the next few months.

The most important activities include:

- The sharing of information through the NEWS newsletter, and the TEAM in-house paper, targeted to all employees of the group and its distribution networks.
- Customer loyalty initiatives for the best clients (Club Assicurati), through the creation of a thrice-yearly magazine, LINEA DIRETTA CLUB.
- The creation of the 2005/2006 Gift Catalogue, intended for all employees and all distribution networks, for the management of promotional gifts of the Group.
- Continuing completion of the Group's Intranet.
- The organisation of events intended for agents (such as the "Best Agents 2004 Award" and the "25 anni & più" meeting).

Customer Service

With reference to ISVAP circular no. 518/D of 21 November 2003, in force since 1 April 2004, regarding the management of complaints, overall, the level of complaints remained relatively stable (+0.8%) compared to the first quarter of 2005.
This stability can also be seen in the ratio of ordinary complains (776) and ISVAP complaints (322); the prevalence of the former is also determined by increased sensitivity of the Commercial and Claim Networks in managing disputes involving policyholders. Regarding Formal Notices, ISVAP has almost completed suspended notifications in this first quarter, as a consequence of the introduction of the Private Insurance Code, for which the Supervisory Authority is carrying out accurate verifications of the planned new system of sanctions. Therefore, we shall delay progressive calculation to next quarter, should the situation return to normal.

Customer loyalty

As regards activities aimed at customer loyalty, the new version of the Club Assicurati is now active, valid for the two year period 2006-2007.
The unique feature of the new Club is based on "Last Minute" offers, which can be accessed both through the company internet site and through the special insert in the Linea Diretta Club magazine.
The members of the Club include the top customers referred by the agencies of the Sai Division, the Fondiaria-SAI employees who have joined, members of the Seniores Group SAI Division, and Fondiaria-SAI customers involved in the Private Insurance initiative.

Already in the first quarter, the flexibility of this initiative allowed for new memberships upon request by the Agencies, and for the conclusion of a proposal of collaboration with Milano Assicurazioni in order to extend Club membership to their customers of Private Insurance.

The main commitments for the current year involve:

- Consolidation of the Group's visual identity system, through the progressive extension of its elements to all institutional and product communications, on-line and off-line.
- Development of initiatives and instruments aimed at promoting the new structure of products offered at points of sale.
- Further consolidation of internal communications of the Group, through the creation of new communications instruments, both on paper and on-line.

- Progressive reduction in response times to customer complaints.
- Identification of actions aimed at containing the number of Formal Notices.
- Completion of the new Club Assicurati.

SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE QUARTER

FONDIARIA-SAI Strategic Plan for the three year period 2006-2008

In April 2006, the new 2006-2008 Strategic Plan of the Fondiaria-SAI S.p.A. Group was presented to the financial community.
Increasing value for shareholders is the objective of the new plan, to be carried out using the following drivers: increasing the diversification of the business in order to reduce risk, creating new opportunities for development, increasing profitability, acting on the platform which the Group currently uses in its operations, as well as new opportunities for growth which are currently developing, including streamlining capital management.

The objectives regarding the current platform are as follows:

- becoming a leader in the Retail Non-Motor business, with a growth rate of 15%, through an intense programme of sales campaigns, the addition of new salespeople and the launch of differentiated development plans involving over 5,000 agents;
- maintaining leadership in the Motor segment, by maintaining the current level of profitability, and extending the new product "Nuovo Prima Global" to the entire Group;
- keeping the combined ratio level substantially unchanged, while creating a more balanced portfolio mix in order to achieve satisfying long term results;
- increasing the Life business by developing new business in annual premiums, increasing the involvement of agent networks using new methods of management and expanding business in the bancassurance sector;
- developing the Asset Management business through the acquisition of a network of financial advisors and the re-launch of Banca Sai with campaigns focused on the current financial advisors.

In terms of new opportunities for growth, the Group's targets are as follows:

- collecting 170,000 policies through the direct channel by developing its subsidiary Dialogo Assicurazioni through focused investments, in order to acquire new customers who will be the target of cross-selling activities for non-motor products, using the traditional networks;
- developing the Bancassurance P&C channel to reach 2,700 branches, both through commercial agreements and joint ventures with banking partners, using the Group's know-how in a dedicated organisation, and operating on products with low levels of loss ratio;
- expanding our presence abroad in markets in the Mediterranean and Eastern European areas, by creating dedicated holding companies in partnership with players having extensive knowledge of the countries where they will operate.

The objective of streamlining capital management will enable us to develop drivers of growth for all shareholders, compatible with the minimum levels of capitalisation required by the Supervisory Body. This will allow the Group to realise the following objectives over the three years of the plan:

- offering attractive dividend programmes (with payouts growing by 60% for the parent company);
- continuing to strengthen equity, with the objective of an improvement in company rating.

Acquisition of shareholding in Banca Leonardo

In April 2006, through its 100%-owned subsidiary Saifin-Saifinanziaria S.p.A., and upon obtaining authorisation from the Bank of Italy, Fondiaria-SAI acquired approximately 4.5% of the share capital of Banca Leonardo, and subscribed a share of 5.15% of the capital increase of the bank, in order to allow for the acquisition, following the capital increase, of a 5% shareholding.
Taking into account that the unit price of the shares, both for purchase and subscription, the total investment amounts to € 23.3 million.
This operation fits within the larger project regarding Banca Leonardo, which includes the purchase of 100% of the capital of the bank itself by a group of investors (including the Fondiaria-SAI Group), and subsequent recapitalisation aimed at strengthening the bank's current operations, as well as the use of the bank as a vehicle for developing investment banking activities and, more specifically, corporate finance advisory, merchant banking and private equity operations.
Fondiaria-SAI's interest in the project is motivated by the possibility of creating forms of cooperation between the Group and Banca Leonardo, with time frames and methods to be agreed, aimed at:

- distributing insurance products in the life and non-life business;
- meeting insurance needs deriving from the activities of Banca Leonardo and its subsidiaries;
- favouring contacts between the Fondiaria-SAI Group and the investee companies of Banca Leonardo, promoting the insurance activities of Fondiaria-SAI in order to favour the stipulation of insurance contracts.

Acquisition of shareholding in EX VAR SCS

On 12 April 2006, Fondiaria-SAI and its subsidiary Immobiliare Lombarda Spa acquired 17.99% and 10% respectively of the share capital of the Luxembourg company EX VAR SCS, with a payment of €55,382 for Fondiaria-SAI and € 30,770 for Immobiliare Lombarda. In conjunction with the operation, in the form of shareholders' loans, Fondiaria-SAI deposited approximately € 9,260K and Immobiliare Lombarda deposited approximately € 5,144K. This operation also involves Premafin Finanziaria, with a share of 20%. The company being purchased controls a property development company regarding the area in Milan known as ex-Varesine.

BUSINESS OUTLOOK

During 2006, the Group's activities will be focused on creating management initiatives in order to realise the objectives of the three-year strategic plan for 2006-2008, which was presented to the financial community last April.

The Group's objective will be to maintain its leadership in the Italian non-life business, both in the Motor and Retail Non-Motor sectors, maintaining high levels of profitability and an attractive risk-return ratio for shareholders.
In particular, this activity will aim at driving growth in the retail non-motor business through agent networks, consolidating motor income, which will certainly be aided by the extension of the new Motor product Global to the entire Group, at developing alternative sales channels, such as the direct channel, or the development of non-life bancassurance business.

In the life business, the objective will be increasing income in order to rebalance the portfolio mix: in this regard, sales initiatives are already underway involving the traditional networks, aimed at significantly increasing the number of new annual premiums, as well as recovering capital reaching maturity. These activities are aimed at further increasing the value of the portfolio over the long term.
Moreover, the actions aimed at strengthening the wholly-owned bank and asset management will continue.

With reference to asset and financial management, management strategy will continue to be inspired by criteria of prudence, with the objective of limiting interest rate, fair value and counterparty risk, while taking advantage of the opportunities that the financial market may offer as a result of its economic trend.
In the property sector, development guidelines will be inspired by criteria using three different investment methods, classified according to the level of risk: regarding the Group's insurance companies, investment in property which is already developed and provides significant returns will be privileged. Through the subsidiaries Immobiliare Lombarda and the Tikal R.E. fund, the development of joint ventures will continue, as well as positioning on property to be renovated, which is able to guarantee positive returns over the medium term.

Therefore, in this context, the final objective will be to guarantee capital management policies which are attractive to shareholders, through growth initiatives aimed at creating value: alongside increased return on capital invested, also through increased payout, the strengthening of the equity structure will continue, with a view to improving the company rating and reducing the cost of debt.

With reference to the current financial year, it is certain that the objectives announced in the new strategic plan of the company and the Group can be reached, even in a technical context which reported, in the first three months of the year, a slight countertrend compared to the results of the three previous years. These trends have nonetheless been partially reabsorbed last April, as they were attributable to seasonable phenomenon. Thus, in the current state, and without prejudice to extraordinary, unpredictable events which could negatively influence the performance of securities, the results for the current year are expected to be highly satisfactory.

Rome 10/05/2006

For the
Board of Directors
The Chairman
JONELLA LIGRESTI