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# REPORTS AND FINANCIAL STATEMENTS

## YEAR 2007

**FONDIARIA-SAI S.p.A.**

FONDIARIA-SAI S.P.A. REGISTERED OFFICE AND HEADQUARTERS FLORENCE - P.ZA DELLA LIBERTA 6 - TURIN HEADQUARTERS - CORSO G. GALILEI, 12 - SHARE CAPITAL EURO 168,692,679 FULLY PAID IN - TAX VAT AND FLORENCE COMPANY REGISTRATION NO. 00818570012 - COMPANY AUTHORISED TO UNDERTAKE INSURANCE ACTIVITIES PURSUANT TO ARTICLE 65 R.D.L. NO. 966 OF APRIL 29, 1923, ENACTED INTO LAW NO. 473 OF APRIL 17, 1925.



## 5 YEAR OVERVIEW - PARENT COMPANY

Euro/thousand

	2003	%	2004	%	2005	%	2006	%	2007	%
<b>TOTAL PREMIUMS</b>										
<i>MOTOR AND MARITIME TPL</i>	2.303.226	46,99	2.299.623	45,40	2.269.758	43,22	2.278.106	43,29	2.180.755	42,99
<i>NON-LIFE DIVISION</i>	1.550.396	31,63	1.581.699	31,22	1.611.663	30,69	1.618.246	30,75	1.673.393	32,99
<i>LIFE DIVISION</i>	1.048.100	21,38	1.184.394	23,38	1.370.593	26,10	1.365.612	25,95	1.218.049	24,01
<b>TOTAL</b>	4.901.722	100,00	5.065.716	100,00	5.252.014	100,00	5.261.964	100,00	5.072.197	100,00

<b>CLAIMS PAID</b> <i>and related charges</i>	3.312.062	3.623.340	3.692.246	3.905.853	4.269.219
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<b>GROSS TECHNICAL RESERVES</b>					
<i>UNEARNED PREMIUM RESERVE</i>	1.301.395	1.310.287	1.342.538	1.346.849	1.388.467
<i>CLAIMS RESERVE</i>	5.124.933	5.193.967	5.094.202	4.965.603	4.801.785
<i>OTHER TECHNICAL RESERVES</i>	18.732	16.191	17.872	19.789	25.144
<i>LIFE TECHNICAL RESERVES</i>	6.900.147	7.352.975	8.083.783	8.427.512	8.373.535
<b>TOTAL</b>	13.345.207	13.873.420	14.538.395	14.759.753	14.588.931

<b>TECHNICAL RESERVES/PREMIUMS</b>	272,26%	273,87%	276,82%	280,50%	287,63%
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### SHAREHOLDERS' EQUITY

<i>SHARE CAPITAL AND RESERVES</i>	2.186.526	2.251.107	2.394.071	2.547.373	2.468.001
<i>NET PROFIT</i>	133.060	258.473	300.603	272.074	323.071
	2.319.586	2.509.580	2.694.674	2.819.447	2.791.072

<b>INVESTMENTS</b>		%		%		%		%		%
<i>BUILDINGS</i>	1.315.002	8,91	1.085.550	7,19	1.123.656	6,96	1.161.592	6,92	1.192.798	7,02
<i>SECURITIES AND TIME DEPOSITS</i>	12.073.403	81,77	12.643.622	83,74	13.626.677	84,46	14.627.153	87,17	14.892.268	87,64
<i>LOANS</i>	153.799	1,04	101.025	0,67	96.569	0,60	70.206	0,42	70.091	0,41
<i>DEPOSITS AT REINSURING COMPANIES</i>	432.416	2,93	381.149	2,52	326.286	2,02	67.970	0,41	65.592	0,39
<i>DEPOSITS AT CREDIT INSTITUTIONS</i>	184.443	1,25	162.884	1,08	230.509	1,43	156.297	0,93	160.501	0,94
<i>CLASS D INVESTMENTS</i>	606.842	4,11	725.228	4,80	729.406	4,52	696.482	4,15	610.923	3,60
<b>TOTAL</b>	14.765.905	100,00	15.099.458	100,00	16.133.103	100,00	16.779.700	100,00	16.992.173	100,00

<b>EMPLOYEES PARENT COMPANY</b>	2.806	2.749	2.673	2.649	2.624
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## MAIN EVENTS IN 2007

### Acquisitions and Bancassurance

#### **Popolare Vita S.p.A.**

On September 7, 2007, the Banco Popolare Group and the Fondiaria-SAI Group completed the agreement for an exclusive strategic partnership in the Banco Popolare Group bancassurance Life and Pension sectors.

Having obtained the necessary authorisations from the relevant Authorities, Fondiaria-SAI acquired from the Banco Popolare Group a total holding of 50% in the share capital of Popolare Vita S.p.A. (formerly BPV VITA) at the price of Euro 530 million.

Specifically, Fondiaria-SAI acquired a holding of 35% in Popolare Vita S.p.A. (formerly BPV VITA) from Banco Popolare Soc. Coop., at a price of Euro 371 million, and a holding of 15% in Credito Bergamasco S.p.A. at a price of Euro 159 million. Within this agreement, Fondiaria-SAI acquired a further share of Popolare Vita S.p.A. (formerly BPV VITA), consequently becoming the majority shareholder in the company.

The Banco Popolare Group and the Fondiaria-SAI Group also signed a shareholder agreement in order to govern both the industrial aspects of the partnership and the corporate governance regulations of Popolare Vita S.p.A.. The agreement provides for reciprocal options in the case of the dissolution of the partnership, valuing the holding of Fondiaria-SAI at the appraisal value.

Also on September 7, 2007, Popolare Vita S.p.A. and the Banco Popolare Group signed a ten year distribution agreement, renewable for a further 5 year period.

This exclusive agreement will commence from January 1, 2008, except in relation to the existing distribution agreements with AVIVA and AURORA (exclusive agreements expiring in May 2009 in the branches of the former Reti Bancarie S.p.A.). Once fully operational, the distribution of Popolare Vita S.p.A. can therefore count on a total network of approximately 2,200 branches.

#### **Banca Gesfid S.A.**

On May 31, 2007, Fondiaria-SAI concluded an agreement with Meliorbanca S.p.A. for the residual purchase of 40% of the share capital of Banca Gesfid S.p.A. at a price of CHF 47 million. The operation was completed in July, after obtaining the necessary authorisations from the relevant Italian and Swiss authorities.

#### **DDOR Novi Sad**

On November 26, 2007, the sale was concluded through a public auction of the second Serbian insurance company DDOR Novi Sad with Fondiaria-SAI successful in obtaining 83.3% of the share capital at a price of Euro 220 million. On January 31, 2008, the sales/purchase contract of the above quota was completed, sold by the Deposit Insurance Agency of Serbia as shareholder and representative for the minority shareholders.

For further details in relation to the closing of the operation reference should be made to the paragraph “subsequent events after the year end”.

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**Bipiemme Vita S.p.A.**

On June 29, 2007, Milano Assicurazioni, on the basis of the agreements completed on June 14, 2006 with Banco Popolare di Milano, exercised the option for the purchase of a further quota of 1% in the share capital of Bipiemme Vita S.p.A., increasing its total holding to 51%; the operation resulted in the transfer of control of Bipiemme Vita to Milano Assicurazioni.

**Banca Italease**

On January 8, 2008, following the changed conditions in the proposed industrial partnership, Banca Italease and Fondiaria-SAI mutually agreed to resolve the sales/purchase agreement and the related agreements signed on April 26, 2007.

Banca Italease and Fondiaria-SAI also signed, on the same date, a new agreement which provides for the exclusive distribution of the Life insurance products of the Fondiaria-SAI Group through the branches and networks of the agents and conventional intermediaries of the Banca Italease Group. This commercial agreement refers to Life products prevalently in Classes I, III, and V and for a duration of 5 years, renewable for a further 5 years.

On February 20, 2008, Fondiaria-SAI ceded the distribution agreement with Banca Italease to its subsidiary EFFE VITA S.p.A., the insurance company of the Group which acts as a vehicle for the realisation of distribution agreements with banks in the Life Division.

**Other events****2006 - 2008 Industrial Plan**

On April 12, 2007, at the annual meeting with the Financial Community, the Chief Executive Officer Prof. Fausto Marchionni provided updated information on the 2006-2008 Industrial Plan of the Group, underlining the bancassurance relationships in the Non Life and Life Divisions, on the relaunch of the direct sales channel and on the excess capital.

**Rating Standard & Poor's**

On June 29, 2007, the rating agency Standard & Poor's improved the rating of the Fondiaria-SAI Group, increasing the rating from BBB to BBB+, confirming the positive outlook.

**Acquisition of treasury shares**

On June 5, 2007, the buy back programme commenced, in accordance with the programme approved by the shareholders' meeting of April 30, 2007, within the wider programme contained in the 2006-2008 industrial plan of the Group.

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On September 12, 2007, the buy-back programme of saving shares commenced, in accordance with the buy-back programme approved by the shareholders' meeting of April 30, 2007, within the wider programme contained in the 2006-2008 Industrial Plan of the Group. From October 1, 2007, the Company commenced the purchase of 800,000 saving shares, for a maximum payment of Euro 20 million within the limits of the maximum quantity of ordinary and/or saving shares and the total maximum payment for the two categories of shares authorised by the shareholders' meeting of April 30, 2007.

### **Stock options**

On June 20, 2007, the vesting period established by the regulations of the stock option plan was brought forward, concerning the saving shares of the Company, in favour of the executive directors and management of Fondiaria-SAI, of its subsidiaries and of the parent company, as approved by the shareholders' meeting of April 28, 2006. The decision takes into account, on the one hand, the reaching of some objectives in the 2006-2008 Industrial Plan of the Group and, on the other hand, the future changes to the relative various fiscal regulations.

### **EDS Italia**

On February 5, 2007, Fondiaria-SAI signed a ten-year contract with EDS Italia for the supply of services for the management of the Information Technology infrastructure of the Group. The agreement with EDS has the purpose to improve productivity and operational flexibility permitting Fondiaria-SAI and the companies of the Group to be even more competitive.

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## NEW INSURANCE PRODUCTS

### Non-Life Business

- Launch of the new product “LA MIA ASSICURAZIONE FABBRICATI”. The policy insures the real estate assets of factories against direct damage from fire and other events, in addition to civil protection for the directors of the factories and the owners and occupants of the building. The advantage of this new product is represented by the assistance service: LA MIA ASSICURAZIONE FABBRICATI makes available to the customer base an operating centre open 24 hours a day throughout the year for all emergencies, repair interventions, private surveillance and legal consultation in relation to security regulations of the plant and, if necessary, temporary moving of furniture. In addition, in order to provide total assistance, the policy provides that the request can be made by a representative of a condominium so that it is always possible to confront problems also in the case of the absence of the administrator of the condominium.
- Launch of the new product “LA MIA ASSICURAZIONE RCpiù, the new Civil Responsibility Policy for the security requirements of persons living and working in the education, sport and leisure areas, as well as owners of factories and land. LA MIA ASSICURAZIONE RCpiù also guarantees civil responsibility towards third parties and employers, offering the policyholder a complete insurance cover guaranteeing assistance and legal protection. This policy covers a wide range of activities and guarantees assistance relating to damage incurred to visitors and those caused by visitors themselves (whether active or passive), losses of assets and claims by the Public Administration for serious fault of the policyholder. The policy also guarantees for protection against material damage caused by third party trainees and apprentices, including any damage to machinery and equipment in use. LA MIA ASSICURAZIONE RCpiù offers insurance cover also in sport and leisure facilities: from voluntary cultural circuits, management of sporting arenas to professional sporting instructors and tour guide operators.
- In relation to the programme of revision and rationalisation of the insurance cover relating to the Other Classes, in order to provide the agency network with a valid response to the increasingly more demanding and complex insurance needs, in December the new group policy “INSURANCE FOR INDUSTRIAL CIVIL RESPONSIBILITY” was prepared, with uniform and simplified procedures and solutions for all of the Companies of the Group.  
Particular attention was given to the evaluations contained in Legislative Decree 276/2003 (so-called Biagi law), and to the provisions contained in the new Private Insurance Code (article 166 of Legislative Decree 209/2005); in particular:
  - a) in relation to Legislative Decree 276/2003 (so-called Biagi law)
    - It was considered extending the policy to new workers, both for damage incurred by them and damage caused to third parties;

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- It was considered appropriate to consider among the persons subject to the coverage, whilst giving a more complete service and responding to the needs of the policyholders, and also to those of the contractor in that the current regulations renders the awarding of the contract economically more convenient compared to the undertaking of the work (for example article 12 contains the obligation for the Agencies undertaking the work, and not the contractor, to pay each worker a contribution for professional training), especially in order to favour the growth and development of new enterprises;

b) in relation to Legislative Decree 209/2005 (New Code on Private Insurance)

- a new regulation was prepared taking into account the requirements of transparency required by regulations in all the passages where this formulation was considered necessary.

The new product can be an excellent opportunity for the Group to revise its in-force portfolio, in particular for the most dated contracts, in addition to developing new opportunities of coverage for all businesses in this insurance segment.

- With the objective to further increase sales and growth of the in-force portfolio, a new edition of the product “LA MIA ASSICURAZIONE CASA” was launched.  
The new edition principally differs from the previous version due to the elimination of some lower limits for the “Fire and other property damage” guarantees.
- With the objective of promoting sales of the product, a new version of “La Mia Assicurazione NUOVA CARTA AZZURRA” was launched, with the insertion of three new insurance policies:
  - a. **Young +**
  - b. **Class +**
  - c. **Group +**

The above-mentioned formulas offer high levels of insurance to respond to the needs of clients requiring increasingly complete and up-to-date insurance services.

- From July 1, 2007, ASSISAT is the new Policy of Road Assistance which Fondiaria-SAI proposes to all persons which desire to be secure and protected in their motor vehicle through the installation of satellite equipment VIASAT SAIBOX, the satellite technology VIASAT personalised for Fondiaria-SAI clients. In addition to this the presence of the VIASAT SAIBOX equipment permits the application of a further discount on the Fire and Theft tariffs for auto vehicles with anti theft satellite.

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ASSISAT is the new guarantee package of Road Assistance for motor vehicles which Fondiaria-SAI proposes to the Clients which have already installed or intend to install the VIASAT SAIBOX satellite equipment - the satellite system for the complete security of the vehicle and its occupants, deriving from the partnership between Fondiaria-SAI and VIASAT, the European leader in the sector. The services offered by the ASSISAT package, provided by the Fondiaria-SAI Group Service Assistance Central Operations, includes motor vehicle assistance, personal assistance and health assistance.

VIASAT SAIBOX is the latest generation personalised satellite device offered by Fondiaria-SAI which provides for the monitoring of the vehicle and the provision of a series of assistance services to the Client through VIASAT, its “Services Centre” which is always operational.

Finally, it is recalled the importance of this initiative, as the project will permit Fondiaria-SAI to avail of important useful information on the utilisation of the vehicle and on the conduct of the owner in order to study and further tariff rates.

- Finally we report the launch in 2007 of three Retail products: LA MIA ASSICURAZIONE BASIC CASA, LA MIA ASSICURAZIONE BASIC CONTENUTO and LA MIA ASSICURAZIONE BASIC CAPOFAMIGLIA.

## **Life Business, Pension & Managed Savings**

- In January, a new immediate annuity single premium revaluable product was launched, called “RENDITA ASSICURATA” which provides, in addition to the normal payment of an annuity to the policyholder during their life, a decreasing counter-insurance which guarantees the designated beneficiaries the payment of a capital sum in the case of death, “dread disease» or in the case of invalidity of the policyholder.
- In order to have a strong presence in the market covering risks related to financial operations granted by Banks, Lenders and Credit Institutions in general, in January the new product “PLURAL VITA MUTUI” was launched.

The opportunity to enrich the product list of the Group is related to the fact that the mortgage and credit consumption market is experiencing strong growth, with particularly significant growth by the credit institutions offering the loans to activate insurance cover guaranteeing the capital provided.

PLURAL VITA MUTUI enriches the offer of risk coverage, with a very interesting product not only in terms of price but also in terms of simplification of the contract terms, with significant operating flexibility for this type of contract.
- In February, a new Index Linked product was launched, called MATCH RACE, characterised by an innovative optional mechanism which allows for the comparison between two equity indices, a European and a “general”, representative of the US equity market.

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- In April, together with the annual updating required by Circular ISVAP 551/d, the Company launched a new product, OPEN FREE, relating to the Separated Management. OPEN FREE does not provide for loading applied on the premium, but exclusively an annual management commission, based on the amount invested and the duration of the policy.
  - Also in May, the new product “CONTO APERTO RISPARMIO” was launched, in order to be competitive in the market segment composed of businesses, associations and entities that decide to implement pension programmes for their employees, shareholders, subscribers (outside of the normal legislative complementary pensions, such as Pension Funds), utilising instruments capable of offering, on the financial management side, all the typical guarantees of the insurance product, and on the premium side a strong freedom of flexibility and utilisability and the recovery of the investment according to existing requirements.

The possibility to increase the product range of the Group with this product is related to two principal factors:

- The first is related to the increasing demand from agency networks and from brokers for a product capable of cumulatively managing savings (also of small amounts at individual level) with analysis for each position;
- The second is related to the recent provisions on pensions which advanced to January 1, 2007 the entry into law of the majority of the provisions contained in Legislative Decree No. 252 of December 5, 2005, which provides each individual employee/associate full flexibility in terms of “how much” and “when” to pay, but also the possibility (and not obligatory) to recover the full capital matured under the form of a one-off payment.  
CONTO APERTO RISPARMIO is therefore an instrument capable of enriching the pension of the individual policyholder, as it permits them to build up over time a personalised and diversified investment both for future income and especially for flexibility and accessibility. The new product was developed to create value to the individual position and the entire collective, thanks to a mechanism which values the amount of the premiums paid, net of any redemptions, which will be monitored at individual and aggregate level. The loading applied on the individual premiums paid decreases based on the cumulative of the premiums paid by each policyholder and in addition the minimum return withheld decreases on the increase of the total premiums paid by the entire collectivity.
- At the end of May, the Company launched a further Index Linked tranche called GLOBAL RACE. The product is characterised by the comparison, in the three principal world financial markets, of the performances of an equity index created from a selection of high dividend securities (Select Dividend) and the corresponding general index, representative of the entire market.
- In May COVIP, with relevant resolutions, approved the regulations of the product “PIÙ PENSIONE”, with consequent registration in the list of Pension Funds. The product represents an individual complementary pension realised through insurance contracts on the life at periodic premium with revaluation of the services as per Legislative Decree No. 252 of May 5, 2005.

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- Aware of the importance for the worker of their complementary pension, the Fondiaria-SAI Group in 2007 launched a very competitive product, made to measure for those wishing to contain the costs, without renouncing at a minimum guaranteed return and at the same time attracted by the idea of obtaining economic benefits from positive trends in the market.

To respond to the needs of a prudent client, PREMIUM TFR was launched which, in addition to having low costs and guaranteeing a minimum return, is based on a flexible management model, which allows it to benefit from financial market opportunities while protecting the pension accumulated.

The most innovative aspect is that the product provides for a true convergence between Client and Insurance Company. With PREMIUM TFR, in fact, Fondiaria-SAI accepts to share the objectives with the Clients, eliminating the risk of not achieving the minimum guaranteed result, as the commission model of PREMIUM TFR provides that the Group will only have a profit in the case where the returns of the product are above that obtained by the company Employee Leaving Indemnity.

- From October 1, 2007 and for a placement period concluded on November 7, 2007, a new Index Linked product called GRAND PRIX was available to customers. The product compares the performances between 2 indices:
  - an innovative equity index, the DJ Eurostoxx Select Dividend 30, comprising a selection of securities with high dividend in the Euro area;
  - a traditional index, the DAX index, representative of the German equity market.

The objective is, as for Match Race and Global Race, that of targeting the potential of a selection of securities (Select index), chosen for their characteristics of high returns, compared with a general index (traditional index).

Grand Prix is the first product which applies the new provision “for the protection of savings and governance of financial markets” (law 262/2005) and the Implementation Regulations of CONSOB (amended on May 3, 2007).

These provisions are applied by all products issued by insurance companies of a financial nature.

- In January 2008, the Parent Company launched the new version of the Unit Linked products UNIVERSAL LIFE, UNIT ANNUO and UNIT UNICO. This was created, as already illustrated for the GRAND PRIX Index Linked product, from the necessity to apply the new ‘Provisions on protection of savings and governance of financial markets’ (law 262/2005) and CONSOB Regulation No. 11971 (amended on May 3, 2007), enacting Legislative Decree 58/1998, Consolidated Finance Act.
- Finally we report that, from February 2008, the Parent Company launched a new life product “Vita Temporanea Caso Morte”, an annual premium with constant capital, based on the different tariff rates between smokers and non-smokers. Differing from existing products of the Group, the current tariffs in force differentiate the premium based on smoking habits, offering non-smokers a lower tariff.

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## Other Products

In February 2008, the Fondiaria-SAI Group launched a new index linked product called WORLD CUP INDEX LINKED, a new opportunity to grow savings even in the case of negative markets, participating in the performance of the world equity markets.

The products includes 9 “exceptional” securities on the respective markets, belonging to the five principal world geographic areas, in competition for 6 years: they must not go below a level which, from year to year, is fixed at an increasingly lower level. A competition which, the winner has a possibility to subscribe to the WORLD CUP and receive a coupon equal to 8%. The competition continues the year after, with the possibility to recover any previous losses.

WORLD CUP in fact provides, after one year, for the payment of a coupon of 5.5% and, in the subsequent years the payment of a coupon of 8% paid against the victory in the WORLD CUP competition. Each year, if the competition is not won, no coupon is paid, but if, in one of the subsequent years, the securities in competition are winners, the subscriber will be paid also the losing coupons from previous years. The offer of the policy will terminate on March 27, 2008 and can be subscribed to with just Euro 2,500.

## BANCASAI

During 2007, BancaSAI launched three products relating to real estate mortgages called EASY CASA, characterised by clarity and transparency, with contained expenses, competitive rates and guaranteed assistance, which allows 100% financing on the value of a property:

- EasyCasa Fisso, fixed rate mortgage with the assurance of a fixed rate;
- EasyCasa Variabile, variable rate and payments always in line with the markets;
- EasyCasa Costante, variable rate, fixed payment and duration related to rate changes.

These accounts have been translated into English from the original Italian which was issued in accordance with Italian practice. The Italian remains the definitive version and the correctness of the English version was not checked by the Fondiaria Group.

# REPORTS AND FINANCIAL STATEMENTS YEAR 2007

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# **CORPORATE BOARDS FONDIARIA-SAI S.p.A.**

## **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\*

*Chief Executive Officer - General Manager*

Andrea Brogginì

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 of the Board and the Executive Committee*

## **BOARD OF STATUTORY AUDITORS**

Benito Giovanni Marino

*Chairman*

Giancarlo Mantovani

*Statutory Auditor*

Marco Spadacini

*Statutory Auditor*

Maria Luisa Mosconi

*Alternate Auditor*

Alessandro Malerba

*Alternate Auditor*

## **INDEPENDENT AUDITOR**

DELOITTE & TOUCHE S.p.A.

## **GENERAL REPRESENTATIVE OF THE SAVING SHAREHOLDERS**

Sandro Quagliotti

## **GENERAL MANAGER**

Fausto Marchionni

## **EXECUTIVE RESPONSIBLE**

*for the preparation of the corporate accounting documents*

Pier Giorgio Bedogni

*\*\* Members of the Executive Committee*

The Chairman, Ms. Jonella Ligresti, and the Chief Executive Officer, Prof. Fausto Marchionni are the representatives of the company pursuant to article 21 of the Company By-Laws and have all ordinary and extraordinary administrative powers with all rights thereto, to be exercised in single signature and with possibility to confer mandates and proxies, with the exclusive exception of the following powers;

- sale and/or purchase of property above the value of Euro 15 million for each operation;
- sale and/or purchase of investments of value above Euro 30 million for each operation and, in any case, of controlling interests;
- obtaining of loans above Euro 50 million for each operation;
- provision of non-insurance guarantees in favour of third parties.

The Chairman and the Chief Executive Officer must report to the Executive Committee or to the Board of Directors in each meeting in relation to the exercise of the above powers, with particular regard to atypical, unusual or operations with related parties (where not reserved to the Board) and, in general to the most significant operations.

The Executive Committee has all the powers not already attributed to the Chairman and to the Chief Executive Officer, except for those which for law or the company by-laws are the exclusive competence of the Board of Directors, while providing that - in accordance with the principles of correct conduct in relation to operations with related parties approved by the Board of Directors' meeting of February 16, 2005 - the exclusive competence to this latter of all deliberations in relation to the transactions with related parties which for subject, payment, terms, conditions and time period may have effects on the safeguarding of the company assets or on the completeness and correctness of the information, including accounting, relating to the issuer, with the exclusion of the operations made between subsidiary companies and subsidiary companies with associated companies. The Committee reports to the Board of Directors at each meeting on the exercise of its powers.

The Board of Directors was appointed by the Shareholders' Meeting of April 28, 2006.

The Board will expire, together with the Board of Statutory Auditors, with the shareholders' meeting for the approval of the financial statements for 2008.



CONVOCATION NOTICE OF THE ORDINARY  
AND EXTRAORDINARY SHAREHOLDERS' MEETINGS

The shareholders are called to an ordinary and extraordinary shareholders' meeting, in first call, on April 22, 2008 at 11am, at the offices of Fondiaria-SAI in Florence, via Lorenzo il Magnifico n. 1, and in second call, on April 23, 2008 at the same time at the Palazzo dei Congressi in Florence, Piazza Adua n. 1, to discuss and deliberate upon the following Agenda:

### **Ordinary session**

- Financial statements at December 31, 2007. Board of Directors' Report on Operations. Report of the Board of Statutory Auditors pursuant to article 153 of Legislative Decree No. 58/1998 and Independent auditors' report. Deliberations thereon.
- Appointment of an alternate auditor.
- Resolution relating to treasury shares in accordance with articles 2357 and 2357-ter of the Civil Code.
- Resolution on the shares of the parent company Premafin Finanziaria Società per Azioni - Holding di Partecipazioni pursuant to article 2359-bis of the Civil Code.

### **Extraordinary session:**

- Reduction of the share capital through cancellation of all the 2,580,000 ordinary and saving treasury shares of a nominal value of Euro 1 each, in order to optimise the capital structure of the Company; amendment to article 5 of the company by-laws. Deliberations thereon.
- Proposal of changes to articles 3 and 24 of the Company By-Laws with reference, respectively, to the introduction to the reference to the Insurance Group as per Legislative Decree No. 209/2005 (code of private insurances) and to the statutory limit on the accumulation of offices by the members of the Board of Statutory Auditors. Deliberations thereon.

Pursuant to article 8 of the Company By-Laws, holders of ordinary shares in possession of the appropriate certificate given by the intermediary certifying participation to the system managed by Monte Titoli S.p.A. may attend the Shareholders' Meetings. It is recalled that holders of Fondiaria-SAI S.p.A. shares, not within the Monte Titoli S.p.A. system that exercise the rights relating to these securities may be made exclusively through the delivery of these certificates to an intermediary for the input into the management system.

The documentation relating to the agenda will be made available in accordance with the provisions required by the law. The shareholders have the right to obtain a copy.

## **Directors' Report at December 31, 2007**

Dear Shareholders,

as noted, in recent years the insurance sector has encountered numerous challenges related to the regulatory revolution in the last two years, and to the strong social changes which have taken place. The insurance market is, in fact, undergoing rapid change, thanks to its fundamental social role in the economic system and due to the size of the investments it must manage. This change, however, requires a new and real “insurance culture”, which reduces the existing information gap between the reputation of the insurance operators and the role it is called to undertake, in order to allow for a better provision of services and a reciprocal transparent relationship between the Customers and the Insurance Company.

Direct compensation and expectations of reductions in Motor TPL tariffs, prospects in terms of complementary pensions after the Employee Leaving Indemnity reform and restructure of the supervisory authority. The past year was characterised by intensive regulatory activity, principally due to the implementation of the legislation on liberalisation which resulted in a significant change in the insurance market in our country such as:

the prohibition of exclusive agency mandates for the sale of Non-Life Division policies that, in fact, do not permit the signing of loyalty agreements with the brokers;  
the “bonus-malus” measures, which provide the possibility to transfer to a new vehicle the class acquired by a family member of the same household, results in a significant reduction in the premiums written;  
in terms of direct compensation, the prohibition of exchange of information on the value of the individual claims has certainly not permitted a simplification of the process, as initially hoped by the Authority.

In spite of the fact that these measures were imposed on the sector without any consultation with the representatives, and without the dialogue which we believe necessary to guarantee the technical quality of the reserves, the results for the Year 2007 which we present confirm the advanced achievement by one year of the profitability objectives and expansion contained in our three year 2006-2008 industrial plan, thanks to the achievement of a Group net profit of Euro 620 million, compared to Euro 630 million budgeted for 2008, maintaining efficient and quality services, with a view to high solidity and transparency standards which are a mark of the company.

In 2007, we constantly paid attention to the improvement of our “product factory” in order to meet new client needs, developed even greater differentiated and innovative products and thus improved further the trust between the Customer and our sales network.

Despite the fact that the integrated pension reforms have produced lower results than expectations, in 2007 the Fondiaria-SAI Group has in fact almost doubled the premiums in the Life Division, registering excellent results (Euro 4,564.1 million compared to Euro 2,670.5 million in 2006) which permitted a re-equilibrium of the premiums up to now written more in favour of the Non-Life Division.

The year just ended also saw a historic event for Fondiaria-SAI: the entry as player into the Serbian market, characterised with strong growth rates in the premiums written, through the acquisition of control in the company Ddor, leader in the Serbian market in the Motor TPL policies. The operation accounts for 30% of the insurance market in a Country with strong recovery (with GDP growth around 7% annually) which from 2014 will enter the European Union and will permit a better distribution of the geographic risk for Fondiaria-SAI.

In relation to the future of the Group, we believe that 2008 will again represent a testing ground for our sector, due to the European regulations in relation to the financial markets and the completion of the measures already enacted. The new community standards will permit a further alignment to the best practices of the large international groups. Our commitments will therefore be aimed at complying with the requirements, which derive from the entry into force of new community regulations, transforming the onerous situations into development opportunities for the entire Group.



## ECONOMIC OVERVIEW AND INSURANCE MARKET IN 2007

### International economic overview

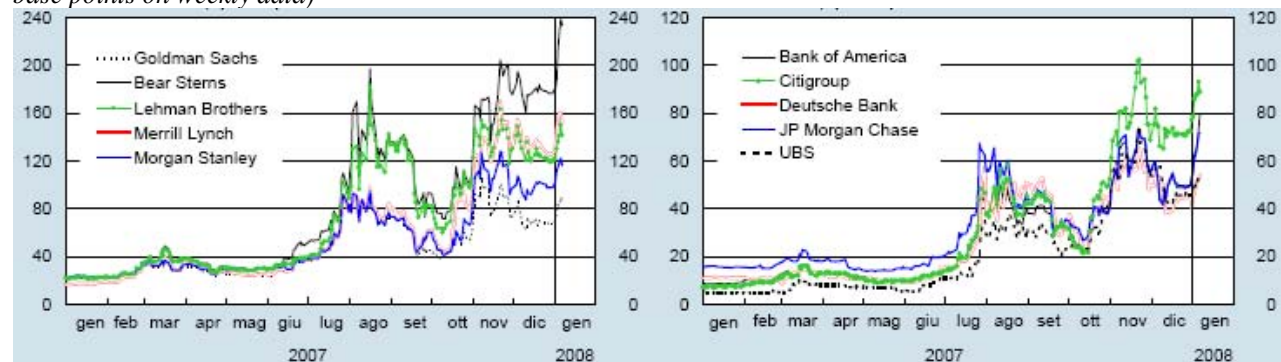
In 2007, the world economy reported good growth in the first half of the year, especially thanks to the contribution of the emerging economies. However, during the second half world growth slowed accentuated during the summer by the crisis in the United States so-called “sub-prime” mortgages which generated instability in the international financial markets, resulting in an increase in the premiums for the risk and a reduction in the willingness of the intermediaries to offer credit.

This category of mortgages, of which approx. 600,000 were granted in 1998 (equal to 2.5% of all mortgages) grew to 5.8 million at the end of 2006 (equal to 13.5% of the entire segment), was essentially due to the low cost of money in the four-year period 2001-2004, and in conjunction with the US property speculative bubble. The debt accumulated over time in the American banking system was sold to the market under the form of derivative bonds from the aggregation of the different activities subject to credit risk, among which the “sub-prime” mortgages (the so-called Collateralized Debt Obligations), generated a credit market of approx. USD 34 billion: obviously made more attractive thanks to a nominal return much greater than the risk acquired. These structured financial products were also negotiated outside of the official stock exchange markets (“over the counter”), in high-risk traded markets and without regulation.

From the second half of 2004, the cost of money in the US however constantly increased, from 2% to 6.25% in June 2007, generating approx. 500,000 insolvent mortgages. The auctions of properties to cover the credit depreciated the property market with repercussions on the whole financial system, generating liquidity problems which the Central Banks have attempted to mitigate issuing capital into the market, while attempting not to increase the cost of the already high level of money with the risk of stimulating inflationary tensions.

These developments gave rise to: a reduction in the creditworthiness of some large banking groups, by the principal rating agencies; unexpected rises in insurance premiums against the Credit Default Swaps (reference figure 1); a sharp fall in their equity prices; an increase in the differentials between the interbank rates and the corresponding rates on guaranteed loans.

**Graph . 1 - Premiums on Credit Default Swaps at 5 years on some financial intermediaries (\*)**  
*base points on weekly data)*



Source: Thomson Financial Datastream.

(\*) Premiums for insurance against the credit risk for 5 years on senior debt issued by the intermediaries indicated in the key.

The negative effects deriving from this financial crisis, aggregated by the impact deriving from the protracted high levels of both petroleum (in November Brent reached a high of USD 95 a barrel) and raw materials (in the first nine months of 2007 the price of energy raw materials increased by 31%, +88% from the end of 2004), had immediate repercussions on the forecasts of the analysts.

We report that, in the second half of February 2008, the price of petroleum reached a new record price of USD 100 a barrel. The previous record was reached on January 3, at a level of USD 100.09. The latest sharp rise was related to the conviction that on March 6 Opec would not lower production and to fears that the data on US inventories (expected for the end of February) would report new reductions. The risk of a decrease of the offer on the market also saw a new record for the price of Brent, the European crude reference, which reached an historic high of USD 98.70 per barrel. The risks of a fall in supply from Venezuela and Nigeria also impacted on prices, even though the situation seems to have normalised in the two countries.

In the US, the GDP grew by 0.6% in the fourth quarter of 2007: the data confirms the slowdown of the economy in the fourth quarter compared to +4.8% in the third quarter of the year. On an annual basis, the GDP grew by 2.2%, a significant slowdown compared to 2006 (+2.9%).

Overall, US monetary policy has been more accommodating than it would have been in the absence of the international financial crisis. The Central Banks took action to sustain growth: after the cut of 50 basis points already decided in September, which lowered the discount rate from 5.25% to 4.75%, on October 31, 2007, the Federal Reserve further reduced by 25 basis points the federal funds rate, reducing the rate to 4.50%, followed by further rate cuts of 25 basis points in December and thus reaching 4.25%. In addition, at the present moment, the Federal Reserve has made further cuts, reducing the federal funds to 3.50% in the middle of January 2008 and finally to 3% at the end of January.

The Japanese economy - after the contraction in the second quarter (-0.4%) - recorded growth of 0.6% in the third quarter. From the internal demand side, the private consumption growth was contained (0.3%), while the private residential investments saw a marked decrease (-7.8%), as did public investments (-2.6%). From the foreign demand side, the exports continued to expand at a sustained rate (2.9% compared to 0.9% recorded in the second quarter). For the entire year 2007 growth is forecast of 2%, slightly below expectations for 2008 (+1.8%).

The expansion of the Chinese economy was robust in the first half of the year (+11.5%) thanks to the increase in investments and exports and was followed by growth above 11% in the third quarter. Consumer inflation increased at the beginning of the year, although with a small moderation compared to September 2007 (6.2%).

The most recent forecasts of the International Monetary Fund state that the crisis stemming from the "easy mortgages" of the United States is slowly spreading with impact on the entire world economy as the corrections on the markets is still not over, although there is little probability of a credit crisis similar to that of 2001. The American slowdown could spread to Europe, with serious dangers of a rise in inflation.

In 2008, world growth therefore should experience a slowdown, remaining however at around 4%. The International Monetary Fund forecasts growth at 4.1% compared to 4.4% in October. In particular, the US represents the country most affected, with an expansion in 2008 reduced to 1.5-1.9% from approx. 2% in 2007.

Particular attention should also be given to emerging countries, where the good performances will not reduce the risk of a speculative bubble and of instability. Although incurring a slowdown, the emerging countries are the drivers of the world economy, with an average estimated growth of 6.9% for 2008.

## **Euro Area**

The relative degree of direct and indirect mortgages at risk provided by American and European financial intermediaries would assume that the prospects for an international economic slowdown are greater for the US than the Euro area.

In 2007, the uncertainty of the international outlook however impacted the Euro area, with an average annual growth of 2.3% (+0.4% in fourth quarter), and lower than the sustained performance in 2006 (+2.9%, +0.8% in the fourth quarter).

For 2008, the International Monetary Fund has estimated a growth of around 1.6% for the Euro area, half a point less than the previous forecasts.

The principal risk of a feared sharp slowdown is related to internal demand, whose expansion was capable of compensating the slowdown of the net exports consequent of the devaluation of the Dollar and the more moderate development of world trade. On the other hand, the other fundamental component of internal demand – investments - is expected to be affected by the deteriorating general economic situation: the less favourable earnings prospects for the companies, and the more difficult financing conditions, will negatively impact the process of accumulation, although with different impact on the individual Countries.

Due to the increase in the prices of raw materials and petroleum products, in November, the inflation in the Euro Zone grew more than expected, reaching 3.1% annually, which is the highest level in the last six years.

In January 2008, in spite of the worrying signals relating to European economic growth, the Central European Bank held interest rates at 4% to protect from inflation tensions, thus maintaining the rate since June 2007 after 8 consecutive rises of 25 basis points from December 2005, postponing for an indefinite period two rises which were announced before the summer. A possible cut in the cost of money is expected in the second half of 2008, provided that inflation is within safe levels.

On the registration of cars, in the last month of the year in the enlarged Euro area of 28 countries almost 1,123,000 new registrations were made, with a slight increase of 1.2% on December 2006, while from the beginning of the year the total units sold were approx. 15,959,000, a growth of 1.1% on the volumes in 2006.

Stable performances, both in the month (+0.4%) and since the beginning of the year (breakeven), for the historic European Zone of 15 countries, were weakened by the demand of the German market, but off-set by strong growth in the French, Italian and UK markets.

In particular, the French market recorded excellent results in December with growth of 21.1%. After an uncertain first half year, the situation was reversed in July with an increasingly positive trend, especially in the final months of the year. This permitted an increase for the full year 2007 of 3.2%. There was strong demand in December above all expectations in Italy, which recorded growth of 14.1%, thanks to the drive from the government incentives, the parallel additional discounts and the advertising campaigns. This result contributed to the reaching of a new historic high of new vehicles on the Italian market with almost 2.5 million registrations, growth of 7.1% on 2006, and above that of the UK (+3.1% in December and +2.5% from the beginning of the year) and Germany (-20.3% in December and -9.2% compared to 2006).

Differing from Western Europe, considered a mature and replacement market, the ten new member countries of the European Union recorded double-digit growth rates in new registrations. In December, the growth rate was maintained at 11.6% with almost 96,000 sales, while from the beginning of the year the increase was 14.5% with almost 1,165,000 registrations, over 147,000 units higher than new registrations on 2006.

We report that the registrations in January 2008 were stable (-0.3% compared to January 2007). Only the German market was able to contain the losses (+10.5% compared to January 2007): the Italian market negatively affects the aggregate, with a decrease of 7.3%.

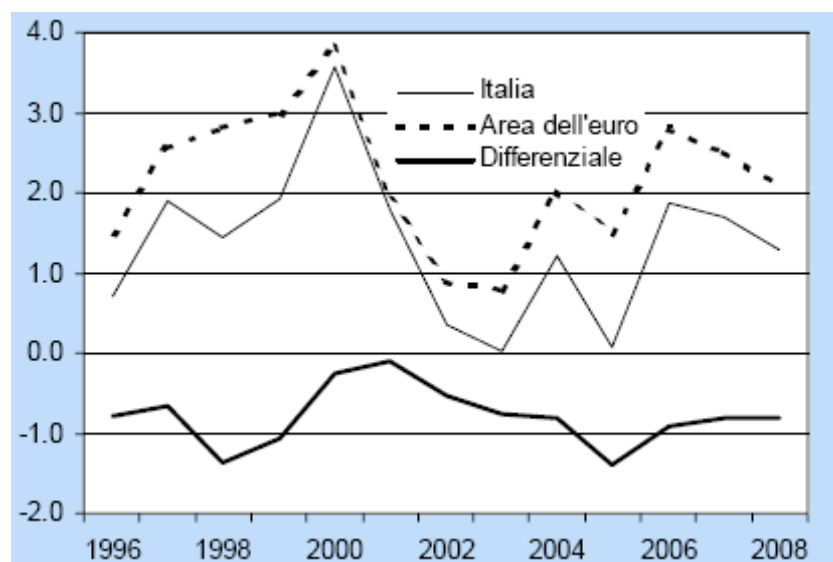
Growth was recorded of 20.1% in registrations however in the minor European Union countries, where the process of mass motorisation is underway.

In general, the prospects of the economy are impacted by the effects of the higher price of petroleum, the uncertainty on the duration and intensity of the expected American slowdown, the further weakness of the Dollar and the consequences of the credit crisis.

## **The Italian economy**

In the context of the above-mentioned slowdown, Italy is suffering a deceleration of its growth, more marked compared to the European average. The growth differential between Italy and the Euro area does not appear to have reduced significantly, after the improvement of 2006, when this decreased from -1.4% in 2005 to -0.9%. This value, according to the forecasts of the International Monetary Fund, should remain strongly negative in 2007 and in 2008, amounting to around -0.8%.

**Graph 2 – Growth in Italy and in Europe**  
(% growth on GDP)



Source: Confindustria Centre elaboration on Eurostat data

The provisional Istat data on the industrial production in 2007 illustrates the generalised weakening of the manufacturing activity, registering a monthly fall of 0.9% in November (-0.6% and -1.4% respectively in October and in September) and a deterioration of 2.4% on an annual basis.

Less favourable financial conditions and a certain weakness in both foreign and internal demand (with a poor national domestic consumption growth expected at +1.2% compared to 1.9% at the end of the year), should result in a gradual slowdown of the Italian production activity, which for the year 2008 is expected to experience a moderate deceleration in the coming months, in line with the recovery in Europe. In particular, against the risks on the international economy, the Confindustria Study Centre reduced from 1.3% to 1% the estimated growth in the national GDP.

On the other hand, the public finances continue their slow restructuring, whilst being penalised by the lower economic growth and by the gradual increase in the public debt. In the first nine months of 2007 the public debt was 1.3% of the GDP, the lowest level since Istat records began in 1999. This good performance is largely attributable to receipts, with an increase of 43.7% of GDP (+42.7% in the first nine months of 2006). The current receipts increased by 7%, with an increase in direct taxes of 13%, of indirect taxes of 4% and social security charges of 5.8%, and through a further recovery of fiscal evasion due to the government measures taken.

Also the labour market in Italy appears more positive, against the slowdown in economic recovery: +1.8% in the third quarter (equal to 416,000 new jobs compared to 2006), compared to +0.4% and +0.5% respectively in the first and second quarter. More dynamic employment figures reflect the contribution of the foreign component and from temporary workers, resulting in an overall increase. The unemployment rate decreased from 6.1% to 5.6%, reaching the lowest levels not recorded since 1992.

In the third quarter of 2007, the Italian GDP increased by 0.4% compared to the previous quarter and by 1.9% compared to the third quarter of 2006.

The average expansion estimated by Prometeia for 2007 should be around 1.7%, decreasing by about one percentage point during 2008, as illustrated in the table below.

**Table 1 – GDP growth forecasts**

	OCSE		FMI	Consensus
	2007	2008	2008	2008
USA	2.2	2.0	1.5	2.1
Japan	1.9	1.6	1.5	1.5
Euro Area	2.6	1.9	1.6	1.9
France	1.9	1.8	2.0*	1.8
Germany	2.6	1.8	2.0*	1.9
United Kingdom	3.1	2.0	2.3*	1.9
Italy	1.8	1.3	1.3*	1.3

*Source: OCSE (December 2007), International Monetary Fund (January 2008), Consensus Economics (January 2008)*

*(\*) forecasts published at October 2007*

At the end of the year, the provisional Istat estimate of the consumer prices recorded a monthly change of +0.3% and +2.6% on an annual basis, the highest since October 2003, due to higher food and energy prices together with a reduced demand.

Growth prospects in Italy are affected by, in addition to the possible effects of the world economy described above, consumption and political instability: the greater uncertainty could therefore result in an increase in precautionary saving, contributing to reduce household consumption.

For the two year period 2007-2008, the Bank of Italy forecasts “signals of difficulty” for Italian households with a risk of indebtedness to moneylenders, while companies do not appear to have suffered the effects of the crisis even though, in the near future, they could be impacted by the economic conditions and difficulty to obtain financing.

In particular, a report undertaken on household budgets up to 2006 recorded that the average income of the head of a household with an employment contract calculated in the six years 2000-2006 grew by 0.96% in real terms - that is net of inflation. Specifically, the average income of households in the North grew by 0.7% compared to 3.5% in the Centre and 5.6% in the South.

In addition, in the last two years the percentage of household debt increased from 24.6% to 26.1%.

Therefore, in spite of the greater increase in disposable income, both Confcommercio and Prometeia estimate that consumption in 2008 will incur a slowdown compared to the +1.5% recorded in 2007 (not above 1.2%) due to the difficult credit market - difficulties which result in higher interest rates on loans, although in the presence of a more restricted monetary policy.

In addition at the end of 2007, consumer confidence in Italian households weakened: the general index in the final two months of the year was close to the two-month period of June-July, at around the lowest values of the spring of 2006. The sharp increase in inflation unfortunately impacts on the purchasing powers of households: although there is not a strict connection between the consumer confidence indicators and the actual spending realised, the confirmation of an increasingly more volatile climate has without doubt been a factor in reduced consumption.

## **The insurance sector**

Despite a rapid development in the sector in recent years, in Italy the utilisation of insurance products is still rather low compared to other European countries, both in relation to households and businesses. The divergence is particularly evident in the Non-Life segment where, excluding the Motor Sector which is compulsory everywhere, the premiums written in our country amount to approx. only 1.1% of the GDP, compared to at least double that in the other countries.

Also in the Life sector, despite the ratio between the insurance premiums and GDP increased from a little more than 1% in 1996 to approx. 5% in 2006, the assets managed of the Italian investments is equal to approx. 25% of the GDP, less than half compared to the French values, and the technical reserves compared to the GDP remain at contained values compared to the general values of the other principal countries.

Also on the business front insurance spending amounts to approx. 0.2% of the Italian GDP, compared to 0.3% in France and Germany and 0.5% in the United Kingdom.

The underinsurance of a Country represents an element of weakness, as it is a factor of uncertainty for households and a competitive disadvantage for companies. A correctly developed system from an insurance viewpoint in fact permits growth, firstly with regard to complementary social protection to public protection, as this permits a lowering of the pressure on the public accounts in the pension, health or environmental risks, and limits insolvencies or a liquidity crisis for entrepreneurial initiatives, due to extraordinary events which could affect production capacity.

The insurance values a “culture of merit”, in that it is capable of awarding the most efficient players in the system, or rather those that are characterised by a more careful management of the risk, allowing for example enterprises to create and confront in an adequate manner operational problems, without the necessity to accumulate precious capital reserves. The enterprises under-insured, generally, are not able to take the new entrepreneurial opportunities, as they invest to a lesser degree in innovation and their presence in the international markets is generally lower.

Insurance is therefore to be considered, for all effects, a production machine, an industry which is founded on an ancient system and tradition, while innovating daily: insurance produces “security”, an essential instrument servicing the social and the economic development of a nation.

In a context of discontinuity and fast evolution in all the economic systems, the continual scientific and technological development, globalisation and the progressive change of the demographic mix represent key concepts to better define the growing importance of the role of the insurance system.

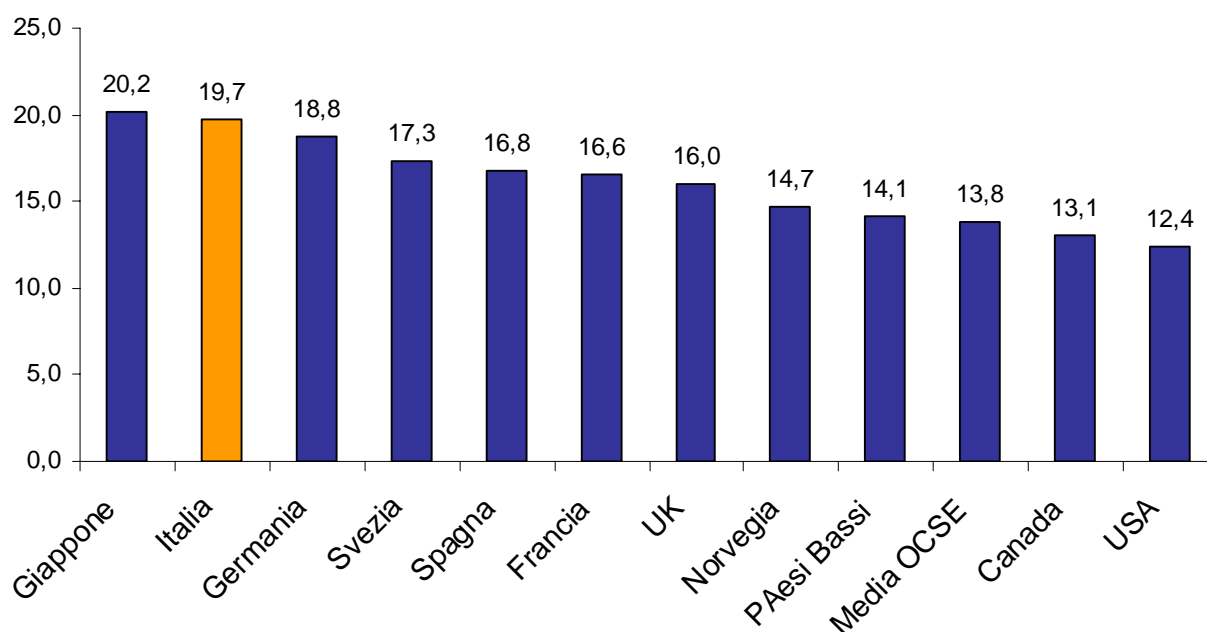
Each of these factors would require a thorough analysis but, in this report, we will only comment on the demographic aspect.

The structural and demographic evolution of the population in fact represents essential elements for the general evaluation of future economic prospects: the ageing of the population highlights a factor which should not be under evaluated in relation to future social development.

The graph shown below illustrates how this phenomenon prevalently concerns the industrialised countries, in particular Europe and Japan.

The latest data available shows that in 2005, among the OCSE countries, Italy in percentage terms of persons over 65 years is in second place (with 19.7%, equal to approx. 11.6 million persons), behind only Japan (with 20.2%).

**Graph 3 - % Population over 65 years on the total population in 2005.**



*Source: elaboration The European House Ambrosetti on OECD Demographic and Labour Force Database 2006 data.*

In the coming decades the following trends are expected in the Italian population: in 2030, it is expected that Italy will still be in second place (with 27.3% of the population) behind Japan (with 31.8%), in 2050 the population over 65 years should increase further and will be equal to 33.6% of the total, to the detriment of the working population (15-64 years).

In 2050, the number of Italians over 80 years will be almost more than 4 times those between 20 and 24 years, while the total population will decrease from 58.5 million to 55.9 million. In Italy, the percentage of the social security expenses on the GDP will increase from 25.3% in 2005 to 36.6% in 2050 and the rate of the pension replacement of the private employees, which today accounts for 60-65%, in 40 years could fall by 20 points. Today in Italy we have over 2,139,000 disabled persons over 75 years of age, a fact which concerns one family in ten. More than seven out of ten households, however, do not receive any type of public domestic assistance. According to the report it would be necessary – at the present moment - to allocate Euro 4 billion more in self-sufficiency. In 2050, the coverage of Long Term Care (LTC) will absorb, in fact, an estimated 2% of the GDP, against an emergency which requires increasingly the necessity to meet greater risk of non self-sufficiency. Provisional estimates of Isvap provides for a strong increase in public spending for assistance: from 0.6% of GDP in 2005, to 3.5% in 2050. This latter value, in relation to the most unfavourable scenario, could amount to 5.3%.

The Long Term Care is a specific insurance cover which guarantees a service in the case there is a situation of need deriving from the impossibility (total or partial) to receive income, or from the necessity to incur medical expenses and assistance following the verification of non self-sufficiency. Overseas, one of the most advanced countries in this area is Germany, while in Italy the social protection system in this sector still appears low while regional experimental models are in force in Emilia Romagna, Liguria, Veneto and in the autonomous province of Bolzano.

As reported in a recent study by Censis, a large part of the costs related to assistance to non self-sufficient Italians falls on households: for example, in 2005 the economic value of household assistance represented 43.3% of the total (Euro 11,181 million), public spending 34.7% and private spending 22%. In particular, the coverage provided by Inps is characterised by the requirement of a minimum contribution and is limited to a level of very high invalidity (not lower than 66.7%). The services are also subject to restrictions on accumulation of earnings or income paid by Inail and subject to ordinary taxation. It is therefore of fundamental importance that a position of responsibility is increasingly undertaken by individuals, within their own financial planning, moving from the traditional concept of asset allocation to that of “need allocation”, including the provision, in their own future projects, of LTC coverage.

Currently, some pension funds and individual pension plans have inserted the LTC risk as an accessory. This however is still limited. A report by Il Sole 24 Ore conducted in February 2008 illustrates that, among the 20 largest Italian insurance companies, only 10 individual policies are available on the entire Italian insurance market.

Presumably, the offer will be extended in the coming years, both for the increased demand due to the rise in the non self-sufficient population and for the affinity with pension funds covering risks related to longevity.

Italians remain however the most disillusioned among the European Union Countries in relation to their health system. This is a result of an annual study by European Assistance on “Europe and Health”. It concerns the citizens of 5 Countries (Italy, France, Germany, the UK and Switzerland): Italians are least satisfied and complain particularly of the lack of organisation, quality of hospital services and medical consultations. 64% of Italians, in particular, are concerned about the long waiting periods (compared to 49% European average) and 39% are concerned about insufficient public funding.

79% of European citizens believe that financing for research should be increased, and 66% believe it is necessary to utilise public funding. Finally the majority of Europeans (72%) state that they would personally pay for supplementary costs related to their health and their dependents through subscription to a supplementary insurance contract (23%).

One of the keys to favour the development of the countries, and of Italy in particular, could be the need to value the new requirements which the individual Companies express in multiple fields transforming, where possible, the service from a cost for the State to a development opportunity. A wider recourse to insurance instruments could therefore contribute in this direction, freeing up public resources, where the institutions are not capable of meeting the new dimensions of the risks, and permitting a more efficient allocation of private resources.

During 2007, corporate reorganisations at a national level continued concerning the acquisition of control in listed banks or the creation of new bancassurance agreements. These strategic choices were undertaken with the objective of creating synergies of a technical and commercial nature, in order to utilise potential alternative channels rather than the traditional channels, differentiating the target client and assisting in cross-selling activities. In relation to the traditional operators, activities were undertaken to broaden and maintain the customer base. The research and development of new products and the revision and updating of existing products continued to better respond to the needs of the customer base, in particular pension and linked products for the Life segment and Motor policies for the Non-Life segment.

In relation to the international economic crisis related to the “sub-prime” mortgages, the stock exchange values of the European continental insurance companies recorded losses. In particular, we report that in January share prices in European insurance companies fell between 8.2% in the United Kingdom and 13.3% in France, while for Italian companies the reduction was 9.6%. Since the end of July, with the beginning of the crisis, the decrease was 6% in the United Kingdom and 8% in Italy.

In addition, at the beginning of February 2008, following the strong write-downs announced by the large US insurance company American International Group, whose share price declined 11.78%, reaching its lowest price in the last 5 years and the fear also that European companies could have hidden losses in relation to the so-called “credit default swaps”, financial products which are often utilised as insurance policies to cover bond investments, resulted in a decrease of 2.7% in the sector index.

The direct exposure of the European operators was limited compared to US operators: the insurance companies which are also involved in significant banking activities are clearly more exposed, but this is a factor only at international level and should not have particular impact on the Italian market, traditionally less exposed to such sophisticated risk management portfolios.

A note by Isvap at the end of November communicated that at September 30, 2007 the exposure of the Italian insurance system to the “sub-prime” risk amounted to Euro 810 million, accounting for 0.19% of the total technical reserves equal to Euro 433 billion. The figure therefore confirms the modest exposure of the Italian insurance companies to the financial market crisis.

We also report that, in the first nine months of 2007 the total insurance premiums written in Italy amounted to Euro 72.14 million (of which Life premiums: Euro 45.81 million and Non-Life premiums: Euro 26.33 million), a decrease of 5.5% compared to the same period of 2006 (-9% and +1.3%, respectively in the Life and Non-Life sectors). The results, resulting from a study made by Isvap on the information provided by the companies, confirms the slowdown in the Italian market.

The fall in the market in the first nine months of 2007 follows the decline in 2006 (-2.9%) and the increases in premiums in 2004 (+4.2%) and in 2005 (+8.7%). However, in the first nine months of 2007, Isvap reported the importance of the Life premiums written, amounting to over Euro 7 billion, made by businesses located in the European Union (but belonging to Italian groups) providing services within the national territory.

The analysis by distribution channel continues to highlight the premiums written through brokerage agencies amounting to 85.5% of the Non-Life portfolio (85% in 2006) and 90.9% of the TPL Motor division (91.2% in the first nine months of 2006).

## **Regulatory framework**

The sector in which the Company operates is characterised by strong innovative and dynamic factors, which require a regulatory framework capable of responding, adequately, to the changes in the insurance business models necessary to be able to confront the challenges which the market requires in terms of competitiveness.

The significant new legislative and regulatory norms introduced in 2007 are commented upon below recalling that the national regulatory drive is influenced by the European scenario in which the insurance sector operates.

### **Direct compensation**

Among the various provisions passed by the Government in the insurance sector, a particular social importance is given to the direct compensation in the TPL Motor class, in force since February 1, 2007. The regulation is within the framework of the liberalisation for the containment of the TPL Motor tariffs and represents a radical change for both the management of the claims and for the quality of the relationship between the insurance Company and the Client.

We recall that this compensation procedure, in the case of road accidents, permits non-responsible claimants, or those only partly responsible, to be compensated directly by their insurance company.

The procedure is applied exclusively to claims between two identified vehicles, regularly insured and registered in Italy, with damages to the driver with invalidity of less than 9%. In the case in which a motorcycle is involved, the procedure is applied only if this was in operation after July 14, 2006.

During 2007, in the case of accident, each insurance company was free to compensate its own clients damaged with the amount considered most appropriate, then being reimbursed (by a “clearing house” body created to reconcile the balances between insurance companies) only for a pre-established figure, whose value, respectively of Euro 1,800, Euro 2,000 and Euro 2,300 (and Euro 3,250 for small damages to persons for a maximum of 9 invalidity points) refers to the three territorial areas in which the Italian provinces are divided.

From 2008, also in order to reduce the cost of the Motor TPL costs for motorcycles (sector characterised by high expenses for damages to persons), the Technical Committee created by the Economic Development Ministry decided to divide the direct compensation system following road accident into two parts: the Companies will pay separately to their clients’ for physical damage and property damage consequent to an accident. In particular, the flat-rate in the “clearing house” which will be applied by the insurance companies on the settlements on claims (incurred or provoked by their clients), will be Euro 1,415 for damage to property and vehicles and Euro 3,250 for small damage to drivers.

The objective of this change is to counter the risk of an increase in the TPL Motor tariffs, especially in the motor-cycle segment. Unfortunately, however the presence of Clients in the insurance portfolio which incur a claim, rather than cause the claim, in geographic areas with an average indemnity relative to the parameters of 2007 and higher than the values established for 2008, could represent a disadvantage for the insurance Company, as well as for the policyholder, as this latter could find themselves in a less favourable tariff range.

The search for better competitive efficiency is essentially related to the possibility of reducing certain costs, for example, costs relating to disputes before the compensation offer by the company, as well as the limiting of repair costs through directing clients towards tied workshops.

For this purpose Fondiaria-SAI is evaluating a new management approach for the repair of vehicles: entering the value chain, the Company could achieve significant savings on the average cost of claims. The Company “Auto Presto & Bene Srl”, a Group company incorporated for this purpose, will undertake the bodywork of owners and the distribution of spare auto parts and will become operative in June, therefore coordinating a network of absolute trust for the clientele.

The Company will also place emphasis on training, both for the repairers and bodywork with the objective of creating a specialised ad hoc “school”.

#### **Liberalisation measures for the Auto TPL (Law 248/06).**

The liberalisation measures for the Motor TPL segment contained in Law 248 of August 11, 2006 (the so-called “Bersani package”) principally relates to the amount of the discount.

The insurance companies may no longer impose on the distributors minimum prices and maximum coverage discounts to be applied to the purchasers of Motor TPL, but can only establish preliminary the overall measure of the discounts recognised to the clientele in a determined time period (the so-called “total discount”).

The provision, contained in Law 248/06 which Isvap made available for consultation at the end of December 2007, would make the final retail prices and the contractual conditions of the Motor TPL policies more flexible and transparent, creating the conditions for greater consumer mobility and more intense competition between insurance companies, with the objective of containing the tariffs.

For the purposes of flexibility, the Authority considered compatible with the purposes of the so-called “Bersani packet” the creation of instructions by the companies to the distribution networks, in order to establish the overall measures of the “total discount” assigned to each intermediary. The companies may not however indicate to their agency networks limits on the amount of the discounts allowed to the individual policyholders, compared to the tariff premium.

The solution adopted by Isvap is in line with the opinion of the Competition Authority, in relation to the consultation framework between the authorities.

### **New rules for the Auto TPL policies (Law 40/07)**

Law 40 of April 2, 2007 (so-called “Bersani Bis package”) established new rules for the management of the Motor TPL policies. In particular, article 5 contains regulations in relation to:

#### New bonus/malus regime

Article 5, paragraph 2 of the law establishes that in all cases of the signing of a new contract, relating to an additional vehicle of the same type acquired by the actual person already holder of an insurance policy or by a person permanently living in the same family household, the insurance company may not assign to the contract a class less favourable than that resulting from the last certified risk delivered on the vehicle already insured.

This is a measure which strongly limits the faculty of the insurance Company to classify the vehicle in the correct class, causing a potential increase in the average level of the tariffs as it reduces the number of policyholders applied the malus, inducing people to drive less prudently.

The law has also established that, after the verification of a claim, the insurance Company cannot change the class of its policyholder without first asserting the effective responsibility of the policyholder and without first having provided timely communication.

#### Introduction of multi-mandates

The entry into force of Law No. 40/2007 results, from January 1, 2008, in nullifying the exclusive clauses for the Non-Life Division contained in the agency contracts.

Up to now the Italian insurance market was characterised by a competitive multi-channel distribution structure, similar to the model in the most advanced and competitive European countries, with common features:

- the brokerage companies or rather mandates operating on the behalf of the client;
- the single and multi-mandate agents, operating on behalf of one or more insurance companies;
- the new distribution channels, such as postal and bank branches;
- the direct sales network through telephone and internet.

The compulsory introduction of the multi-mandate does not however take into account that the exclusive mandates, in addition to expressing the strength and trust of the brand perceived by the Client, represents a guarantee for the Consumer, as confirmed by the provisions in relation to the distribution of financial products in which, for the protection of the savings, the Consolidated Finance Act imposes the obligation of single mandate for financial brokers.

The loyalty of the Client, in a market such as the Motor TPL, is a demonstration of the satisfaction for the service offered and must not be seen as an indicator of inefficiency.

In addition, experience at European level confirms that the exclusive distribution model is the least costly from an organisational and management viewpoint.

The new regulations could result in significant repercussions in relation to the industrial relations with the trade unions of the Agents, giving rise to a thorough review of the contracts applied up to now, with consequent charges to the Company which, if incurred, would result in an increase and not a decrease of the tariffs.

Finally we report, at the present moment, Ania has sent to the European Commission a note to underline the inadequacies of the provision which introduced the prohibition of the exclusive mandates in the Non-Life Division for insurance agents, as this legislation will gravely violate the community right representing an obstacle to the constitution of a European insurance market. In the case of no acknowledgement being issued a potential appeal before the Luxembourg Court is not to be excluded.

#### Risk certificate

The risk certificate is the document which allows a verification of whether a policyholder was responsible for damage and permits the policyholder to maintain the class acquired at the moment in which the Motor TPL was signed.

Law 40/2007 extended to 5 years the validity of the document in question, in order to permit the policyholder to conserve this class even if, temporarily, he/she is not owner of a vehicle or drives a vehicle already insured.

The insurance Company also has the duty to transmit the certificate to the domicile of the party - together with a written communication indicating the method for the exercise of any notice and information on the premium renewal – also in the case of tacit renewal or in the case of notice, whatever the tariff form and the sales channel utilised, at least 30 days before the expiry of the contract.

The insurance company has the obligation to send the certificates to the domicile of the party also in the case of theft, if after the conclusion of the “observation period” (that is 2 months prior to the annual maturity of the contract).

In the leasing and long term rental contracts of less than 12 months the user of the vehicle can, at the expiry date, request the provision of a duplicate of the last risk certificate relating to the vehicle utilised and insured by the insurance company or another insurance company, on the same vehicle, if purchased through redemption, or another vehicle owned with the same class.

#### Abolishment of the restriction of ten-year duration

With the entry into force of the Decree on the liberalisation, and the consequent transformation into Law, the insurance companies may no longer offer multi-mandate policies in the Non-Life Division with the ten-year restriction, in accordance with the Civil Code (article 1899).

In fact, it is now possible for the contracting party to cancel the contract, from year to year, without costs, by sending a registered letter 60 days before the expiry of the annual instalment. This means that the consumer, with the choice of more advantageous conditions from another insurance company, is free to close the contract before the final expiry date and can therefore choose the most favourable policy.

Parties that have stipulated a long term contract before the enactment of the decree (April 2, 2007) can cancel the contract at the next annual expiry date, provided three years have passed since the contract date.

### Comparability of the policies

Article 5 of Law 40/2007 envisages the realisation of an information system, which permits the consumer to compare the Motor TPL tariffs between the various insurance companies based on the individual's profile.

Isvap, in conjunction with the Economic Development Ministry, in 2007 commenced a European tender process for the creation of a software solution which permits the users to obtain the estimates from the different insurance companies and thus be able to make comparisons.

The new system, which was awarded to the company Engineering SpA, will be in operation by September and will utilise the complete tariff system organised by Isvap on the basis of the data provided by the companies.

The objective of the Legislature is for a greater choice for the user and an incentive for greater market competition.

The portals can be consulted on the internet site of Isvap ([www.isvap.it](http://www.isvap.it)) and on the internet site of the Economic Development Ministry ([www.sviluppoeconomico.gov.it](http://www.sviluppoeconomico.gov.it)).

### **Increase in maximum coverage.**

The European Union established new minimum levels of compensation to be applied on Motor TPL insurance contracts. A European directive in 2005, enacted recently in Italy in October, fixed the minimum maximum coverage at Euro 5 million per claim, independent of the number of victims. For damage to property the minimum amount will be Euro 1 million. The insurance companies will have five years to adjust, with an intermediary step at December 11, 2009, the term to compulsory comply the minimum maximum coverage for at least half of the new amounts fixed.

Fonditaria-SAI will counter the application of the directive (June 11, 2012) with a gradual adjustment of the minimum maximum coverage which provides for intermediary steps and through a promotional campaign undertaken by the Agencies.

The new maximum levels will have a greater impact, although moderately, on the final price of the Motor TPL guarantee, as the insurance company assumes higher risk with each individual customer. Therefore, Fondiaria-SAI has undertaken an information campaign in the past year concentrated in the Agencies at the moment of the issue of the contract, informing its customer base so that they are updated on the current policy. In addition to the intentions of the Legislature, the increase in the maximum limit represents greater security and tranquillity for both the drivers and owners of the vehicles. In fact, in the case of an accident, where the maximum agreed amount in the policy is exceeded, these parties would by law be financially responsible to compensate from their own resources.

### **Decree on Road Security.**

Each year in Italy there are over 5,000 victims of road accidents - 20,000 seriously injured people, and 300,000 injuries. This situation involves in particular young people: road accidents are the leading cause of death of people between 15 and 29 years of age.

The Government, in order to reduce the number of road accidents, in 2007 took action on two fronts, thanks also to the collaboration with regional and local authorities:

- The prevention of accidents through awareness of the risks with campaigns for safer driving;
- Greater sanctions for violations of driving rules and of those considered a greater risk.

In October, Law 160 was approved concerning “urgent modifying provisions of the road code to increase the level of security in circulation”.

The provision introduced various modifications to the Road Code (Legislative Decree No. 285/92 and amendments) such as for example:

- As a preventive measure, it will be the obligation, of the owners of nightclubs that sell alcoholic beverage, to show at the entry and at the exit of the premises all information on drink driving and the related penalties;
- As a penalty, the decree punishes especially drunk driving and driving under the effect of drugs, but also speeding and provides a series of limitations for driving without a license, for the use of mobile telephones without an earplug or speakerphone and for persons with a new license, who for the first 3 years may not drive vehicles with a power above 50 kw/t.

### **Complementary pensions**

#### Allocation of the employee leaving indemnity

To maintain the Italian pension system in equilibrium, in recent years it was necessary to implement reforms which allow workers to receive a pension in the future which varies as little as possible from the disposable income.

The 2007 Finance Act brought forward to January 1, 2007 the entry into force of Legislative Decree 252/2005 and the consequent possibilities for workers to provide for their pension over time based on two “pillars”: the first is represented by the obligatory pension (provided by the state bodies such as Inps, Inpdap, etc.) and assures the basic pension, while the second represented by the complementary pension whose purpose is to provide future pensioners with an adequate pension.

The employees of the private sector with the exception of domestic workers, with an employment contract as at December 31, 2006, must indicate before June 30, 2007 the wish to confer the employee leaving indemnity matured to a complementary pension form, or maintain the employee leaving indemnity with the employer, or within 6 months from the date of employment in the case of persons employed after December 31, 2006.

Where the worker has not expressed any indication in relation to the allocation of the employee leaving indemnity, the employer will transfer the future employee leaving indemnity to a collective pension in accordance with agreements and collective contracts.

The Law was welcomed with a certain caution: the change of the pension system in fact has not been perceived by all parties concerned, in particular, young people, due both to the lack of information received and to deficient financial education and for the still limited offer of pension funds and the limited confidence in them. This is what emerged from the first research by Eurisko. It will be possible to have a clearer indication in a couple of months: for further information reference should be made to the section “Life Pension Funds and Managed Savings”.

### Versatility of the Pension Funds

Recent studies on European community pensions highlight that numerous European workers are penalised by the regimes which impose long contribution periods, as an average 40% of the employees remain less than 5 years in the same employment.

The proposal of the directive adopted by the European Commission, which has the objective of reducing the existing obstacles in relation to some pension regimes in order to facilitate the mobility of workers, was transmitted by the European Parliament on April 20, 2007: this latter adopted a legislative resolution on June 20, 2007.

The obstacles refer to the conditions to acquire pension rights and the conditions based on which the rights in question are taken into consideration once the person has changed work, and the need for a uniform fiscal approach.

In spite of the fact that the question on the versatility has still to be defined, this represents the first step in harmonising complementary pensions at European level.

### **Solvency II**

In order to introduce a new prudent supervision system (called Solvency II), capable of allowing the Supervision Authority to have appropriate instruments to evaluate the total solvency of an insurance company, in 2007 the CEIOPS (Committee of European Insurance and Occupational Pension Supervisors) provided the European Commission with a consultation paper for the introduction of new prudent standards. The new system has among its principal objectives that of establishing a supervision capital measured to the risks assumed.

In April, the CEIOPS proposed to the European insurance companies the undertaking of the third quantitative impact study (called QIS3). In addition to the recalibration of the parameters for the calculation of the equity requisites (Solvency Capital Requirement and Minimum Capital Requirement), the QIS3 created the foundations for the calculation of the capital available and extended the test not only to the individual companies, but also to insurance groups.

The Solvency Capital Requirement is the principal equity test contained in the new regime: it corresponds to the Var (Vale at Risk) of the own funds of the company, with reference to a confidence level of 99.5% and a time horizon of one year. This must cover the unexpected losses and will be calibrated in order to consider all the principle quantifiable risks which the company is exposed to, calculated through the standard formula, defined by the European community regulation, or through an internal model adopted by the individual companies.

The Minimum Capital Requirement represents, however, the minimum equity threshold below which the level of risk becomes unacceptable. The proposal of the directive requires that this is calculated in a verifiable, clear and simple manner and it is calibrated at a value at risk of own funds of the company with reference to a confidence level between 80% and 90%, over a period of 1 year and has a minimum threshold of Euro 2 million for the Life Division. The calculation method is however subject to European community debate.

The risk categories and the relative parameters considered for the calculation of the capital requirements were reviewed following the results of the previous study (QIS2) and the suggestions of the analysts and of the insurance companies.

The results of the QIS3, made available by the European Commission for public consultation in December, together with the collaboration between insurance companies, analysts and supervision authorities will result in a new proposal for the QIS4 (expected in April 2008) and, especially, for the future developments of the directive.

Another important new element in Solvency II is the proposal of the community directive relating to regulations on the solvency of the insurance companies, published by CEIOPS on July 10, 2007, and having the purpose of coordinating the regulations on Life and Non-Life insurance and increase the protection of the policyholders, the competitiveness of the European insurance market and the efficiency of the supervision process. The Draft Directive encompasses 13 Old Community Directives in one single document and updates the new regulations on Solvency.

We recall that the Fondiaria-SAI group participated at QIS3 with 11 insurance companies, covering 99% of the Non-Life business and 91% of the Life business; for the undertaking of this study, as for the previous QIS, the collaboration between the various functional areas of the Company and of the Group was particularly important.

At the end of the year the Draft of the Technical Specifications relating to QIS4 was published. The document shows that the test was based on the outcome of previous studies, requiring a greater level of analysis on Group data. The document was in public consultation and amendments were requested to the document.

With reference to the regulative modifications mentioned, Fondiaria-SAI and the Companies of the Group are active in the management and monitoring of the impacts deriving from their application.

### **The new ABI-ANIA Federation.**

The widespread transformation taking place within the markets both from a political viewpoint and from an economic-social viewpoint renders necessary a reflection on the representation models of the insurance and banking industry.

In November, the Executive Committees of ABI and ANIA approved the constitution of a Federation between the two Associations, with a protocol signed in April 2007.

The creation of a Federation, which represents almost half of the capitalisation of the Italian Stock Exchange, is within the framework of a “second level” aggregation model between representative bodies of enterprises which have numerous contact points, such as the undertaking of similar activities in the asset management sector, the undertaking of complementary activities for non life insurance and the presence of common control authorities in some areas.

The new body will define the strategic guidelines relating to the relationships with the external representatives of the finance, banking and insurance world, managing all the relationships at a high level: both the sector and the representatives (Institutions, Consumers, Public Opinion) can count on a more adequate representation, through more direct and simplified dialogue.

In the coming months the constitution details of the new body will be defined, whose costs will be equally divided between the two associations. The new structure, which will have its headquarters at Rome and whose executive will be composed by a total of 16 members (8 for ABI and 8 for ANIA), will be led by a representative of the two associations with strict annual alternation. In addition, one association will act as president, while the other as general secretary; this latter will provide coordination of the overall activities of the federation, including for the activities undertaken by the two associations.

### **The MIFID European directive**

With the enactment in November 2007 of the European directive MIFID (Markets in Financial Instruments Directive) Italy has also implemented the market for services and investment activities providing maximum protection for the savers with the objective of defining a European single market for the most competitive and efficient financial services. The intermediary must be aware of the economic and financial situation of the Client, applying criteria of adequacy and appropriateness, in order to permit an adequate classification of the profile.

Although the European directive excludes insurance in the application of the directive, the Italian regulations however were extended to insurance companies.

These regulations also apply to policies with financial content, or rather Unit Linked, the Index Linked and the securitisation policies: they are also applicable to agents and partners of financial brokers. At the current moment, Consob and Isvap have published the joint communication draft in relation to the distribution of “multi class” insurance products, characterised by the combination of Class I Life insurance cover and Class III financial insurance products on the basis of which they will agree a protocol of understanding in order to coordinate the exercise of the respective supervision functions.

The detailed publication of the regulations is expected by June 30, 2008.

## **Class Action**

From July 1, 2008, the provisions on class actions will become law, approved by the 2008 Finance Act, demonstrating the growing sensibility to the protection of the consumers and the liberalisation process in course in recent years in Italy.

The class actions may be promoted by large consumer associations represented in the National Consumers and Users Council (CNCU), a body created in July 1998 in Italy with the responsibility to protect consumers and users and to act as an official representative body of their organisations. They may also legitimately act for other associations and for collective interests appropriately identified; they may not be promoted by individual consumers, however the individual right by the Constitution exists to take legal action.

The class action may be taken out against unfair commercial practices, illegal non-contractual acts, anti competitive behaviour and violation of standard contracts. The premise is always that a large number of consumers and users must be harmed. The individual consumer adheres to the class action by means of written communication from its representative, who must provide adequate public notice of the action; it is possible to adhere up to the final conclusive judicial appeal. The court will decide on the admission of the class action: the request may be refused if unfounded, if there is a conflict of interest or where the judge does not consider there is a collective interest.

The associations may request, in protection of the collective interest of consumers and users, the right of compensation or the restitution of sums. The damage effectively incurred and demonstrated is all that will be recognised, differing from the American class actions where there exists the possibility of punitive damages. The sum to be paid will be defined, if possible, by the court, otherwise it will be up to company to propose compensation within 60 days. Where this amount is not accepted, the president of the court, which is composed of three lawyers will request conciliation: one nominated by the person proposing the class action, one by the company and one by the president of the court.

At the present moment some corrections are being studied such as for example, limits to the interests which may be protected and the non retroactiveness of the action; this latter, in particular, is not explicitly specified in the current provision. The proposal is that the class action must relate to illegal contracts, unfair commercial practices and anti-competitive behaviour from a certain date, or after entry into force of the norm. In addition, the new provision may not be applied to the actions in course and not yet defined, nor to illegal acts of the past, in order to avoid damage to companies whose management have undertaken, for example, following bankruptcy, restructuring and relaunch programmes.

## FINANCIAL STATEMENTS 2007

Pursuant to Consob Communication No. DEM/6064293 of July 28, 2006 and CESR recommendation in relation to alternative performance indicators it is reported that the principle indicators utilised in the present report are in line with best market practices and the principle academic theories. Where indicators are utilised which are not in accordance with the previous requisites stated, the necessary information is provided in order to understand the basis of the calculations utilised.

The 86<sup>th</sup> year of the Company reports a net profit of Euro 323 million, whose key elements are reported below:

	2007	2006	Change
Non-Life account Technical Result	339,000	411,944	(72,944)
Non-Life account Technical Result	23,664	20,913	2,751
<b>TOTAL</b>	<b>362,664</b>	<b>432,857</b>	<b>(70,193)</b>
Net financial income Non-Life Division	220,680	234,054	(13,374)
(deduct quota transferred to technical account)	(157,757)	(170,661)	12,904
Quote transferred to the Life technical account	3,114	10,297	(7,183)
Other income and charges	(116,303)	(146,614)	30,311
<b>RESULT FROM ORDINARY ACTIVITY</b>	<b>312,398</b>	<b>359,933</b>	<b>(47,535)</b>
Extraordinary income and charges	115,675	15,151	100,524
<b>PROFIT BEFORE TAXES</b>	<b>428,073</b>	<b>375,084</b>	<b>52,989</b>
Income taxes for the year	(105,002)	(103,010)	(1,992)
<b>NET PROFIT</b>	<b>323,071</b>	<b>272,074</b>	<b>50,997</b>
Of which Non-Life	313,140	270,037	43,103
Of which Life	9,931	2,037	7,894

The result for the year amounted to Euro 323 million (Euro 272 million in 2006).

The result includes the write back of the value of the Unicredito shares (formerly Capitalia) in portfolio, of Euro 25.9 million, made against previous write-downs of the share price due to the consolidated performance on the stock exchange, but particularly to the recent aggregation with the Unicredito Group resulting in the creation of the leading Italian banking group and second largest in Europe.

Net of this write-back, the result is in any case an improvement compared to the previous year, in spite of a market characterised by adjustments on the value of debt securities at year-end.

The persistent tensions on the price of the financial instruments represented by debt securities resulted in write-downs in 2007 on fixed-income securities of approx. Euro 66 million compared to Euro 67 million in 2006.

In spite of this, the management activity recorded important results both in the stability of the insurance management and through the financial opportunities taken.

The non-life classes continue to be positive, with a technical result, adjusted to the contribution of asset and financial income of Euro 339 million. This result reflects the competitive advantages deriving from the leadership in terms of the size of the parent company, which allows for the creation of highly personalised tariffs, a better knowledge of the market and the progressive improvement of the internal efficiency in the settlement processes.

The year 2007 was the first year of the application of the regulation relating to the direct indemnity of the Motor TPL division.

We believe that the 11 months since the introduction of the new management system, further modified during 2008, constitutes too brief a time period to quantify fully the effects deriving from the launch of the new direct compensation procedure: account was taken of the valuation of the cost of the current generation with a prudent approach, with the objective, substantially, to neutralise a large part of the advantages of an economic nature from the operations of the new regime, which should be absorbed over a number of years, adopting however a prudent approach on reserves.

The period since the launch of the new compensation procedures is not sufficient for a precise overview on the economic and managerial indicators, considering the non-uniform aspects compared to the year 2006.

In relation to the overall performance of the class – within a market characterised by a decrease in premiums written, there was a decrease in claims reported.

For the generations of previous years against reversals with positive overall effects, it was considered appropriate to strengthen the loading in consideration of the fact that, due to the launch of the new direct compensation procedures, these reserves entered into a run-off phase.

The result of the CVT class although positive, recorded significant declines compared to the previous year, due to an increase in the claims reported and the correlated average cost and the decreasing margins on new contracts.

The other classes report a stable overall technical performance in line with the results of the previous year.

The negative performance of the health class continues, in spite of the restructuring actions undertaken; the older portfolio continues to erode the margins on new contracts.

Similarly, the General Civil Responsibility class reported results lower than expectations due to the greater impact of the serious claims during the year, in spite of the actions to reform the contracts with historically high claims.

The strategy continues in the other classes of selective growth with consequent reform of the portfolio and cancellation of non-profitable policies, together with the launch of a growth policy in the Retail sector through a targeted marketing campaign.

Also in 2007, the negative balance of the reinsurance is a result of the overall satisfactory performance of the direct business and to the particular reinsurance structure, which gives preference to the level of protection on particularly serious events. The improvement compared to the previous year is principally due to the positive effect on some serious claims.

The result of the acceptances was break-even - affected by few external risks to the group.

The Life Division, although encountering some difficulty on the premiums written, reported a growth in margins compared to the previous year, in spite of the significant impact of the adjustments to fixed income securities.

The technical result was approx. Euro 24 million compared to Euro 21 million in 2006, within a cost containment programme of the general expenses.

The increase in operating costs was contained to 1.3%, thanks to the lower impact of the commission costs, in line with the decrease in premiums. The increase on the other hand in general expenses was more significant, including the charges related to the compliance with new legislation, among which direct compensation, and to greater pressure on holding costs attributable to other administration expenses. The overall management costs, before the quota ceded to reinsurers, increased from Euro 918 million to Euro 929 million. Consequently, the percentage on gross premiums increased from 17.4% in the previous year to 18.3% in the current year. Within this, the life classes increased from 5.2% to 6.1%, while the non-life classes reported a margin of 22.2% compared to 21.7% in 2006.

Overall, the technical reserves amounted to Euro 14,589 million (Euro 14,760 million in 2006). Of this, Euro 6,215 million related to the Non-Life Division (Euro 6,332 million at 31/12/2006) and Euro 8,374 million to the Life Division (Euro 8,428 million at 31/12/2006).

The ordinary income from investments grew by approx. 5% on the previous year within a market of general increases in interest rates and a good contribution from dividends of non-group companies. Overall, the net ordinary income reached Euro 630 million (Euro 599 million in 2006), while the net trading income was over Euro 114 million (Euro 38 million in 2006). The net impact on the income statement from the valuation of financial instruments including the investments in subsidiaries was a charge of Euro 83 million (charge of Euro 79 million in 2006), including the previously mentioned write back in the value of Unicredito shares (formerly Capitalia).

The balance of the other ordinary items was a charge of Euro 116 million, including Euro 70 million of amortisation on intangible assets (of this approx. Euro 48 million attributable to goodwill). Consequently the net profit from continuing operations amounted to Euro 312 million (Euro 360 million in 2006).

The balance of the other extraordinary items, with the exclusion of the net realisation on financial instruments, was a charge of Euro 11 million.

The total tax charge in relation to the pre tax result decreased compared to the previous year.

This effect is due to the fiscal irrelevance of some extraordinary income components such as, specifically, the valuation gains and realisations relating to investments exempt and which therefore, do not represent a stable indication of the containment of the tax rate of the Company.

In addition, the new tax provisions contained in the 2008 Finance Act, although on the one hand resulted, due to the effect of the reduction of the nominal Ires income tax and Irap regional tax rates, in the recording in the income statement of deferred tax assets and liabilities in excess of the previous years with a net negative effect on the tax rate, and on the other hand resulted in the reduction of the nominal Ires tax rate and the revision of the percentage of the exempt Investments (PEX) which will increase from the current 84% to 95% and in the utilisation of deferred tax liabilities on gains fiscally irrelevant allocated, following the incorporation of La Fondiaria Assicurazioni, on the buildings and on the investments of Milano Assicurazioni held by the incorporated company, reducing the overall tax charge.

## PREMIUMS WRITTEN

Overall, the premiums written amounted to Euro 5,072 million compared to Euro 5,262 million in 2006, a decrease of 3.6%.

The direct premiums written amounted to Euro 5,054 million in 2006 – a decrease of 3.4%.

The total business written in 2007 is summarised in the table below:

(in Euro thousands)	31/12/2007	31/12/2006	Change %
<b><u>DIRECT PREMIUMS</u></b>			
Motor Division	2,615,001	2,688,332	(2.73)
Other Non-Life Classes	1,230,852	1,198,783	2.68
Total Non-Life Division	3,845,853	3,887,115	(1.06)
Total Life Division	1,208,290	1,343,993	(10.10)
<b>TOTAL DIRECT PREMIUMS</b>	<b>5,054,143</b>	<b>5,231,108</b>	<b>(3.38)</b>
<b><u>INDIRECT PREMIUMS</u></b>	18,053	30,856	(41.49)
<b>TOTAL GENERAL</b>	<b>5,072,196</b>	<b>5,261,964</b>	<b>(3.61)</b>
of which:			
Non-Life Division	3,854,148	3,896,352	(1.08)
Life Division	1,218,048	1,365,612	(10.81)



## **Non-Life Business**

## THE NON-LIFE INSURANCE MARKET

In the first 9 months of 2007, the total active insurance premiums written in Italy amounted to Euro 72.14 billion, a decrease of 5.5% compared to the corresponding period of 2006. This data, resulting from an evaluation made by Isvap on information supplied to the companies confirming the slowdown in the Italian market.

Within the Non-Life Division the Motor TPL, with premiums totalling Euro 13.5 billion, recorded a small decrease of 0.7%, accounting for 51.4% (52.4% in the same period of 2006) and 18.8% on the total premiums (17.8% in the first nine months of 2006).

Among the other Non-Life Divisions, those with the highest levels of growth were: land vehicles, with an increase of 3.83% and a percentage on the portfolio of 9% (8.7% in 2006), Accidents with an increase of 3.05% and a percentage on the total portfolio of 8% (7.9% in 2006), Health with an increase of 10.76% and a percentage on the total portfolio of 5% (4.6% in 2006).

Estimates made by Prometeia on the Non-Life sector report signs of a slowdown compared to the previous half year report, with the Motor segment stable due to competitive pressures and the introduction of the “Bersani bis Decree” which resulted in a decrease in the average premium and an increase in the maximum coverage level. The Non Motor segment showed greater activity, especially in health coverage (for the component related to the collective policies) and in the Pecuniary Losses class (due to the role of the credit protection policies within the Property class). The Non-Life bancassurance contribution to this sector should continue, although the volumes continue to be modest.

With reference to the general market, it is reported that due to the entry into force of the above-mentioned regulations (for further details reference should be made to the section “Regulatory Frameworks”), the foundations have been set for significant restructuring in the Italian insurance market, with consequent complexity both at organisational and operational level, whose management will require greater investments in insurance companies and a general increase in the quality of the services offered.

One year on from the introduction of the direct compensation system, 76% of the claims presented from February to December 2007 have been settled (against 65% pre-direct compensation), with more than 1.7 million claims reported paid. The average settlement time according to the data of the Economic Development Ministry is 40 days.

During the entry into force of the regulation on the direct compensation the decrease in the average premium intensified in the Motor TPL insurance sector. Preliminary estimates of Ania indicate a reduction of 2.1% compared to the previous year.

The decrease in premiums is also evident in a wider competition scenario, which were also impacted by the liberalisation measures contained in the Bersani decree (abolishment of the maximum discounts, bonus classes attributable for further vehicles acquired, delays in the attribution of the malus class at the moment of the claim and not on the settlement).

All of the above matters contributed to a decrease in premiums written (0.7%), while the total number of policies written increased (+1.7%).

Considering however the strong mutual character of the Motor TPL. insurance, the decrease in the average premium recorded was not necessarily extended to all policyholders.

Although still awaiting the definitive data on the claims contested, it would appear the procedure has permitted a reduction in the number of disputes, as initially expected as the damaged party, accepting the compensation offer, does not undertake a long civil case, which would result in a consequent increase in the average costs recorded up to now due to the professional assistance expenses not justified for the simplest claims.

From an initial study made by Il Sole 24 Ore at the end of November on the direct compensation system in the Italian market, the amounts reimbursed to the claimants, although faster, would appear to be lower compared to the flat rate which the companies recognise monthly through the "clearing house": on more than Euro 2 billion cleared between the insurance companies, total claims amounted to Euro 1.4 billion. It should be underlined however that an exact and reliable estimate may only be made in a couple of months, when the procedure will be fully operational, allowing an analysis of a series of historical data, which, at the moment, are not yet available, in particular relating to the reimbursement for damage to the person, even where not serious, notoriously more costly.

In addition to these considerations is the fact that the cost of the damaged material continues to incorporate significant inflation effects (both in the spare parts and the cost of labour), which, in the current context are difficult to transfer onto the tariffs.

The direct compensation system also has the potential to exclude potential fraudsters which must request the claim from their own agency, generating suspicion in the case of an excessive number of accidents.

Confirmation therefore that the procedure utilised functions, but valid technical indicators are still not available to evaluate the impact on the costs even though, contrary to the general held belief, the tendency in our country in the last three years was of a gradual reduction in the average price of Motor TPL policies, as demonstrated unequivocally by the contraction of the premiums by the insurance companies against an increase in the number of policies.

Recent studies conducted by ANIA have demonstrated, analysing the ratio between premiums written of the insurance companies and the number of vehicles insured, an index which measures the expenses effectively incurred by the Italian population for insurance coverage. The indicator takes into account the prices actually quoted in the free competitive market and not of the pure reference tariffs which have little significance. The data currently available therefore shows that the average price of the Motor TPL policies decreased by 0.8% in 2006 and by 1.5% in 2005. In the three-year period 2004-2006, the average price of the policies decreased, in real terms or rather net of inflation, by 8%.

Further reductions in price irrespective of the demagogic viewpoint, must take place through additional legislative measures which act upon:

- On the conditions of road safety, still too far behind the European objectives in the reduction of victims from accidents;

- On the reduction of the number of frauds, through a specific public agency financed by the insurance sector. An intervention in this area will permit a reduction in the cost of claims by up to 30%.
- On conciliation criteria alternative to the Motor TPL disputes;
- On the compensation regulation of damage to the person, as uniform jurisprudence on the economic valuation of the so-called “serious injuries” exists.

Finally, the potential of the current direct compensation system could be further improved, introducing appropriate corrective elements in the compensation procedure between companies capable of differentiating the flat-rate based on the type of vehicles and not of the damage incurred in order to achieve the objectives of all parties.

The average cost of the claims in Italy in recent years reached approx. Euro 4,150, compared to a Euro 3,000 European average. This difference is substantially due to the fact that, in Italy, the number of claims with personal injuries was approx. 21% of the total, more than double compared to countries such as France and Germany.

In addition, the frequency of the Motor TPL claims in our Country, is a fundamental component in the determination of the cost of the insurance policies, although having reduced in the last 10 years is equal to 8.4%, compared to a European average of 7% (in Germany, this indicator is 6.8% and 4.8% in France).

Unfortunately, the frequency of the claims is strictly related to some structural characteristics in our system: low level of road safety, limited efficiency of public transport, traffic congestion, little respect of the rules of the road and significant levels of fraud. In this context, urgent measures capable of reducing the costs for the companies and for the policyholders must be taken to reduce the frequency and the average cost of the claims, through structural government interventions, and to prevent road accidents becoming, in recent years, a real social emergency.

In relation to the Fondiaria-SAI Group, it will be possible to obtain savings on premium claims thanks to the new personalisation parameters of the insurance policies, introduced in March 2007, in which the contracting party declares that the vehicle is driven exclusively by persons over the age of 26 years and holding a license for at least 2 years.

In relation to welfare, the Italian public resources for workplace security represent one of the central themes to be addressed. The insurance sector could provide a contribution, in regulatory terms, if the recommendations of the Competition Authority were applied, which, from 1999 had invited the liberalisation of the insurance coverage sector for professional injury and sickness, as the activity of the National Institute of Workplace Injury (INAL) is similar to that of a private insurance company which operates in the injury and health classes.

In fact, with reference to the recent “workplace fatalities” which have occurred in Italy, and in particular in Piedmont, the annual report of Inail states that in relation to the trend of injuries in Italy in the last 5 years, the average annual variation of workplace injuries was -1.6%, while those relating to fatal injuries was -3%.

**Table 2 – Workplace accidents: average trend in the period**

Year of Accidents		Cge. on prev. year	Fatal accidents
2002	992,655		-1,478
2003	977,194		(1.6)1,449
2004	966,729		(1.1)1,328
2005	940,021		(2.8)1,274
2006	928,158		(1.3)1,302

*Source: INAIL statistical databank - INAIL Report - December 2007 (data updated at October 31, 2007).*

The preliminary estimates for the year 2007, made based on the injuries relating to the first ten months of the year, confirms the slight trend of reduction that has occurred for many years. The reduction compared to 2006 should be around 1.5%.

Overall, in the last 15 years the reduction was over 8%; taking account that the employment level increased by 6% in the same period, the improvement assumes more significance (-13.3%).

Following the European Directive No. 62 of February 21, 2007, which requires that the Countries in the European Union reduce by 25% in the period of 2007-2012, a greater and more incisive reduction is required. It should be noted that this change will be calculated according to the Eurostat method (which defines workplace injury as only those with “absence of work for at least 4 days”): on this basis, the reduction 2001-2006 calculated for Italy is 20% in relative terms.

## PREMIUMS WRITTEN

Overall, the premiums written amount to Euro 3,854 million, a modest decrease compared to Euro 3,896 million in 2006.

The direct premiums written amounted to Euro 3,846 million - a decrease of 1.06%.

In particular, the premiums are broken-down as follows:

(in Euro thousands)

	2007	2006	Chg. %	Percentage	
				2007	2006
<b>DIRECT PREMIUMS</b>					
Accidents	247,150	246,156	0.40	6.34	6.32
Health	177,119	160,789	10.16	4.55	4.13
Railway	-	3	(100.00)	0.00	0.00
Aviation	1,443	1,441	0.14	0.04	0.04
Maritime	5,055	4,176	21.05	0.13	0.11
Merchandise transport	11,014	12,771	(13.76)	0.28	0.33
Fire and other natural elements	207,864	209,294	(0.68)	5.33	5.37
Other damage to goods	218,113	206,900	5.42	5.60	5.31
Motor TPL	655	706	(7.22)	0.02	0.02
Maritime TPL	3,302	3,215	2.71	0.08	0.08
General TPL	286,324	285,222	0.39	7.35	7.32
Credit	44	86	(48.84)	0.00	0.00
Bonds	37,010	33,526	10.39	0.95	0.86
Pecuniary losses	10,848	11,228	(3.38)	0.28	0.29
Legal expenses	7,560	7,270	3.99	0.19	0.19
Assistance	17,351	16,000	8.44	0.45	0.41
<b>TOTAL NON-LIFE DIVISION - MOTOR</b>	<b>1,230,852</b>	<b>1,198,783</b>	<b>2.68</b>	31.59	30.78
Land vehicles	437,505	413,699	5.75	11.23	10.62
Motor TPL	2,177,496	2,274,633	(4.27)	55.89	58.37
<b>TOTAL MOTOR</b>	<b>2,615,001</b>	<b>2,688,332</b>	<b>(2.73)</b>	67.12	68.99
<b>TOTAL DIRECT PREMIUMS</b>	<b>3,845,853</b>	<b>3,887,115</b>	<b>(1.06)</b>	98.71	99.77
<b>INDIRECT PREMIUMS</b>					
	8,295	9,237	(10.20)	0.21	0.23
Of which:					
Italian	1,344	3,227	(58.35)	0.03	0.08
Overseas	6,951	6,010	15.66	0.18	0.15
<b>TOTAL GENERAL</b>	<b>3,854,148</b>	<b>3,896,352</b>	<b>(1.08)</b>	<b>98.92</b>	100.00

## CLAIMS PAID AND CLAIMS REPORTED

The claims paid for direct Italian premiums - gross of recoveries from reinsurers - and including the settlement expenses amount to Euro 2,762 million, an increase of 1.21% compared to 2006.

The breakdown by business class is shown in the following table:

	<b>- Claims paid</b> (in Euro thousands)			<b>Claim reported (*)</b> Number		
	<b>2007</b>	<b>2006</b>	<b>Chg. %</b>	<b>2007</b>	<b>2006</b>	<b>Chg. %</b>
Accidents	122,603	119,615	2.50	52,281	52,543	(0.50)
Health	147,191	148,676	(1.00)	175,302	156,295	12.16
Railway	-	10	(100.00)	-	1	(100.00)
Aviation	770	1,524	(49.48)	8	5	60.00
Maritime	2,091	2,603	(19.67)	233	228	2.19
Merchandise transport	6,584	9,970	(33.96)	1,748	2,306	(24.20)
Fire and other natural elements	106,205	103,223	2.89	32,539	35,688	(8.82)
Other damage to goods	143,242	135,432	5.77	87,396	85,638	2.05
Motor TPL	600	437	37.30	9	9	-
Maritime TPL	354	586	(39.63)	109	122	(10.66)
General TPL	207,720	202,986	2.33	56,200	59,576	(5.67)
Credit	249	1,002	(75.15)	2	7	(71.43)
Bonds	27,254	28,150	(3.18)	531	473	12.26
Pecuniary losses	3,541	2,937	20.57	4,480	3,057	46.55
Legal expenses	979	1,131	(13.44)	1,148	807	42.26
Assistance	8,506	6,780	25.46	35,636	32,634	9.20
<b>TOTAL NON-LIFE DIVISION -</b>	<b>777,889</b>	<b>765,062</b>	<b>1.68</b>	<b>447,622</b>	<b>429,389</b>	<b>4.25</b>
Motor TPL	1,755,710	1,753,993	(0.09)	492,027	495,348	(0.67)
Other land vehicles	229,087	210,460	8.85	163,665	152,686	7.19
<b>TOTAL MOTOR</b>	<b>1,984,597</b>	<b>1,964,453</b>	<b>1.03</b>	<b>655,692</b>	<b>648,034</b>	<b>(1.18)</b>
<b>TOTAL DIRECT PREMIUMS</b>	<b>2,762,486</b>	<b>2,729,515</b>	<b>1.21</b>	<b>1,103,314</b>	<b>1,077,423</b>	<b>2.40</b>

(\*) for generation

The Motor TPL Division includes the claims paid for the charges incurred for the management of the claims as “Operator” within the new direct compensation system, net of those recovered as a flat-rate in the Consap compensation procedure. With reference to claims reported it is noted that, for comparison with the previous year, they only refer to claims caused and do not include the relative number of claims in the “Card Operation” system.

## MANAGEMENT EXPENSES

The management expenses of the direct business amount to Euro 853.5 million, a total increase compared to the previous year of approx. 1% (Euro 845.2 million in 2006).

The management expenses are shown in the table below:

(in Euro thousands)	2007	2006	Change %
<b>Direct business</b>			
Commissions and other acquisition expenses	686,485	702,268	(2.25)
Other administration expenses	166,998	142,971	16.81
<b>Total management expenses</b>	<b>853,483</b>	<b>845,239</b>	<b>0.98</b>

Within the Management Expenses, the personal expenses increased by 6.3% (Euro 159.7 million in 2007 and Euro 150.3 million in 2006).

## MOTOR TPL

The premiums written amounted to Euro 2,177.5 million, a decrease of 4.26% compared to 2006.

The decrease in premiums is due to the effect of the manoeuvre tariffs, aimed at a more equilibrated territorial presence and not an increase in the yields, and to the entry into force of the Bersani Decree, which requires the assignment to further vehicles acquired by a party or a family member the same class assigned to the first vehicle, instead of the entry class indicated by the company. This results in a reduction in the premiums related to new acquisitions and resulted in a significant reduction in the average premium.

The number of vehicles insured by Fondiaria-SAI overall report a decrease compared to the previous year as a consequence of the greater number of notices on collective contracts and a higher number of tariff personalisation in order to improve the quality of the portfolio.

The combined ratio was 93.67%.

The technical reserves of the class represent 163.93% of the premiums for the year.

The technical balance continues to be positive, although a decrease compared to 2006 due to the decrease in premiums written and a greater strengthening of the reserves on previous generations.

## Claims

Due to the introduction of the new direct compensation regime, the cost of the claims and the correlated indicators are not immediately comparable with the same data of the previous years. This is in consideration of the strong elements of discontinuity introduced by the new compensation procedures.

The number of reported claims in the year was 492,136 with a decrease of 0.7%. Similarly there was a reduction in the number of payments equal to 441,457 (-4.2%), while there was a reduction in the cost of the current generation which amounted to Euro 1,605.7 million (-3.5%).

The average cost of the payments increased by 4.6% for the current generation and 4.4% for the previous generations, with an overall increase of 4.5%.

The average cost of the reserve on the current generation was impacted by the new regulations on the direct compensation in relation to the flat-rate residual loaded. In relation to previous years, the increase in the average cost is in line with the increase of the payment.

The claims/premiums ratio, net of the Guarantee Fund for Road Victims, is 75.03% for the current year and 74.22% at global level.

The speed of settlement of the current generation on the claims managed (No Card Claim + Operator Card Claims) was 75.8% for the claims in 2007 and 69.2% for the claims in previous years. On the claims caused there was a slight decrease for the speed of payment for the previous years, which was 69.2% (68.2% in 2006).

The generation claims, in which the policyholder was civilly responsible, defined in the course of the year, amounted to 347,158 - equal to 70.54% of the claims reported (76.52% in 2006).

The table below shows the situation of the claims still open at December 31, 2007 for Fondiaria-SAI, compared with the claims reported and the situation relating to the Operator Card.

Generation	Reported*	No. of Claims open	% on reported claims
1998	595,521	724	0.12
1999	595,732	1,099	0.18
2000	613,255	1,575	0.26
2001	589,850	2,464	0.42
2002	578,220	4,061	0.70
2003	539,448	5,937	1.10
2004	513,105	7,727	1.51
2005	503,957	12,084	2.40
2006	495,470	28,291	5.71
2007	492,136	144,918	29.46

(\*) Excludes the reported CID Mandates

#### Card management from 1/2/2007

Generation	Claims Reported	No. of Claims open	% on reported claims
2007	244,276	41,351	16.93

## **Direct Compensation - IT System for claims management**

The settlement structure in 2007 operated through the new Claims Department created following the restructuring of the “claims processes”, made in terms of procedures and functions by the individual Claims Offices; this reorganisation was necessary to comply with the regulations contained for direct compensation introduced by the reform to the Insurance Code effective from February 1, 2007.

The evolution of the claims at year end in the different types contemplated by the direct compensation appears in line with the expectations and the organisational size of the new operating functions.

The IES claims management IT system was extended to all the claims offices of the Group companies: during the year the functioning was optimised with the necessary implementations for an efficient management of the procedures contained in the Direct Compensation guidelines, which permitted the reaching of high levels of quick settlement, in a still difficult management situation in light of the new provisions.

## **Motor Repair Project**

Fondiaria-SAI incorporated a special purpose vehicle controlled 100%, called Auto Presto & Bene S.r.l. (formerly SAI Sistemi Assicurativi S.r.l.) , to be utilised for the realisation of a project to launch the new auto repair management system, which will permit the Company to avail of the opportunities deriving from the introduction of the new direct compensation regime.

Taking into account that Fondiaria-SAI settled in 2006 just over Euro 1 billion for auto repair, it is highlighted that the direct indemnity extends the possibility to extract value from the auto repair system and to achieve a market share that allows the Company and the group to seize the market opportunity.

The channels, obligatory or optional, contained in the new regulation represents one of the drivers for the creation of value, together with the possibility to control the level of service and to participate in the supply chain through agreements with suppliers and workshops. All this with the objective to pay the correct price, offer a service of excellence and obtain margins in the value chain.

The project will permit the reduction of labour costs and spare part costs. The first step to reduce the repair costs is to ensure an adequate control in order to identify the critical actions in the auto repair activities.

Given the complete diversity of the auto repair business to that of insurance, it was necessary - in line with that undertaken by other insurance companies, to separate the two activities. For this purpose the special purpose company was incorporated, which will undertake the following activities:

- Aggregation of the demand and negotiation with suppliers;
- Control of repair costs through specialist resources;
- Control of IT infrastructure;
- Control of working capital and inventories;
- Audit auto repair development.

Both the vehicle company and the development of the models with high local level integration could benefit partnerships and/or acquisitions.

The business model will be versatile, with multi local selective integration throughout the territory. The panorama of auto claims is in fact very varied throughout the territory and the local specifically suggests a variable approach with strong integration limited to the areas of high density in the centre-north of Italy.

The model has the following principal objectives:

- Implementation of the suburban control system by experts and workshops;
- Optimisation of the system of fiduciary controls;
- Involvement of the agents for a more efficient channel system;
- Rapid activation of the IT interface.

## LAND VEHICLES

The premiums amount to Euro 437.5 million, an increase of 5.7 % on 2006.

The increase of the premiums is principally due to important agreements with some car manufacturers and with financial companies and the appreciable increase (+7.1%) of new registrations, largely due to the renewal of the car pool, which differing from the obligatory insurance in which the impact on the premiums is minimal, for this class there is a greater significance due to the insertion of new guarantees and greater capital insured.

The technical performance continues to report good profitability margins although a decrease compared to 2006, as the new contracts agreed report decreasing margins.

The claims reported in 2007 amounted to 163,665, an increase of 7.2% compared to the previous year.

The number of claims paid amounted to 153,150, an increase of 7.5% compared to 2006.

The cost of the claims of the current generation amounts to Euro 221.7 million, an increase of 4.8% compared to 2006. The speed of settlements, net of the claims eliminated without further process, amounted to 88.5% for the current generation claims (88.6% in 2006) and 88.9% for the claims of previous years (90.3% in 2006).

The claims/premiums ratio for the year was 55%, while the Global Claims/Premiums ratio was 55.5%.

The combined ratio was 83.2%.

## NON-MOTOR CLASSES

The Italian direct premiums written amount to Euro 1,230.8 million - an increase on 2006 of 2.7%. There was an increase in 2006 both in the number of claims reported (+4.25%) and the number of claims paid (+2.7%). The generation cost of the current year decreased slightly compared to 2006 by 0.3%.

In the Retail segment, the harmonisation of the Group product list continues. Two new products were marketed "LA MIA ASSICURAZIONE FABBRICATI" to insure the property of factories, the civil responsibility deriving from ownership and the activities undertaken by this latter and the civil responsibility of the directors of the plant.

The other product was "LA MIA ASSICURAZIONE RC PIÙ" which proposes specific coverage for persons working in education, tourism and leisure and for those that hold land and buildings.

In addition, the following products are noted: La mia assicurazione Basic Casa, La mia Assicurazione Basic Contenuto and La mia Assicurazione Basic Famiglia were launched on the market in December 2006, and in fact marketed from the beginning of 2007.

In the Corporate sector, the extremely competitive market conditions did not impact on the realisation of significant volume levels above those achieved in 2006, in line with the assumption criteria defined to guarantee the maintenance of a rigorous policy in the underwriting of risks, especially in the most critical sectors.

The Siga (Integrated System for the Management of Flood Risk) became operative and for which in the current period various training activities are underway, which sees the company strongly involved in the programme to guarantee a new procedure in the underwriting of the risks relating to natural flooding events.

During the year, numerous new products exclusively for the Corporate sector - in various areas - were launched.

At the same time also in the Corporate sector new instruments were implemented in the preliminary underwriting phase, taking into account the new provisions in terms of adequacy of the coverage.

## **Accidents**

During the year, the Corporate injury product was launched, exclusively for Enterprises, which unifies all the activities of underwriting, rationalising and simplifying the contents of the previous product lists and introduces interesting innovations both at guarantee level and tariff level. The premiums were in line with the previous year.

There was a small decrease in the number of reported claims against a slight increase in the number of payments. There was a small increase compared to 2006 in the cost of the claims which amounted to Euro 122.72 million (+0.4%), a percentage which takes account of the impact of the catastrophic claims which occurred during the year whose costs amount to Euro 8.4 million, an increase of 17.3%.

The claims/premiums ratio for the year was good (50.7%), as was the overall level (51%).

The technical balance remained very positive.

The premiums amounted to Euro 247.15 million (+0.4%).

The pro-rata reported claims amounted to 52,281 (-0.5%).

The number of payments, amounting to 39,159, increased slightly (+2.7%) compared to 2006.

The class recorded a combined ratio of 82.5%, an increase compared to the previous year.

Overall the technical reserves represent 93.7% of the premiums for the year.

## **Health**

Against an increase in the premiums written, the class reports a strong negative trend due to the increase in claims both reported and paid.

The situation is particularly problematic in the mass risk sector (which includes 76% of the portfolio) where the sales volumes of Group products, constructed with technical characteristics of greater profitability, were not sufficient to offset the portfolio loss of the old contracts which continue to be restructured; parallel to this, the claims recorded an increase both in the amounts and the average costs of the claims with a greater impact on the Retail compared to the Corporate.

The technical balance was negative and a further deterioration on 2006.

The premiums amounted to Euro 177.12 million (+10.2%).

The pro-rata claims reported amounted to 175,302, an increase of 12.2%.

The number of claims paid, amounting to 151,269, increased by 6.5% compared to 2006.

The cost of the current generation of claims amounted to Euro 145.6 million, an increase of 4.5% compared to the previous year.

The combined ratio of the class was 124.7%, an increase on 2006.

## **Fire and other natural events**

There was a small decrease in the premiums written and a significant reduction in the number of claims reported and paid. However, there was a significant increase in the cost of claims that amounted to Euro 128.6 million, an increase of 19.8% compared to the previous year.

The negative performance in the year for the fire class was largely attributable to the impact of the catastrophic claims amounting to Euro 59.8 million, an increase of 70.5%.

During the year, the revisions continued in the Corporate sector of all those contracts that, although not reporting significantly negative trends, are older in terms of issue, in order to permit an alignment of the conditions and services at more adequate levels and in line with the current underwriting criteria. The alignment of the contractual conditions of the typographic products compared to those in terms of transparency of the Insurance Code is in course of realisation.

The technical reserves closed positively however despite the strong decrease in 2006.

The premiums amounted to Euro 207.9 million, a slight decrease of 0.7% compared to 2006.

The pro-rata claims reported were 32,539, a reduction of 8.8%.

The number of claims paid of 28,290 decreased by 9.1%.

The claims/premiums ratio was at good levels (63.3%) while the global level was 62%.

The combined ratio for 2007 was 98.7%.

The technical reserves of the class represent 135.9% of the premiums for the year.

## **Maritime and merchandise transported**

These two classes, which represent the largest part in volumes of premiums and claims relating to the Transport guarantees, recorded a small decrease in the premiums written. The volumes of the Merchandise premiums recorded in 2007 were still impacted by the decision taken by the Insurance Company to progressively exit the brokers channel: In fact for the second consecutive year there was a significant decrease.

On the other hand, the business acquired through the agency network grew significantly, with the commercial actions aimed at stimulating sales through this channel resulting in an increase of 8%.

In the Property sector, where the contribution of the premiums required through the brokers channel was lower, the increase was more evident: In fact, there was an increase of 17.4% attributable almost exclusively to the subscription related to the pleasure boat sector which continues to be one of the most vital sectors in the Italian industrial spectrum.

The cost of the current generation claims decreased.

The technical balance was positive, although there was a 36.1% increase in catastrophic claims by the Property class and a decrease in the Transport Goods class.

## **Other damage to property**

The division claims grew in a contained manner compared to an increase in the cost of claims paid. This resulted in a negative technical balance in spite of the reduction in serious claims (-5.5%) compared to 2006.

In this division, revisions in the Theft sector of all those contracts that, although not reporting significantly negative trends, are older in terms of issue, were carried out, in order to permit an alignment of the conditions and services at more adequate levels and in line with the current underwriting criteria.

The portfolio of the Technological Risks recorded a significant increase accompanied by a decisively positive technical trend, within an unfavourable market, at least in relation to the public building policies, as the demand of public works in Italy in 2007 declined strongly.

In spite of this, we were involved in the insurance coverage of the most important public tenders in the year.

The year 2007 was also the year in which the effects began of the ten year policies in application of the law for the protection of buildings, although within a regulatory system still not fully established and therefore with products still to be defined.

The premiums amounted to Euro 218.1 million, an increase of 5.4%

The pro-rata claims reported in the year amounted to 87,396, an increase of 2.1%.

The number of claims paid, amounting to 76,067 increased by 4.3% compared to 2006.

The cost of the claims of the current generation amounted to Euro 148.3 million (+6.4%).

There was a deterioration in the claims/premiums ratio in the year (70.4%) and the global ratio (68.1%) compared to 2006.

Compared to the previous year, the technical result was negative strongly impacted by the high management charges of the class.

The class reported a combined ratio of 102.5%.

The percentage of the technical reserves on the premiums amounted to 103.1%.

In 2008, the launch on the market of a global product for photovoltaic plant is programmed which, thanks to the new state incentive is a technological sector in strong growth. Relating to the Hailstorm guarantee, the year 2007 recorded a good increase in premiums and an improvement in the technical result which was already positive in the previous year.

There was a further increase in the multi-risk policies to the detriment of the cover against one single hailstorm risk. This is due to the greater contribution on the insurance premium made by the State in favour of policyholders.

## **General TPL**

The premiums increased in a very contained manner against a reduction in claims paid.

However, the amount of the claims is significantly impacted by the increase in the catastrophic claims of Euro 55.3 million, an increase of 9.9%.

For this class, a systematic intervention was taken on all the negative contracts of the Corporate sector, with the objective to significantly restructure the exposures on the predominantly negative contracts.

A revision was undertaken of all those contracts that, although not reporting significantly negative trends, are older in terms of issue, in order to permit an alignment of the conditions and services at more adequate levels and in line with the current underwriting criteria.

Also the Public Entity sector reports an improvement, a direct consequence of a series of reform interventions prepared for the technical re-equilibrium.

During the year, two new products were prepared dedicated to the cover of Industrial and Production Responsibility Risks.

In addition, new legislation was prepared relating to the TPL for the Educational Institutions and within the RCO coverage.

The technical balance was negative, although a significant improvement compared to 2006, thanks to the above-mentioned restructuring.

The premiums amounted to Euro 286.32 million (+ 0.4%).

The pro-rata reported 56,200 claims (-5.7%).

The number of claims paid, amounting to 40,864 decreased by 8.2% compared to 2006.

The cost of the claims of the current generation amounted to Euro 210.19 million, a decrease of 1.7%.

The claims/premiums ratio for the year was 73.4%, while the global was 69.8 %.

The combined ratio for 2007 was 103.8%.

Overall, the ratio between the technical reserves and the premiums was above 400%.

## **Bonds**

The year 2007 for the Bonds Class recorded a significant increase in premiums (+10.4%).

This increase, probably above the national average (in the third quarter +3.8%) is due principally to the leading role in the market of the Company in the Bond sector.

In particular, in relation to the agency networks of the Company, there was a growth in margins by the Agencies of the Sai Network also thanks to the training plan implemented by Management. Also contributing to the growth was the IT project for the issue of the policies in the Agencies.

From a profitability viewpoint, the year just ended also recorded a good ratio of Claims to Premiums (61.8%) while the global amounts were 31.5%.

This result, represents a constant mark of the operations of the Company for a number of years; this is due to a careful analysis of the type of risk proposed to the client, and a rigid selection of the counterparties in an extremely delicate sector such as Bonds.

In the year just commenced, the research and study of innovative instruments and methods will continue, in order to analyse risks increasingly more technically complex and with maximum coverage guarantees of increasingly significant amounts.

The year recorded a positive technical balance, although a strong decrease compared to the previous year. This decrease is principally due to the percentage of the “other technical charges” (in particular a significant write-down on the premiums).

The combined ratio for the class was 89.1%.

There was reduction of 2.9% on the claims paid and an increase compared to the previous year of the costs of the generation claims amounting to Euro 24.3 million.

The ratio between technical reserves and premiums written was approx. 200%.

## Settlement Time

The speed of the settlements for the principal classes relating to the year 2007 is shown below compared to the previous year:

CLASSES – Year of occurrence (in %)	2007	2006
Accidents	39.13	37.63
Health	81.57	86.42
Fire and other natural elements	74.28	75.18
Other damage to goods	73.15	71.28
General TPL	59.69	60.32
Motor TPL*	75.80	72.65
Land vehicles	88.48	88.06
Others Divisions	68.30	69.18

(\*) Speed of settlements calculated on the claims managed (No Card + Card Operator)

CLASSES – Year of occurrence (in %)	2007	2006
Accidents	68.76	69.63
Health	86.56	89.41
Fire and other natural elements	78.15	80.59
Other damage to goods	81.22	83.32
General TPL	42.83	44.38
Motor TPL	69.20	68.15
Land vehicles	88.98	90.26
Others Classes	43.54	46.26

CLASSES – Card Operator	2007	2006
Motor TPL	81.78	n.a.

## NON-LIFE REINSURANCE

### Outward Reinsurance

The entire reinsurance structure of the Company is based on proportional cover and excess cover, non-proportional coverage in claim excess and non-proportional coverage in loss excess.

Proportional coverage is utilised for the Credit, Bonds, Transport, Technological Risks, Aviation and Assistance.

For the Bond and Aviation classes, there is also protection of the net retention with specific programmes in claim excess for protection of a single risk or event.

The net retention of the Technological Risks, with the exception of those relating to the Ten Year Guarantee, are protected only following a joint event with the Fire and Motor Vehicle Body: This latter has only this specific coverage; a protection for risk is planned only for the Electronic and IT sectors.

The non-proportional programmes are also utilised to protect the Fire, Injury, Motor TLC, General TLC and Theft classes.

Only the Hailstorm class is protected with a proportional programme and a proportional programme in excess of loss (stop loss), in accordance with the features of the product concerned.

The choice of the type of coverage indicated is determined by the specific characteristics of each individual portfolio, also taking into consideration the economic validity of the solutions indicated and their sourcing on the reinsurance market.

All the programmes reported are reinsured by the Irish Group company The Lawrence Re, indirectly controlled 100% by Fondiaria-SAI, which subsequently transfers the risks assumed on reinsurance.

The only exceptions are represented by the Transport coverage, by the Aviation coverage (directly placed on the market) and finally the Assistance class, whose protection is guaranteed by Pronto Assistance.

In the case of the Transport sector, in line with the concentration project of the underwriting at the specialised companies of the group, the entire portfolio is reinsured with Siat, utilising a proportional coverage in a cession share of 99% and commissions equivalent to the acquisition costs.

The reinsurance structure of the Company requires that this undertakes relations, through The Lawrence Re, with the principal market operators, with particular reference to the financial solidity, to the specific professionalism, and to their proven interest in the establishment of long term relationships.

The strategy adopted by the Company in the optional segment is normally complementary to that of the reinsurance agreements; the capacity requested is consequently in excess to that automatically contained in each agreement and therefore may be of a proportional or non proportional nature (in claim excess) according to the underlying agreement: only the Aviation class deviates from this general structure, in which a search is undertaken for the optional capacity before the complete expiry of the contractual capacity.

The cases relating to the typical risk excluded from the contractual conditions or the cases relating to specific commercial agreements which provide for the adoption of a joint reinsurance package to the participation of the individual policy differ from this normal activity.

The reinsurance structure reported have proven to be adequate for the requirements of the Company, and therefore continue to be in line with that of the previous years; however it was considered appropriate, in the presence of almost unaltered costs, to expand the injury protection, consequently providing greater coverage.

The premiums ceded in the year amounted to Euro 136,924 thousand, compared to Euro 137,961 thousand in the previous year. After the substantial increase of premiums ceded in 2006 due to the introduction of the new non proportional agreement with lower limits in the Motor TPL class and an increase in the percentage of the cessions in the transport classes (99% to the group company SIAT), a result was achieved indicative of a substantially unchanged reinsurance programme compared to 2006.

The result improved compared to forecasts especially due to the recovery on an important claim in the 2007 fire programme. There were also significant recoveries on a series of previous Theft and – particularly - RCA classes.

## **Inward Reinsurance**

At December 31, 2007, this includes all the optional business and the acceptances by the insurance companies of the Group and at December 31, 2006 for all the other types of agreements. The result continues to be positive (Euro 2,578 thousand) in spite of the negative contribution of some reinsurance of previous years accepted by companies of the group. The only inward reinsurance portfolio of the group in pure run-off recorded a positive stable result.

The premiums accepted in the period amounted to Euro 8,295 thousand, a small decrease compared to the previous year.

## **NON-LIFE INSURANCE LITIGATION**

The cases (Motor and Non Motor) defined in 2007 amounted to 24,017, a decrease of 1.47% compared to 2006.

89.62% are within the RCA division (87.7% in 2006).

There was an increase of 4.51% for the amount of the legal expenses paid, equal to Euro 69,401 thousand (Euro 66,404 thousand in 2006).

The claims in litigation at December 31, 2007 were 43,294 cases (-13.45%) compared to the previous year.

The R.C.A. civil cases pending at December 31, 2007 totalled 32,545 compared to 39,718 at December 31, 2006; there was a decrease of 7,173 cases equal to -17.96%.

The penal R.C.A. cases pending at December 31, 2007 totalled 927 compared to 956 in the previous years; it was therefore a reduction of 29 cases or 3%.

The reduction of first year litigation is only marginally due to the entry into force of the direct compensation which should result in significant effects from next year.

An Operating Improvement (MIO) programme commenced in 2007 with the purpose of improving all the processes and leading also to a consequent reduction in disputes.

## **Life Division**

## THE LIFE INSURANCE MARKET

Our Country has the need for a modern welfare system, capable of combining responsibility and solidarity, guarantees and prevention, capable of providing efficient responses to a demand for security which is destined to grow over time, where in 2006 alone the expenses relating to pension and assistance services grew in Italy by 4.1% on 2005 for a total of 223.629 billion (15.16% of GDP).

The importance of the change in the pension system is however still extremely undervalued by Italians, as many young workers do not properly value the alternative provided by the “second pillar”, either due to little financial education or the lack of information on the advantages and of the risks of an insurance programme. Possibilities for growth are therefore most evident while we remain well behind foreign pension systems: a “funds under management/GDP” ratio equal to 3% in Italy is not comparable with 110% in Switzerland, 100% in the United States and 66% in the United Kingdom. In these Countries, in fact, a complementary pension is a necessity, against an intentionally very limited public pension system.

The annual report of the insurance broker Aon, which analyses the pension scenario in the 25 European Union Countries, classifies Italy in last place.

**Tab 3 - Table of Countries based on sustainability of the pension system**

Country	2007	2006	Trend
Denmark	1	1	=
Holland	2	5	↑
Sweden	3	7	↑
Ireland	4	3	↓
United Kingdom	5	6	↑
Estonia	6	2	↓
Latria	7	4	↓
Spain	8	8	=
.....	.....	.....	.....
Italy	25	18	↓

*Source: Aon Consulting*

The above classification is the result of the analysis of four macro areas:

- The demographic factors, such as birth, mortality, immigration, average pension age (which in Italy is 59.2 compared to an average continental age of 61), ratio of pensioners and working population;
- The adequacy of the public pension system, calculated through the replacement rate, or rather the ratio between pension and last salary. Currently, in Italy a pension provides 65-70% of final remuneration, compared to a European average of 57% and 17% in the United Kingdom;
- The financial sustainability of the public pension system, valued through the percentage of the pension expenses on the GDP and the relative forecasts made by the European Commission for 2050;
- The percentage of the complementary pension compared to the GDP.

Margins of intervention are represented by the development of the “second pillar”. At the end of 2006, only 11% of Italians had an integrated pension, a little more than a quarter compared to the European average of 40%. In the next ten years a strong growth could develop to permit a re-equilibrium of the lower services which will be offered at national level by the public pension system.

At the end of January 2008, the Supervision Commission on Pension Funds (Covip) published the preliminary estimates on the subscription to complementary pensions in 2007, highlighting the particular positive aspect represented by the total increase in subscriptions from 3.2 million in 2006 to 4.6 million, a growth of 42% on the previous year. The largest increase relates to traded funds, which increased by approx. 64%, with a high increase in subscribers from 1.2 million to 2 million. The increase in subscribers of employees in the public sectors was more sustained, relating to the employee leaving indemnity, which reached a level of approx. 70%.

In relation to the open pension funds, according to Assogestioni the insurance sector is the second largest provider of complementary pensions, behind the asset management companies, with a market share of 33%. For example, at the end of October 2007 the insurance companies had over 247,000 subscribers with a net inflow of funds of Euro 50.9 million and net assets managed of approx. Euro 1.14 billion which, at national level, represents respectively 34.6%, 25.5% and 28.6% of the total.

In the first nine months of 2007 total Life insurance premiums in Italy amounted to Euro 45.81 billion, a decrease of 9%, with a percentage on the global Life and Non-Life portfolio amounting to 64.5% (65.9% in the same period of 2006). Insurance in Class I (insurances on the duration of human life) recorded a reduction of 18.9% compared to the same period of 2006; those of Class III (policies similar to financial contracts, mutual funds) increased by 17.3%; those of Class V (securitisation operations) reduced by 49%. These classes impact on the total Life premiums respectively for 42.1%, 48.7% and 8.1%.

In relation to the remaining classes, the contribution of the class VI (pension funds) represents 0.8% of the Life premiums, although compared to the first nine months of 2006 thanks to the new provisions on complementary pensions, the contributions doubled.

In November new Life business in the individual policies sector recorded premiums written of Euro 3.5 billion, a decrease of 17.6% compared to 2006. From January premiums in the new Life business amounted to Euro 38.6 billion, a decrease of 14.0% compared to the same period of the previous year. Considering only the Italian companies and non EU countries, the banks and postal office premiums amounted to Euro 2.5 billion, a decrease of 15.1% compared to November 2006; in the beginning of the year the trend is similar (-13.0% compared to the same period of 2006), against Euro 29.6 billion of new premiums. The in-house premiums of the insurance companies decreased: compared to Euro 121 million in the same month of 2006, the premiums halved. From the beginning of the year premiums of this channel amounted to Euro 1.9 billion, a reduction of 30.1%. The agents, with a volume of premiums amounting to Euro 594 million, remain below the level of the same month the previous year (-13.2%); the decrease from the beginning of the year was smaller (-6.5%), where new premiums for the first 9 months amounted to Euro 4.9 billion. New intermediary business from financial brokers was also negative: the volume of premiums amounted to Euro 230 million, a reduction of 26.3% compared to November 2006. From January, the same channel, recorded total premiums of Euro 2.2 billion, a decrease of 22.6%.

The decrease in the Life Sector in 2007 was principally the result of the progressive divestment of the Company from large corporate contracts (characterised by significant single amounts, but low profit margins), a factor which should not result in a reduction in the profitability due to the better quality of the premiums. The analysis by single operator shows average life premiums in decline with new premiums driven by an annual premium component and a return to policies of a financial nature. In addition to the premiums written, the Life sector is also penalised by the general increases of the management expenses and of the sums paid.

For the two year period 2008-2009 a progressive acceleration in the market is expected in the Life segment, although on more modest volumes than those in the recent past, with a positive contribution, although less significant, from foreign companies. A change is also expected in the type of products (important contribution from unit products) and from the type of premiums (an important role of periodic premiums, especially in the recurring form) with a view to savings.

Ania, the insurance association, also requests corrective regulations which assist the recourse to the complementary pension system such as, for example, the non taxation of financial annuities, to avoid the savings of Italian households being directed towards traditional intermediaries (such as the real estate sector) and towards currently more competitive instruments (such as government securities and money bonds arising from the increase in the interest rates in the Euro Zone), as well as to pension savings defined by the legislator and characterised by a less competitive risk-return ratio.

## **The savings of Italian households**

In the first nine months of 2007, the Bank of Italy estimated growth close to 1.5% of the real disposable income of Italian households, compared to the same period of 2006. In the same period, consumer spending increased by approx. 2%, although in the summer the growth halved compared to the average in the first two quarters of the year (+0.2%).

Household debt has decreased slightly, following a trend begun in the second quarter of 2006 and related to the progressive increase in interest rates. The growth trend remains high however (10.4% in the twelve months ended September 2007). The increase in debt reflects a long-term trend which is reducing the wide gap with other advanced countries, characterised by very high levels of household debt.

The household financial balance compared to the GDP fell further. According to the estimates of Prometeia in October, the ratio decreased from 6.4% in the period 1997-2001 to less than 5% in the period between 2002 and 2006 and will decrease to 2.9% in the three-year period 2007-2009. The trend in recent years is related to the strong development of real estate investments, with a consequent increase in debt.

In the coming years, a deceleration in household debt is expected, with growth rates of around 7% compared to 10% in the past three years.

The financial portfolio of Italian households is subject to an intense process of restructuring, largely due to the increase in interest rates in the last two years.

At the end of the first half of 2007 (last data available) the financial wealth of households was approx. Euro 3,500 billion, a growth of 4.8% (Euro 158.2 billion) compared to one year before. The total increase in the two-year period is 10% (Euro 310 billion).

An analysis of this process of repositioning of the assets is certainly due to the crisis of the mutual investment funds (for greater detail reference should be made to the paragraph below “Asset Management”), whose percentage holdings in the household has returned to the level of ten years ago. In fact, it was 8.5% at the end of September 1997, reaching a maximum of 19.9% in the middle of 1999 and returning to 8.5% in the middle of 2007.

The process of divestment relating to the mutual funds does not seem to have benefited the Life insurance sector which, after years of sustained growth, has seen a period of moderate slowdown, as indicated in the previous paragraphs on the “Life Insurance Market”.

The table below illustrates the change in the composition of the Italian household portfolio in the last two decades.

**Tab 4 - Financial portfolio of Italian households**

(data shown in %)	end 1997	end 2000	June 2007
Cash and deposits	34.1	24.9	27.4
Short-term securities	5.2	0.9	0.8
Medium and long term securities	22.6	17.7	19.2
Mutual fund units	9.8	16.7	8.5
Insurance premiums reserves	10.7	12.0	17.8
Shares and investments	17.5	27.7	26.2
Other assets	0.2	0.2	0.2
Total	100.0	100.0	100.0
<b>Total (Euro/mln)</b>	<b>2,019,894</b>	<b>2,750,126</b>	<b>3,449,485</b>

*Source: Bank of Italy*

The banking products continue to play a central role in the household portfolio. From the latest data available (June 2007) deposits and bonds amount to almost Euro 780 billion, 22.5% of the entire portfolio. Thanks to the high level of liquidity and security, bank deposits were one of the preferred financial instruments of households.

As already clearly indicated in the annual report of 2006, the Bank of Italy further confirmed that the consistent net outflow of savings from mutual funds increased the preference of Italian households for investments in low risk financial assets, such as Government securities and bank bonds.

Relating to the total of financial assets, the quota of bank deposits was stable at around 14% (for all of 2003 and 2004) and 13% (in the subsequent three year period).

**Tab. 5 – Deposits and bank bonds**  
(in % of the total assets of households)

(data shown in %)	2005	2006	June 2007
Household bank deposits	13.6	13.6	12.9
Household bank bonds	9.7	9.8	9.6

Source: Bank of Italy

## Asset Management

Although recording a strong outflow from Italian investment funds (-5.8%, amounting to Euro 53 billion), at the year-end the total assets under management amounted to Euro 176.6 billion, a growth of 1.6% compared to the previous year and representing 74.4% of total assets, while the savings administered, with Euro 60.6 billion and an increase of 19.1%, increased their share to 25.6%.

At December 2007, the capital invested in the Open and Closed Investment Funds such as sicav funds amounted to around Euro 570 billion, a decrease of 5.8% which has not been seen since 1984. In the classification by category, the equity funds recorded an outflow of over Euro 23.6 billion, at a total level of Euro 134.9 billion (-14.4% compared to December 2006), while there were larger outflows from the bond funds, with outflows of Euro 46.3 billion and total assets of Euro 204.4 billion (-16.95% compared to the previous year).

In a negative context for the sector, whose origins derive from the structural weakness of the Italian financial system, the cause of the crisis is principally due to the high commissions, and a commercial policy which drives the most remunerative products (such as structured policies and products).

The sector, rapidly maturing, now has the necessity for a new growth phase which should be more qualitative than quantitative.

For further information, reference should be made to the same chapter in the Consolidated Financial Statements.

## **Consumer credit**

In the last five years, from 2002 to 2007, Italian household debt increased by 81.5%, reaching an average level of Euro 14,800 per family.

The international comparison confirms however that, despite the strong increase in the request for credit, the household situation is still particularly healthy. The debt estimated by Ocse is in fact equal to 59% of the disposable income of the Italian households, values still well below those recorded in Holland (246%), the UK (159%) and Ireland (141%).

In spite of the US sub-prime mortgage crisis, or rather the insolvency of the loans granted to parties that, in reality, should not have obtained these loans as parties with low income, bad credit history, the delinquency rate relating to the Italian mortgages was maintained at contained levels, at around 3.5% according to the 2007 estimate by Crif (the management system of the credit database).

The relative stability appears more significant when the change in the offer of credit towards more risky client segments is considered (such as immigrants, self-employed and younger people) and the promotion of products is more aggressive.

For further details on consumer credit, reference should be made to the section “Other Activities – Credit consumption” in the consolidated financial statements.

## PREMIUMS

Overall, the premiums written amounted to Euro 1,218.0 million compared to Euro 1,366.6 million in 2006, a decrease of 10.8%.

The direct premiums written amount to Euro 1,208.3 million, a decrease of 10.1% and broken down as follows:

(in Euro thousands)	2007	2006	Cge %	Percentage	
	2007	2006		2007	2006
<b><u>DIRECT PREMIUMS</u></b>					
I- Insurance of human life-span	683,347	757,685	(9.81)	56.10	55.48
II- Insurance related to investment funds	84,040	12,162	591.01	6.90	0.89
IV - Health insurance	587	45	1.218.65	0.05	0.00
V – Securitisation operations	416,735	554,782	(24.88)	34.21	40.63
VI – Management operations on pension funds	23,583	19,319	22.07	1.94	1.42
<b>TOTAL LIFE DIVISION</b>	<b>1,208,290</b>	<b>1,343,993</b>	<b>(10.10)</b>	<b>99.20</b>	<b>98.42</b>
<b><u>INDIRECT PREMIUMS</u></b>	9,758	21,619	(54.86)	0.80	1.58
of which:					
- Italian	9,590	21,338	(55.06)	0.79	1.56
- Foreign	168	282	(40.36)	0.01	0.02
<b>TOTAL GENERAL</b>	<b>1,218,048</b>	<b>1,365,612</b>	<b>(10.81)</b>	<b>100.00</b>	<b>100.00</b>

The premiums of direct Italian business are broken down as follows:

(in Euro thousands)	2007	2006	Cge %	Percentage	
				2007	2006
Individual	660,781	695,458	(4.99)	54.69	51.74
Collective	523,927	629,216	(16.73)	43.36	46.82
Pension funds	23,583	19,319	22.07	1.95	1.44
<b>TOTAL</b>	<b>1,208,290</b>	<b>1,343,993</b>	<b>(10.10)</b>	<b>100.00</b>	<b>100.00</b>

During 2007 class I, with premiums amounting to approx. Euro 683 million, recorded a decrease of 9.81% compared to 2006, in spite of a growth in turnover and a percentage on the total life revenues of over 56%.

The significant increase in class III is due to the issue of the new Index tranches, in order to satisfy the growing requests from clients.

## AMOUNTS PAID AND RELATIVE CHARGES

The settlements of direct business amounted to Euro 1,434.2 million including the change in the reserves for sums to pay.

During the year, capital on maturity and annuity payments were made of Euro 615.5 million (Euro 535 million in 2006).

Compared to the previous year (Euro 1,038.7 million), there was an increase of 38.1%.

### Direct work

(in Euro thousands)	31/12/2007	31/12/2006	Change %
<b>CLASS I</b>			
Claims	21,708	21,793	(0.4)
Capital and annuity matured	452,552	411,704	9.9
Redemptions	258,110	185,101	39.4
Total	732,370	618,598	18.4
Change Reserve	16,545	35,901	(53.9)
<b>TOTAL</b>	<b>748,915</b>	<b>654,498</b>	<b>14.4</b>
<b>CLASS III</b>			
Claims	1,815	1,868	(2.9)
Capital and annuity matured	150,475	56,527	166.2
Redemptions	23,511	20,464	14.9
Total	175,801	78,860	122.9
Change Share	(5,688)	6,783	(183.9)
<b>TOTAL</b>	<b>170,113</b>	<b>85,643</b>	<b>98.6</b>
<b>CLASS V</b>			
Claims	1,283	1,479	(13.2)
Capital and annuity matured	12,467	66,811	(81.3)
Redemptions	499,063	225,454	121.4
Total	512,813	293,744	74.6
Change Share	(5,693)	326	1,847.5
<b>TOTAL</b>	<b>507,120</b>	<b>294,070</b>	<b>72.4</b>
<b>CLASS VI</b>			
Claims	226	197	14.8
Capital and annuity matured	39	-	-
Redemptions	7,795	4,263	82.8
Total	8,059	4,460	80.7
Change Share	-	-	-
<b>TOTAL</b>	<b>8,059</b>	<b>4,460</b>	<b>80.7</b>
<b>TOTAL LIFE BUSINESS</b>			
Claims	25,031	25,337	(1.2)
Capital and annuity matured	615,533	535,043	15.0
Redemptions	788,478	435,282	81.1
Total	1,429,043	995,662	43.5
Change Share	5,164	43,009	(88.0)
<b>TOTAL GENERAL</b>	<b>1,434,207</b>	<b>1,038,671</b>	<b>38.1</b>

## MANAGEMENT EXPENSES

The management expenses of the direct business amounted to Euro 73.3 million with a total increase compared to the previous year of 5% (Euro 69.8 million in 2006).

The increase of the expenses is principally attributable to the higher charges incurred for the reinforcing of the loyalty of the sales network consequent of the liberalisation measures recently approved.

(in Euro thousands)	2007	2006	Change %
<b>Direct business</b>			
Commissions and other acquisition expenses	44,056	39,399	11.82
Other administration expenses	29,234	30,384	(3.79)
<b>Total management expenses</b>	<b>73,290</b>	<b>69,783</b>	<b>5.03</b>

Within the Management Expenses, the cost of personnel decreased by 13.4% (Euro 19.9 million in 2007 and Euro 22.9 million in 2006).

## TECHNICAL PERFORMANCE

During 2007, the individual Life business was focused largely on products related to Separated Management, as characterised by a guaranteed minimum return with protection of the investment, with particular attention to the important segment of Life policies with capital on maturity and securitisation, and to Index Linked policies, and in the three forms MATCH RACE, GLOBAL RACE and GRAND PRIX, which received a good reception by clients.

The “corporate” segment continued its activity in the “pre-existing” pension funds with insurance management.

In particular, the activity continued of promoting transfer of the Employee Leaving Indemnity to the funds after June 30, 2007: this is in consideration of the fact that the employee has a right at any moment to confer the Employee Leaving Indemnity to a complementary pension even if he/she had initially decided to leave it with the employer.

The work undertaken on the entire plateau of Pension Funds insured by us, also thanks to particular interventions on the structure of the costs applied - which were possible thanks to the greater expected flow of premiums - permitted the obtaining of good returns also in quantitative terms with an increase in the annual normalised flow in this specific sector of around 25%.

On the other hand in the products related to the provisioning of leaving indemnities (VALORE TFR and VALORE TFM), there was a decrease due to the impact of the new regulation, which automatically permitted (except with explicit dissent by the employee) the allocation of the annual quota of the Employee Leaving Indemnity to the complementary pension. In this case, we have to suspend the release of the annual premium of the contracts of enterprises with more than 50 employees.

This decrease has been – up to now - at a contained level thanks to the commercial initiatives undertaken on the products of the small enterprises where the Employee Leaving Indemnity was not allocated to the complementary pension. This initiative in fact achieved good results.

The expected slowdown continued - with respect to the previous year - of the distribution of the large securitisation products for the “institutional” clients (banks, financial, cooperative and commercial companies) compared to the distribution level in the budget.

Also in this sector, the advanced divestment continued, including of significant amounts, consequent of the continuing increase in interest rates on the financial markets; this event (however expected) gave rise to the application of the penalty clauses, for the advanced exercise of the redemption, in accordance with specific contract clauses.

The segment of risk hedging continued in the insurance sector deriving from the collective negotiations, as also for the accessory hedging typical of the pension Funds, while the realisation and launch of new multi class products for the coverage of loans related to the repayments through deduction of salary or pensions, saw a slowdown due to some uncertainty arising from regulatory modifications still not operative but expected by the Control Authority.

## **Complementary Pensions and Pension Funds**

The Supervision Commission on Pension Funds (Covip) evaluated the subscriptions to the complementary pension form in 2006, quantifying the subscription rate to traded funds, open funds and pension policies amounting to 29.9% - up from 20.7% in 2006. The value refers to the number of private employees recorded in the funds already authorised at the end of 2006 or pre-existing (before the “Amato” and “Dini” reforms of the 1990s).

In 2007, there was a significant increase in the complementary pensions but the results, compared to the beginning of the year and the expectation of the system, remained however disappointing. The rate of subscription to pension funds (contractual) authorised after the pension reform in fact increased from 16% at the end of 2006 to just under 24% at the end of 2007, amounting to approx. 2 million workers.

From the accounts and the reports of the Pension Funds at the end of 2007, which takes account of the inflow from the second half of the year from the “silent approval”, it is evident that the silent workers were few as they decided knowledgeably, in the majority of the cases, which pension forms to choose.

Following the legislative modifications which brought forward to January 1, 2007 the pension reform, the Company - in order to obtain the necessary authorisations by Covip for the new subscriptions - made adjustments in accordance with the new regulatory provisions.

These adjustments principally related in non substantial changes to the Regulations of the three open pension funds - in accordance with the forms prepared by Covip and to the other directives - and also changes in investment policies to some sectors in order that the funds set up by the Company could be utilised for the tacit conferment of the Employee Leaving Indemnity.

The interest from the introduction of the complementary pension reform, among others, the improvement in the tax regime (both for the deductibility of the contributions paid and for the taxation of the services), the competitive parity between all complementary pensions provided for by law in general and - exclusively for employees - the allocation of the Employee Leaving Indemnity maturing through the mechanism of “silent approval”, resulted in, especially in the second half of 2007, a general increase in the new subscriptions both on an individual and collective basis and a similar increase in the total annual contributions.

The Sai Open Pension Fund at December 31, 2007 has 4,231 subscribers. The contributions, through the Sai Division agency network, were over Euro 4 million, with a Fund equity of Euro 31.53 million.

The Fondiaria Open Pension Fund at the same date had a total of 8,196 subscribers. The contributions, through the agency networks of Fondiaria and Milano Assicurazioni, of some credit institutions, of a Broker (Europa Benefits S.r.l.) and of the promoters of Banca SAI - were over Euro 15 million.

The Funds equity amounted to Euro 83.64 million.

The Conto Previdenza Open Pension Fund totalled 2,951 subscribers. The Fund - which is placed through the agency networks of the Company and the banking branches of some credit institutions - recorded total contributions of over Euro 4 million and the relative equity of the fund was Euro 28.08 million. The other credit institutions placing these products are: Banca Alpi Marittime Credito Cooperativo Carrù, Carispaq – Cassa di Risparmio della Provincia dell’Aquila, Bancapulia, Banca della Campania and Carim Cassa di Risparmio di Rimini.

Finally, in relation to the trend of subscriptions and contributions, in consequence of the provisions contained in the pension reform entered into force since January 1, 2007, it is considered that in 2008 the interest will continue towards the complementary pension instruments, in particular open pension funds, and by individuals (employees and other) and by the companies which still have not developed complementary pensions on behalf of their employees.

During 2007, the subscriptions to the individual pension instruments remain sustained (approx. one million new approvals), while the total increase of the subscribers for all forms of complementary pensions increased over the year from 3.2 million to 4.6 million at the end of 2007, a growth of 42%. The largest increase was for the contractual funds, which increased 64%.

In this context the Company, through the placement agents, continued the new subscriptions (both on an individual and a collective basis) and also consolidated the annual amount of the total contributions.

**Agreement with the Banco Popolare di Verona e Novara Group and with the Banca Popolare Italiana Group in the life Bancassurance sector.**

On the outcome of the selection process of an insurance partner in the Life classes undertaken by Banco Popolare di Verona e Novara (BPVN) and by Banca Popolare Italiana (BPI), Fondiaria-SAI was selected as partner with the new Banco Popolare Group, created from the merger between BPVN and BPI, to create an industrial partnership in the Life insurance sector.

The vehicle for the partnership in the non-life sector is the company Popolare Vita S.p.A. (formerly BPV S.p.A.), already held by BPVN and by the Company Cattolica di Assicurazione.

BPVN, in name and on behalf of the subsidiary Holding di Partecipazioni Finanziarie di Verona e Novara S.p.A., exercised the option right for the purchase of all the shares of Popolare Vita S.p.A. owned by the Company Cattolica di Assicurazioni.

Fondiaria-SAI, BPVN and BPI therefore stipulated agreements for the realisation of this partnership, and which includes, among other matters, the purchase, by Fondiaria-SAI, of the entire shareholding in Popolare Vita S.p.A. already held by BPVN and Creberg.

The operation obtained authorisation from Isvap and from the Antitrust Authority, in relation to their respective authority.

The agreements were signed on September 7, 2007.

In particular, these agreements have the purpose to create a bancassurance project to be implemented through the purchase by Fondiaria-SAI of the exclusive control of Popolare Vita S.p.A. and the stipulation of an insurance policies distribution contract, for a ten year period, between Banco Popolare and its subsidiaries, as bank distributor through its own branches, and Popolare Vita S.p.A. as supplier of insurance policies.

Specifically, this investment was purchased by Fondiaria-SAI for a quota of 35% in the share capital from Banco Popolare S.c.a.r.l., at a price of Euro 371 million and a stake of 15% in the share capital from Credito Bergamasco S.p.A., at a price of Euro 159 million.

Following the entry of Fondiaria-SAI into the share capital of Popolare Vita S.p.A., this latter continues to create, manage and sell its own insurance products, under the brand “Popolare Vita S.p.A.”, with the technical product and management support and know-how of Fondiaria-SAI, and also with the objective of improving the quality and the product range.

The agreements provide that the subsidiary Novara Vita S.p.A., held 50% each by BPVN and Fondiaria-SAI, will be in the shortest possible time after January 1, 2008 incorporated, through merger, into Popolare Vita S.p.A.

A shareholder agreement was signed in order to govern the industrial aspects of the partnership and the corporate governance regulations of Popolare Vita S.p.A. The overall provisions contained in the by-laws and shareholder agreement of Popolare Vita S.p.A. has the objective to allow Fondiaria-SAI to have full control of Popolare Vita S.p.A., with consequent full consolidation of Popolare Vita S.p.A. by the Fondiaria-SAI Group. In addition, in accordance with the agreements, the role of management and co-ordination of Popolare Vita S.p.A. (formerly BPV Vita) pursuant to article 2497 and thereafter of the Civil Code, is performed exclusively by Fondiaria-SAI. The agreement provides for reciprocal put & call options in the case of the dissolution of the partnership, valuing the holding of Fondiaria-SAI at the appraisal value.

The distribution agreement signed between Popolare Vita S.p.A. and the networks of Banco Popolare Group are for a period of ten years and renewable for a further 5 year period. This agreement will be exclusive from January 1, 2008, except in relation to the residual distribution agreements with Aviva (exclusive agreement expires at the end of 2009) and Aurora (exclusive agreement expires in May 2009) respectively on the branches of BPI and on the branches of Reti Bancarie S.p.A. Once fully operational, the distribution of Popolare Vita S.p.A. can therefore count on a total network of approximately 2,200 branches with objectives of annual premiums once fully implemented of approx. Euro 6 billion.

For Fondiaria-SAI the agreement represents a further growth opportunity in the life sector, both in relation to the objectives of its own industrial plan and through the strong historic ties with the Banco Popolare Group. The operation, from an economic viewpoint, integrates fully with the current bancassurance agreements of Fondiaria-SAI, which will continue to be a strategic growth policy of the Group.

For the Banco Popolare Group, the agreement will permit a significant technical-operational support in the necessary insurance services to undertake through a wide product range to meet the needs of its clients and to achieve significant growth objectives in volume terms. This is also with reference to the role that banks and insurance companies can undertake on behalf of households and small/medium companies with a view to future developments in complementary pensions.

## **LIFE REINSURANCE**

### **Outward Reinsurance**

The protection of the Life portfolio, in consideration of its inherent equilibrium, continues to be unaltered compared to previous years: the surplus agreements continue to be used, which is also reinsured with The Lawrence Re, whose total capacity permits a reduction of the necessary options; recourse is made to this latter almost exclusively for exposures above that contractually agreed, utilising directly a limited number of reinsurers with considerable underwriting and financial capacity.

The Lawrence Re then cedes the above-mentioned proportional agreement utilising an integrated programme between protection in claim excess and excess loss.

There is also a further underlying protection in claim excess, which permits a 50% reduction in the net retention of the Company in the case of claims.

The event risk is protected with a non-proportional programme with retention equal to the three coverage.

The premiums ceded in the period amounted to Euro 11,541 thousand, an increase compared to Euro 10,928 thousand in the previous year. The result reflects the type of the class after the positive 2006 result based on a significant claim on the premium policies ceded.

### **Inward Reinsurance**

The year 2007 includes the business accepted from companies of the Group and in 2006 for those accepted outside of the Group. The premium volumes amounted to Euro 9,758 thousand, a significant decrease compared to Euro 21,619 thousand in 2006. Premiums ceased on reinsurance accepted from Novara Vita and an agreement was ceded on the market.

Some agreements ceased as acceptances by companies of the Group continue to produce effects in the accounts.

The rest of the portfolio, which includes the run off of the non-group business, report results in line with the characteristics of the class.



## **Financial and asset management**

## INVESTMENTS AND LIQUIDITY

At December 31, 2007, the volume of investments amounted to Euro 16,101.6 million compared to Euro 15,819.0 million in the previous year, an increase of 1.8%.

The total structure of the investments, with exclusion of the D class, changed as follows:

(in Euro thousands)	31/12/2007	Composition %	31/12/2006	Composition %
- Property	1,073,169	6.60	1,053,230	6.59
- Bonds and other fixed income securities	9,045,486	55.63	9,497,394	59.45
- Equity Investments	5,260,541	32.36	4,727,471	29.59
- Mutual funds	586,049	3.60	402,125	2.52
- Loans	70,091	0.43	70,206	0.44
- Deposits at Credit Institutions	480	0.00	478	0.00
- Deposits with reinsuring companies	65,592	0.40	67,970	0.43
- Other financial investments	192	0.00	163	0.00
<b>Total investments</b>	<b>16,101,600</b>	<b>99.02</b>	<b>15,819,037</b>	<b>99.02</b>
- Cash and cash equivalents (1)	160,021	0.98	156,462	0.98
<b>TOTAL</b>	<b>16,261,621</b>	<b>100.00</b>	<b>15,975,499</b>	<b>100.00</b>

(1) includes the amounts of class F of assets

The table below shows the breakdown of class D investments by nature:

## CLASS D INVESTMENTS

(in Euro thousands)	31/12/2007	Composition %	31/12/2006	Composition %
- Fixed income securities	391,801	64.1	491,570	70.6
- Shares and quotas	194,365	31.8	193,722	27.8
- Cash in banks and on hand	9,006	1.5	5,489	0.8
- Other assets	15,751	2.6	5,701	0.8
<b>TOTAL</b>	<b>610,923</b>	<b>100.0</b>	<b>696,482</b>	<b>100.0</b>

The decrease of the class D investments is due to maturities in 2007 of some index linked products.

The table below shows the results of the financial assets and property (excluding income from class D investments) for 2007 and 2006:

## INVESTMENT INCOME

(in Euro thousands)	2007	2006	Change
Income from shares and quotas	215,772	225,525	(9,753)
Income from land and buildings	44,995	42,464	2,531
Income from other investments	476,830	421,536	55,294
<b>TOTAL GROSS INCOME</b>	<b>737,597</b>	<b>689,525</b>	<b>48,072</b>
Management charges	107,716	90,864	16,852
<b>TOTAL NET INCOME</b>	<b>629,881</b>	<b>598,661</b>	<b>31,220</b>
Net income realised on land and buildings	-	2,333	(2,333)
Net income from assets and current investments	(52,633)	(8,752)	(43,881)
Net income from other investments	166,190	46,810	119,380
<b>TOTAL GENERAL</b>	<b>743,438</b>	<b>639,052</b>	<b>104,386</b>

The decrease of Euro 43.9 million of net profits on current assets is principally due to the losses deriving from the closure of the operations by the portfolio of options combined with hedging on the Monte dei Paschi di Siena and Unicredito (formerly Capitalia) shares, offset by gains to be realised on the underlying securities.

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

## FINANCIAL RESULTS

Half a year after the real estate financial crisis, despite the successive interventions coordinated by the Central Banks, the functioning of the financial markets has still not returned to normality. The European banks, even though generally well capitalised, are subject to strong pressures and uncertainties.

In the general market in which turbulence was accompanied and contributed to the slowdown of the world economy, the international repercussions on the liquidity of the Italian banks was less intense than in other systems, thanks to lower exposure (direct and indirect) to the US “sub-prime” mortgages market, to the large client deposits and overall satisfactory operating returns. This is a result of the detailed report by Bank of Italy in the fourth quarter which also includes the indirect exposures in structural securities which again confirm that, at the present moment, the risk to Italian groups is limited on the international front. The gross national exposure represents less than 3% of the supervision capital and less than 20% of the gross profits of the system, whose solidity will not be impacted by any further write-downs in this segment.

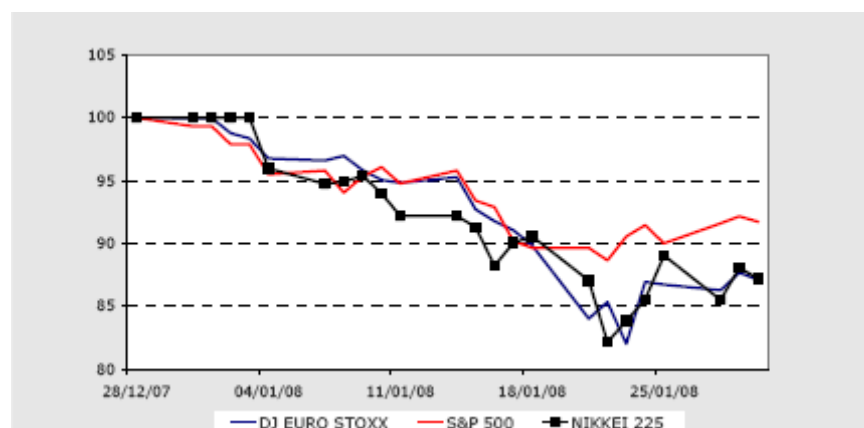
The result is further backed by a report on the credit market conditions, conducted last year by the European Central Bank on the European banking institutions. On data relating to Italy, the crisis has up to now only caused a small contraction in the offer of credit to enterprises.

In the first 6 months of 2007, there was a rather contained trend for bonds, as the international economic situation did not present particular crisis and the Central Banks, among which the Federal Reserve, had maintained neutral monetary policies, with stable interest rates which did not assist the prices of fixed rate bond securities. Since the summer, consequent of all the problems worldwide arising from the American “sub-prime” crisis, the performance of the bond securities has seen strong appreciation, relating to the uncertainty and reduced confidence in the financial system.

A similar trend was seen in the equity market, with the first part of the year reaching maximum values on the World Stock Exchanges, not seen since the year 2000, and a second half of the year decisively more contrasted due to fears of recession in the US.

The corporate sector, following the crisis in the summer, saw a series of sales which affected all sectors. The financial sector was affected most, both due to the large losses in the real estate mortgages by some institutional operators and due to a complete flight from risk. Since the summer of 2007, the share prices in financial institutions have remained particularly volatile. After the recovery in October, which saw a recovery from falls during August, the emergence of new problems relating to the real estate mortgages provoked further weakness in share prices. In January, there was a strong fall in share prices in all the principal economic areas. During the month, the S&P 500 index in the United States decreased by approx. 10%, while the DJ Euro Stoxx 600 Financials, which represent the principal listed financial securities on the European stock exchanges reached, at the date of the present report, values of over 30% lower than the beginning of 2007, due to the underestimate by the large international banks of the losses related to the US sub-prime, from restrictions in the interbank credit market and the feared stagnation which has placed the future of medium and large groups at serious risk in the European continent.

**Graph 4 – Trends in equity markets**



Source: Thomson Financial, Datastream

Despite this, the corporate default rate remained low in 2007. At global level, the annual Standard and Poor's report on corporate default illustrates only 22 companies announced default on their issues in 2007, 8 less than 2006, for a total volume of USD 8.15 billion, the lowest value since 1996 but an increase of approx. Euro one billion compared to the issues registered in 2006.

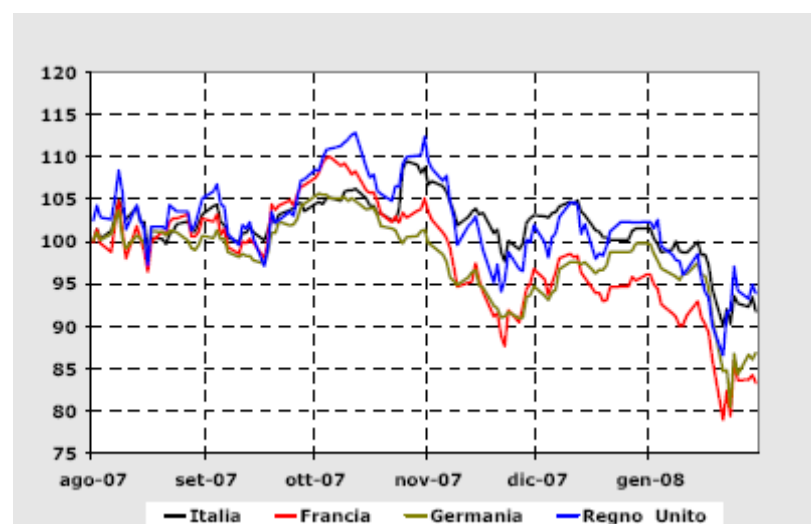
The report also illustrates that all the corporate defaults in 2007 related to companies with initial "speculative" ratings (BB+ or lower). At a geographical level, the default rate of the "speculative" ratings in the US was 0.97%, compared to 0.95% in the Euro Area and 0.18% in the emerging markets.

The emergence of insolvency situations in other credit markets however contributed to the maintaining of the high cost of money for banks and businesses. In the final quarter of the year, the average spread between the interbank rate and government securities at three months was 1.63%, compared to 0.47% in the same period of 2006. There were however no significant repercussions on credit conditions for households.

The stock exchange performance for listed domestic insurance companies, valued in the period November 30, 2006 - November 30, 2007, shows a varying trend in the two half year periods analysed by Prometeia. In the first half of 2007, the stock market indices recorded positive performances, which rapidly evaporated in the summer and eventually concluded with an overall negative performance on an annual basis. The stock market was in fact strongly impacted by fears of prolonged difficulties on world markets.

In particular, we report that in January share prices in European insurance companies fell between 8.2% in the United Kingdom and 13.3% in France. In Italy, the fall was 9.6%, reflecting the lower exposure to the risks from the securitisation operations on real estate mortgages.

**Graph 5 – Stock Exchange performance of European insurance companies**



Source: Thomson Financial, Datastream

In this general market context, the Federal Reserve reduced the cost of money by 1.25% (on January 22, the interest rate was lowered by 75 basis points and on January 30 by a further 50 basis points), reducing the Fed Fund rates to 3.0%. This relates to a monetary stimulus which has not been seen in recent years and is evidence of the preoccupation on the future performance. The benchmark rate of the monetary policy in the Euro Zone, at 4% over six months, did not record any change in January, due to the worries of an increase in the stability of medium term prices, which could arise in a monetary and credit expansion phase.

**Tab 6 - The cost of money worldwide**

	Official rates	%	Other changes
USA	Fed Funds	3.00	30/01/2008
Euro zone	Discount rate	4.00	06/06/2007
Great Britain	Intervention Rate	5.25	07/02/2008
Switzerland	Libor at 3 months	2.25 – 3.25	13/09/2007
Japan	Discount rate	0.50	21/02/2007

*Source: Central Banks*

The American economy recently gave contrasting signals. The most recent data on the United States at the beginning of 2008 illustrated, on the one hand, a private sector which eliminated 17,000 jobs, for the first time since 2003, and a manufacturing sector which recorded the first slowdown in growth. On the other hand, however, the service sector reported progressive development and consumer spending more than earnings, the savings rate returned to negative territory.

Consequently, the European currency recorded record values, with an exchange rate at USD 1.5. The fluctuations of Euro were also reflected on the price of gold which, denominated in Dollars, tends to increase when the European currency strengthens.

During 2007, the financial management of the Fondiaria-SAI Group saw a slow but constant increase in the duration of the Life portfolio, while a small reduction of the duration of the risk was undertaken in the Non-Life portfolios.

The choice to lengthen the Life portfolios especially in the first part of the year, taking also into consideration the requirements of the Asset Liability Management, permitted the Parent Company to obtain an ordinary return better than that recorded in 2006. This objective was also achieved through the variable component in the portfolios, both in the Non-Life and Life sectors, thanks to the continual increase in short-term interest rates by the European Central Bank up to 4% by the end of 2007.

In the Non-Life Sector, compared to 2006 the positive results are due to, in spite of a small reduction in the total duration, the good performance of the variable interest rate, the significant positioning on the short portion of the European curve and, in relative terms, the better performance of the long part.

In the weakening phases of the corporate sector, with a view to the sectors with little exposure to the real estate financial crisis, the Group subscribed to new issues and undertook selective acquisitions, especially in the Life portfolio, in consideration of the good risk/return levels of the issues in question.

With particular reference to the Parent Company, the bond sector represents, at the end of 2007, 71.9% of the total portfolio, with a total duration of approx. 4.96.

The Non-Life Sector is composed of 66.6% of government and intergovernmental bonds at fixed rates, and the remaining 33.2% at variable rates, with a total duration of the portfolio of 1.86. There is also a residual component of approx. 0.2% in monetary assets.

The Life Sector has an asset allocation more directed to fixed interest rate government and inter-government bonds (88.5%) compared to the variable quota of the asset class (11.5%), with a total duration of the portfolio of 5.87.

At strategic level, preference was given to investments in Government Securities in the Euro Area which represent 80.93% of the portfolio, while during the year the Corporate segment increased from 14.64% since the beginning of 2007 to 18.73% at the year-end.

The Corporate Securities are, largely, belonging to the “investment grade” category.

In relation to the recent events in the American market of loans to parties with low credit ratings (the so-called “sub-prime” mortgage), it is reported that neither Fondiaria-SAI or the companies of the group have any exposure as providers of these mortgages, or as investor with such risk or operators of financial products with these mortgages being the underlying activity.

**CONSOB communication No. 7079556 of August 30, 2007**

In relation to the requests from Consob concerning the so-called “sub-prime” mortgage, it is reported that neither Fondiaria-SAI or the companies of the group have any exposure as provider of “sub-prime” mortgages, or investor with such risk or operators of financial products with these mortgages being the underlying activity.

## **SIGNIFICANT FINANCIAL OPERATIONS**

### **Acquisition of the residual 40% of Banca Gesfid S.A.**

In December 2006, the Group completed agreements signed in September 2006, realising the sale/purchase by Fondiaria-SAI of 60% of the share capital in Banca Gesfid, a Swiss credit institution fully controlled by Rinascita Holding, a holding belonging to Meliorbanca, at a price of CHF 54 million. The agreement also provides for a reciprocal option right relating, respectively, to the purchase and sale of the remaining 40% of the share capital of Banca Gesfid to be exercised in the period between November 1 and December 31, 2008, at an exercise price which takes account principally of the change in equity value.

There was however the possibility of the Company to exercise the option before the original expiry date. In May 2007, therefore, Fondiaria-SAI and Meliorbanca reached an agreement for the transfer of the residual 40% of Banca Gesfid at a price of CHF 47 million, including an incentive to take into account the profits of Banca Gesfid estimated for the years 2007 and 2008, which will not be received by the seller: the closing of the operation took place in July 2007.

The advanced exercise of the option permitted Fondiaria-SAI to acquire immediately the entire holding in the share capital of the Bank, with a consequent resolution of the shareholder agreement with two years in advance of the original expiry and with full management control, relating to the development strategies and any aggregation with other targets, also achieving full operational benefits with extremely satisfactory results.

### **Other significant financial operations**

In relation to listed subsidiaries:

- A2A ORD (formerly AEM ORD: sale of 6,150,158 shares realising a gain of Euro 5,643 thousand.
- ABN AMRO ORD.: purchase of 317,700 shares with the payment of Euro 8,095 thousand, a distribution of 7,717 shares as dividends; sale of 343,014 shares realising a gain of Euro 3,789 thousand.
- EDISON : purchase of 5,027,436 shares with a payment of Euro 11,099 thousand; sale of 15,841,767 shares realising a gain of Euro 5,431 thousand. The direct holding in the company is 0.002%.
- GEMINA ORD. : purchase of 596,694 shares and subscription of a share capital increase of 46,109,133 shares; total payment of Euro 54,180 thousand. The direct holding in the company is 4.18%.
- GENERALI: sale of 5,200,000 shares realising a gain of Euro 20,887 thousand. The direct holding in the company is 0.88%.
- MILANO ASSICURAZIONI ORD.: purchase of 10,497,300 shares with a payment of Euro 65,771 thousand and a sale of 10,820,300 shares, realising a gain of Euro 38,367 thousand. The direct holding in the company is 55.13%.

- PIRELLI & C. ORD. : purchase of 7,811,876 shares with a payment of Euro 6,457 thousand. The direct holding in the company is 4.45%.
- RCS MEDIAGROUP ORD.: purchase of 1,514,527 shares with a payment of Euro 6,413 thousand; assignment of dividends of 262,469 shares for a total value of Euro 1,168 thousand. The direct holding in the company increased to 2.24%.
- UNICREDIT ORD.: purchase of 20,790,369 shares with a payment of Euro 158,105 thousand, purchase of 76,060,367 shares from the merger of Capitalia into Unicredit for a value of Euro 283,863 thousand; sale of 42,198,075 shares realising a gain of Euro 87,500 thousand. The direct holding in the company is 0.27%.

The main operations relating to the principal non listed subsidiaries are also reported:

- BANCA GESFID.: purchase of 4,000 shares with a total payment of Euro 28,387 thousand. The direct holding in the company is 100%.
- BANCA SAI: payment to cover losses of Euro 7,947 thousand. The direct holding in the company is 100%.
- POPOLARE VITA S.p.A. (formerly BPV Vita) purchase of 8,760,001 shares with a payment of Euro 530,930 thousand. The direct holding in the company is 50%.
- ITALIBERIA INVERSIONES FINANCIERAS SL.: subscription of the share capital increase for 30,074,202 through conferment of securities for a value of Euro 30,098 thousand. The direct holding in the company is 100%.
- MERIDIANA QUINTO ORD.: payment of share capital increase of Euro 50,600 thousand. The direct holding in the company is 100%.
- NUOVE INIZIATIVE TOSCANE: payment of share capital increase of Euro 14,551 thousand. The direct holding in the company is 96.88%.

## FINANCIAL DEBT

At December 31, 2007, the financial debt of Fondiaria-SAI S.p.A. is as follows:

(in Euro millions)	31/12/2007	31/12/2006	Change
Subordinated loan 2002	400.0	400.0	-
Subordinated loan 2005	100.0	100.0	-
Subordinated loan 2006	150.0	150.0	-
Various loans and other financial payables	393.8	350.0	43.8
<b>Total Debt</b>	<b>1,043.8</b>	<b>1,000.0</b>	<b>43.8</b>

On December 12, 2002, the incorporating SAI agreed a loan with MEDIOBANCA for an amount of Euro 400 million, in order to increase its solvency margin. On the basis of the agreement with Mediobanca and prior authorisation from ISVAP, Fondiaria-SAI acquired in July 2003 a new subordinated loan of the same amount, with simultaneous advanced repayment of the existing loan.

In December 2005, with prior authorisation from Isvap, the interest spread on the loan was renegotiated, from January 2006, at Euribor 6 months increased by 2.65% to Euribor at 6 months increased by 1.8%.

At the same time, a new subordinated loan was agreed for Euro 100 million with the same characteristics of the existing loan.

Finally, with value date at July 14, 2006, the company signed a subordinated loan with Mediobanca for an amount of Euro 150 million with similar characteristics to the previous loans. The loan will further contribute to improving the available solvency margin by 25% of the lower value between the available margin and the solvency margin requested.

With reference to the subordinated loan of Euro 400 million in December 2006, an agreement was signed with Mediobanca of an interest rate swap with a duration of 6 months on a notional amount of Euro 200 million and with a fixed interest rate of 3.97%. The swap commenced from January 23, 2007 and covers in part the interest risk related to this loan, establishing on an annual basis the interest streams to be paid to the counterparty.

The account 'Other loans and other financial payables' principally comprises of a loan granted by the subsidiary Sainernational S.A. for Euro 180,400 thousand – a loan relating to the liquidity from the Mandatory Exchangeable Guaranteed Notes with INTESA SANPAOLO (former BANCA INTESA) ordinary shares owned by Fondiaria-SAI with maturity of September 29, 2010 - and from loans granted by the subsidiary Saifin for Euro 160,000 thousand.

The residual amount in the account 'Other loans and other financial payables' is attributable to interest bearing loans with subsidiaries of Euro 52,300 thousand and to premiums for options sold for Euro 1,075 thousand.

For further information, reference should be made to the appropriate section in the notes to the financial statements.

On October 15, 2007, the Board of Directors of Fondiaria-SAI S.p.A. approved the issue of a subordinated bond for an undetermined period (so-called “irredeemable”), called “Fixed Floating Rate Perpetual Subordinated Loans” for a maximum value of Euro 750 million, to be placed exclusively with Italian and international institutional investors with the exclusion of those in the United States of America.

It was also provided that the bonds would be listed on the official market managed by the Luxembourg Stock Exchange.

The bond will permit a further strengthening of the Company’s balance sheet, over the medium/long term period, with the objective of also improving the rating.

The bond is non-redeemable as there is no reimbursement planned on the wish of the bearers of the securities, but only reimbursement on the initiative of the Company, or rather reimbursement in the case of liquidation of the company. The bond is also considered a subordinated loan pursuant to article 2411, paragraph 1 of the Civil Code.

Interest on the bonds will mature and will be paid annually, at an annual fixed rate which will be determined immediately prior to issue, up to the tenth year from the date of issue, but in any case in line with market rates at the moment of issue.

The issuer has already obtained the necessary authorisation from ISVAP and has been assigned the rating BBB- by Standard & Poor’s. It is recalled that the current rating of the issuer is BBB+ with positive outlook. The issue of the loan will take place once the conditions and financial markets permit the Company to optimise the cost of funding, which, considering the recent abnormal financial market trends, requires an extension of the issue period.

## TREASURY SHARES AND SHARES OF THE PARENT COMPANY

At December 31, 2007 and at December 31, 2006, the Parent Company holds entirely, also through subsidiaries, the treasury shares and shares in the parent company Premafin Finanziaria, as shown in the table below:

(in Euro thousands)	31/12/2007		31/12/2006	
	Number	Book value	Number	Book value
<b>Ordinary treasury shares held by:</b>				
Fondiaria-SAI	1,780,000	51,887	9,490,212	182,201
Milano Assicurazioni	8,382,557	209,900	6,802,557	149,440
Sai Holding	1,200,000	28,306	1,200,000	28,306
<b>Total general</b>	<b>11,362,557</b>	<b>290,093</b>	<b>17,492,769</b>	<b>359,947</b>
<b>Saving treasury shares held by:</b>				
Fondiaria –SAI	568,051	11,346	-	-
<b>Total general</b>	<b>568,051</b>	<b>11,346</b>	<b>-</b>	<b>-</b>
<b>Shares of the holding company held by:</b>				
Fondiaria-SAI	18,340,027	30,836	18,340,027	30,836
Milano Assicurazioni	9,157,710	12,196	9,157,710	12,196
Saifin – Saifinanziaria	66,588	144	66,588	151
<b>Total general</b>	<b>27,564,325</b>	<b>43,176</b>	<b>27,564,325</b>	<b>43,183</b>

### Treasury shares

On June 5, 2007 the buyback programme commenced which was approved by the shareholders' meeting on April 30, 2007.

During 2007, a total of 1,780,000 ordinary treasury shares were purchased for a total value of Euro 60,292 thousand and 568,051 savings treasury shares for a total value of Euro 12,391 thousand.

Therefore, at the year end the total treasury shares in portfolio amounted to 1,780,000 ordinary shares amounting to 1.4214% of the ordinary share capital and 568,051 saving shares amounting to 1.38% of the savings share capital.

After the year-end, a total of 231,949 savings shares were acquired for a value of Euro 4,330 thousand; at March 17, 2008, a total of 800,000 saving shares amounting to 1.845% of the savings share capital were held in portfolio. We also report that the subsidiary Sai Holding S.p.A. held 1,200,000 ordinary shares and the subsidiary Milano Assicurazioni S.p.A. held a further 8,382,557 ordinary shares.

### Shares of the holding company

During 2007 no purchase or sales were undertaken on the ordinary shares of the holding company Premafin Finanziaria S.p.A..

At December 31, 2007, the Parent Company held 18,340,027 treasury shares of the holding company, equal to 4.469% of the share capital.

After the year-end, no sales or purchase operations were undertaken and therefore at March 17, 2008 the Parent Company held 18,340,027 shares amounting to 4.469% of the share capital, while the subsidiary Saifin-Saifinanziaria S.p.A. held a further 66,588 ordinary shares amounting to 0.016% of the share capital and the subsidiary Milano Assicurazioni held a further 9,157,710 ordinary shares totalling 2.232% of the share capital.

## **REAL ESTATE SECTOR**

The effect of the US “sub-prime” crisis (loans to American households with high risk profiles) arose in the second half of 2007 within a slowdown already underway, accelerating a downward trend since the beginning of the year.

With reference to the Euro area, the periodic report issued by the European Central Bank shows, in the first half of 2007, an increase in the prices of residential real estate of around 6.6%, against an increase of 6.7% registered in 2006. In general, the estimates available show that residential prices, after the acceleration between the middle of the 1990's and 2005, have assumed more moderate levels.

The changed market scenario, the expected reduction in interest rates, the unwillingness to decrease below expected returns and the strong liquidity continue to drive the investment market in the central and prestigious areas representing a new element in the sector, explaining why a sharp drop in prices was avoided.

In fact, after the increases, higher than 15% at the beginning of the century, the sector is now in a new market phase where the fluctuations will be more contained but should present rather strong resistance to any deflationary tendencies.

The expectations are still for a positive performance: for 2008 an increase is expected in the average prices of around 5%, in line with 2007.

In relation to the rental market, which concerns approx. 19% of Italian households with 4.3 million homes, in the last 30 years the percentage of Italians that live in rented property has decreased from 40% to 18.8%. From research undertaken by Nomisma, the difference between the monthly payments incurred by the Italian households and the actual market rent emerge - more expensive on average by 38.6%, with 110% in Rome, 92.8% in Milan and 59.6% in Florence.

In fact, with reference to the mortgage market, the Bank of Italy reported that between 2002 and 2006 the national level of debt almost doubled compared to the European average, with an increase in the loans to property value. In particular, the credit institutions have begun to offer specific solutions to new borrowers such as those with atypical employment and to non-Europeans. The national market is not exposed to insolvency risks as the increase in the defaults is stable and the credit institutions have always adopted a prudent attitude in the provision of loans.

For further details, reference should be made to the section “Other Activities – Credit consumption” in the consolidated financial statements.

It is difficult to forecast the trend of the real estate market in 2008 for the institutional investors, given that the results relating to the second half of 2007 could incorporate a strong slowdown of the performance, in view of further signals of a slowdown in the Italian and World economies. Small increases relating to the non-residential sector should however continue, driven by the logistic-industrial segment which if relating to large and strategic real estate projects could offer better growth than in the past.

The principal urban restoration works in which the Group participates are listed below:

- **At Milan:** CityLife project, concerning the former Trade Convention Area, which aims to restore the area in question and has the objective to create an emblematic and recognisable area, capable to promote new models and styles of life, work, culture and leisure time. The planned procedures incurred delays with the municipal administration relating to the metro stop in the centre square of the three towers. The restoration activity commenced in March 2007 and after an initial slowdown, recommenced at full operational level. Work on the first residential lot is expected to commence in Autumn. The completion of the construction and the commercialisation phase is expected for 2014.
- **At Rome:** Alfiere project, which aims to restore the “Towers of the EUR”, current headquarters of the Inspector of Taxes, within an urban restoration project which proposes a modernisation of the area, through the construction of important architectural works. The whole operation is centred on the multi-usage of the spaces, eco-compatibility, energy saving and the use of avant-garde materials and technology. The change requested to the Regulatory Plan, which provided for the complete demolition of the existing buildings and construction of new residential buildings, with the appointment of the architect Renzo Piano, was not accepted by the City Council at the beginning of February this year. A study therefore commenced of the overall project, which requires a detailed analysis of the existing structures in relation to their functions and use.
- **At Florence:**
  - Castello Project, for the restoration of the area. In 2007, the planning situation was significantly updated for the development of the project. In particular, the negotiations with the Municipality for the change in use of part of the lot from “private” to “public”, to be attributed to the Province, resulted in an agreement, especially in relation to the realisation of the two public areas, thus permitting the public tender of only the land. At the present moment, the determination is underway of the value of the area to be sold, the preparation of the planning model, as well as the commencement of the public adoption procedures and approval of the building structures and the above-mentioned modifications.

- Restoration, transformation and restructuring of the real estate project Manifattura Tabacchi. A study for the restoration with the Municipality of Florence is in progress for the restoration of a residential, commercial and services area. The negotiations with the local public administration are still ongoing which should result in agreements in the valuing of the area concerned.
- At **Turin**: Spina 3, Cinque Cerchi Project. The district concerned represents one of the most important urban transformation operations in Italy and consists of the construction of 1,130,000 sq. m. Between 2007 and the beginning of 2008, the purchase of a part of the “Spina 3” district at Turin was completed, with total potential growth of approx. 114,000 sq. m. The commencement of work on the residential lots is planned for the fourth quarter of 2008. The construction and commercialisation is expected to be completed by 2013.

The real estate activities of the Companies of the Fondiaria-SAI Group during 2007 were directed at improving the returns and capital appreciation through maintenance and marketing activities.

For further information relating to the assets in the real estate sector of the Group, reference should be made to the section in the Consolidated Financial Statements.

## **Other information**

## STRUCTURE OF THE SALES ORGANISATION

With reference to 2007, the national distribution of the Fondiaria-SAI Agents was as follows:

	<b>SAI Mandates</b>	<b>Fondiaria Mandates</b>	<b>Total at 31/12/07</b>	<b>Total at 31/12/06</b>
North	413	251	664	666
Centre	150	162	312	308
South	220	142	362	365
<b>TOTAL</b>	<b>783</b>	<b>555</b>	<b>1,338</b>	<b>1,339</b>

The number of Agencies with SAI mandate was 783, and was composed of 220 Agencies in cities and 563 General Agencies; the number of Brokers was 1,302.

With reference to the number of agencies with La Fondiaria Assicurazioni S.p.A. mandates it is reported that at December 31, 2007 in addition to the traditional agencies there were also 4 directly managed agencies.

Specifically, the distribution structure includes 1,338 sole agencies and other localisations belonging to the Parent Company (1,339 at December 31, 2006), as well as a further 2,431 sole and multi-firm agencies (2,433 at December 31, 2006) that collaborate with the other Group companies.

The secondary offices of the company are as follows: TURIN (C.so Galileo Galilei, 12), MILAN (Via Senigallia 18/2) and ROME (P.zza di Spagna, 15).

## HUMAN RESOURCES

At December 31, 2007, the number of employees of the Company was 2,623 (2,649 at December 31, 2006) of which there were: 78 executives, 2,529 white-collar insurance employees and 16 caretakers of the buildings owned, whose employment contract is governed by the national caretakers contract.

During 2007, there was a further drive in the implementation of the leaving incentive plan for personnel with the necessary requisites for pension rights due to the number of years service which permitted a reduction in insurance employee numbers from 2,632 at December 31, 2006 to 2,607 at December 31, 2007.

The year 2007, similar to the previous year, was marked by the complete implementation of the Fondiaria-SAI Company Integrated Contract, signed on December 20, 2005. The process of harmonisation continued of the regulatory and economic agreements between the employees of the former Fondiaria and the employees of the former Sai, whose unification, for some institutions, has already been implemented, while for others this will be completed at the end of the current contractual period fixed for December 31, 2008.

The industrial relations were undertaken in accordance with the principles of consolidated information and dialogue in the Group and resulted in the signing with the trade unions of some agreements relating to issues concerning the implementation of the company integrated contract or rather the harmonisation of the contractual provisions of work hours and part time provisions, in accordance with a rationalisation programme.

Employee disputes before the courts were maintained, in the current year, in line with those of previous years, therefore remaining limited. At December 31, 2007, there were 34 employment cases pending (30 at December 31, 2006).

During 2007, the training activity based on the imparting of know how within the Parent Company took a predominant role. There was a noticeable development both in the matters dealt with and in the quality and quantity of internally trained lecturers with the purpose of achieving the fundamental elements of the so-called Corporate University.

The progress achieved with regard to internal training provided for, even in the presence of a total volume of training activities that was similar to previous years, a considerable increase in internal courses, with obvious benefits from a cost perspective.

Some of the most important activities carried out during the year include:

- A training course on the subject of the direct remuneration system, which involved all of the professionals working within the claims network and the agency network in a cycle of courses on the subject, with the objective of highlighting the opportunities that the new settlement system provides for with regard to improving customer service.
- The development of the first initiative for Departmental Management dedicated to technical hiring structures. In this way, a training activity has been put in place that allows certain people to be chosen from the Departments (including the “product factories” and technical assistance for Damages) and Human Resources and Organisational Management in order to expand their own knowledge regarding the company’s operations, the market and the development prospects in the sector.
- The opening of 7 new educational departments and the consequent planning of 11 new courses, including the first integrated training cycle involving long-distance training and classroom training for the retail sector.
- The continuation of the Skills Development project for non-managerial professionals and the completion of the Skills Development program for supervisors (with courses regarding delegation and development awareness), which include the themes of leadership, planning and coordination.
- The creation of the Training (FOR) website with the inclusion of the online Group Course Catalogue. FOR is an informational area that is dedicated to all of the operators involved with the Fondiaria-SAI Group to communicate with them, enrich their own professional culture and encourage new opportunities for success. The website is continuously updated to aid the duties carried out by employees and to offer all of the tools necessary to face the market dynamically and professionally – it is an evolving workshop and allows them to become aware of all of the innovations offered by Fondiaria-SAI training in real time. In this context, supervisors may register their own staff for technical courses included in the Course Catalogue by completing the appropriate online form.
- The implementation of a library that allows employees access to publications on subjects of professional interest, developed with a view to carrying out the most traditional classroom activities by integrating them with additional tools that are aimed to support the processes focused on the sharing of know-how.

Training is necessary in order to impart values, work methods, strategies, objectives, a professional culture, the development of technological skills and the development of skills in order to allow for the application of new management tools and customer satisfaction systems, the improvement of the internal organisation, the supply of quality products and services, allowing the players involved in the training process to recognise and develop their intrinsic potential, developing and directing planning creativity and allowing for the creation of a network of relationships that allow knowledge and skills to be shared.

As always, all of the Company functions fully contributed to the expectations, giving a concrete contribution in terms of professionalism and commitment, of which it is necessary to give a warm thanks to all personnel involved. This thanks and appreciation is also given to the agency network which contributed with constructive team spirit to achieving the excellent Company results.

## **STOCK OPTIONS PLANS**

On July 14, 2006, the Board of Directors of Fondiaria-SAI approved the assignment of options of the Fondiaria-SAI 2006-2011 stock option plan for executive directors and management of Fondiaria-SAI, of its subsidiaries and of the parent company for the purchase of Fondiaria-SAI saving shares. The assignment by the Board is an execution of the extraordinary shareholders' meeting's resolution of Fondiaria-SAI of April 28, 2006.

The Board of Directors meeting of June 20, 2007 resolved in advance the maturity of the vesting period established in the stock option plan regulations.

In particular, each option tranche can be exercised one year in advance.

The decision to advance the vesting period takes into account, on the one hand, the reaching of some objectives in the 2006-2008 Industrial Plan of the Group and, on the other hand, the various fiscal regulations to which the plans are subject compared to the date of their approval.

The modifications made to the regulations of the plan by the Board of Directors of Fondiaria-SAI on June 20, 2007 do not permit the options to be exercised before the expiry of the vesting period, commencing from the date of assignment, in accordance with the following procedure:

- 40% of the options are exercisable from July 14, 2007 (12 months from the assignment date);
- 30% of the options may not be exercised within 24 months of the assignment date;
- 30% of the options may not be exercised within 36 months of the assignment date.

On the expiry of the vesting period, the beneficiaries may alternatively:

- maintain their options until their maturity;
- exercise the options, subscribing to the shares and maintaining them in portfolio;
- exercise the options, subscribing to the shares and selling them on the market.

In any case, the options not exercised within 5 years from the date of the Shareholders' Meeting are automatically void.

The exercise of the option rights is in any case suspended in the period 10 days before the date of the Board of Directors' meeting to approve the financial statements up to the date of the dividend coupon.

The Regulations also provide limits to the exercise of the options and specifically:

- following the exercise of the options and the relative subscription to shares, no more than 10% or 15% (in the case of the plans for management and those for executive directors) of the average daily volumes recorded in the 30 days prior to the sales date may be traded on the market;
- shares may not be traded, from the exercise of the options, in the month in which the Board of Directors is convened for the approval of the financial statements and the half-year report.

Where, for changes in the current status of pension and fiscal regulations and all other applicable legislation or rather in their relative interpretation and application, the implementation of the Plan should result in the recording of social security charges, taxes or other costs for the Company, this latter may modify the Plan or withdraw the Plan, without the beneficiaries having the right of an indemnity or damages.

The Board of Directors also approved that the exercise of the options would be related to the achievement of the principal objectives of the Group's 2006-2008 Industrial Plan, already announced to the market.

Consequently, in accordance with IFRS 2 "Share-based payments", the recognition periods in the income statement of the consolidated financial statements of the implicit costs relating to the above stock option plan were re-determined. Through appropriate evaluation models, the fair value of the options was determined; consequently personnel costs in the period of the consolidated financial statements of Fondiaria-SAI (net of the options assigned to subsidiaries) were increased against a net equity reserve of Euro 39.8 million, of which Euro 14.6 million relating to the Parent Company.

As the plan involves some executive directors and management of the subsidiaries Milano Assicurazioni and Immobiliare Lombarda, the economic effects of the stock option plan are also recorded in the financial statements of these companies for their share. On the other hand, the consolidated financial statements of Fondiaria-SAI do not include the cost of the options assigned to the executive directors and management of its parent company. The total cost of the plan is estimated, for the Fondiaria-SAI Group, at Euro 36 million.

(in Euro)	Number options related	Residual life	Option value	Total cost	Cost at 31/12/2007
Tranche A	5,173,360	0	2,792	14,445,940	10,982,964
Tranche B	3,880,020	1	2,708	10,506,003	5,209,473
Tranche C	3,880,020	2	2,809	10,897,715	3,604,115
<b>Total Fondiaria-SAI Group</b>	<b>12,933,400</b>			<b>35,849,658</b>	<b>19,796,552</b>
Options granted to the holding company	2,066,600				
<b>Total</b>	<b>15,000,000</b>				

Pursuant to article 78 of CONSOB regulation No. 11971 of May 14, 1999 as supplemented, the information required on stock option plans is provided:

## Stock options assigned to Executive Directors and Management

		OPTIONS HELD AT BEGINNING OF 2007			OPTIONS ASSIGNED DURING 2007			OPTIONS EXERCISED DURING 2007			OPTIONS EXPIRED IN 2007	OPTIONS HELD AT THE END OF 2007		
Name	Office held	Number of options	Average exercise price	Average expiry	Number of options	Average exercise price	Average expiry	Number of options	Average exercise price	Average market price in year	Number of options	Number of options	Average exercise price	Average expiry
Jonella Ligresti	Chairman – Director - CE	1,900,000	21.546	2011	-	-	-	-	-	-	-	1,900,000	21.546	2011
Giulia Maria Ligresti	Vice Chairman – Director - CE	1,900,000	21.546	2011	-	-	-	-	-	-	-	1,900,000	21.546	2011
Antonio Talarico	Vice Chairman – Director - CE	1,100,000	21.546	2011	-	-	-	-	-	-	-	1,100,000	21.546	2011
Fausto Marchionni	CEO – Director – CE – Director General Manager	1,900,000	21.546	2011	-	-	-	-	-	-	-	1,900,000	21.546	2011
Gioacchino Paolo Ligresti	Director - CE	1,900,000	21.546	2011	-	-	-	-	-	-	-	1,900,000	21.546	2011
Executive with strategic responsibility (a)		4,619,000	21.546	2011	-	-	-	1,000	21.546	26.614	-	4,618,000	21.546	2011

(a) the data of “key management personnel” is at an aggregate level.

## CULTURAL AND SOCIAL INITIATIVES

### External Communications

2007 was particularly dedicated to the development of new corporate communications projects which, through different methods and varying levels, have the goal of pursuing the objectives that are typical of these types of activities: communicate the values and the resources that the Group uses to operate within the market, expressing its competitive positioning and strengthening the Group's brand awareness.

In this perspective, the first "Libera la Vita" ("Free Life") initiative was born referring to the institutional payoff of the Group last year, which was targeted at all of the distribution network agencies with the objective or harmonising the communications activities throughout the territory and providing an expression of Fondiaria-SAI Group's market positioning. The operation apportioned a financial contribution to local charitable-social initiatives and is coherent with the communications philosophy that supports the "Free Life" premise, selecting those projects that are capable of transmitting Gruppo Fondiaria-SAI's important role of social responsibility and setting it apart for its innovation and visibility.

This is an effective method for transmitting our brand's personality, values and uniqueness, and at the same time enhancing the role of the agencies.

The second project, which was developed in the corporate area, is the Group's new magazine, called VISION – Valore e Valori della Comunicazione (Value and Values of Communications) targeted at employees and all of the agencies and completely dedicated to the subjects that animate the field of Communications: scenarios, awareness surveys on the health status of our major brands and the main emergent social phenomena, successful case histories, new projects created by the Group, etc.

The newsletter, with a bi-annual distribution, pursues the objective of promoting a more diffuse and mature culture of communications and supplying useful informational/training instruments to the insurance sales networks, which are also of interest to the Group's entire Management.

The name itself is an implicit declaration of intent: to provide a contribution of awareness, clarity and concreteness to the understanding of the dynamics of communications, with special, yet not exclusive, attention to changes taking place in the insurance-financial market, to investigate today the elements that will constitute tomorrow's tastes and public opinion, to identify the utility of the correct use of "communications" in reaching the company's objectives and express the values in which our Group's vision has its roots.

The second edition of Vision, which was published and distributed in the month of December, coherently with its editorial mission, has already inaugurated the first collection of volumes dedicated to communications training (entitled Say, Do, Communicate).

Moreover, the Parent Company has also guaranteed adequate support and the necessary visibility to the initiatives developed by the corporate business centres and the Companies belonging to the Group:

- A project for the harmonisation of the Claims Inspectors' image.
- A SIAT-Società Italiana Assicurazioni e Riassicurazioni (Italian Insurance and Reinsurance Society) institutional communications review aimed at enhancing its new position in the Group's Transportation Facility.
- The implementation of a communications project in support of Auto Presto&Bene.

Moreover, the agencies have been guaranteed the necessary assistance, in a continuous manner, for the realisation of local communications tools, according to specific territorial marketing requirements.

## **Public Relations**

In order to increase and consolidate the institutional role and visibility of the Fondiaria-SAI Group on a national level, the Group has provided support to and collaborated with the following cultural institutions during the period in question:

- the Fondazione Teatro Regio di Torino (Royal Theatre of Turin Foundation) of which Fondiaria-SAI is a founding partner;
- the Museo Nazionale del Cinema (National Cinematic Museum) - of which Fondiaria-SAI is a member of the management committee;
- the Committee for the promotion of the Beni Artistici e Culturali di Torino (Artistic and Cultural Heritage of Turin), for which Fondiaria-SAI is a member of the management board and in 2007 was actively involved in its 20<sup>th</sup> Anniversary celebrations;
- the Fiera Internazionale del Libro (International Book Fair) (Turin, 2006/2007 World Book Capital);
- the Turin Industrial Association's Conference Centre;
- the City of Florence's May Florentine Music Festival;

as well as other institutions that operate in social and cultural areas.

Specifically, in order to continue the Group's commitment as a promoter of a high-level artistic-cultural setting and its continued willingness to create a solid relationship with the city of Turin, during the month of September, significant support was provided for the traditional MITO-September Music event (which saw Fondiaria-SAI acting in the cities of Turin and Milan at the same time) and on October 7, for the fourth year in a row, the opening night (featuring Giuseppe Verdi's *Falstaff*) at the Royal Theatre of Turin, which is now acclaimed by the public and receives excellent media coverage.

## **COMMUNICATIONS**

In order to proceed with the consolidation of the integration of different corporate cultures present within the Group, throughout 2007 the planning and study of a variety of Internal Communications activities continued, which through the creation of print/online tools and internal events—have involved and will continue to involve the Group in upcoming months:

Among the most important activities we report:

- sharing information through the NEWS newsletter and the TEAM house organ, which are distributed to all employees and distribution networks;
- the development of ad hoc Communications Plans (specifically for Milano Assicurazioni with which collaboration is also taking place for the study of a new dedicated print publication called Milano Magazine) and the realisation of communications projects targeted at the Group's different companies;
- creating customer loyalty among the best clients (Club Assicurati) through the creation of a quarterly magazine, LINEA DIRETTA CLUB;
- the distribution of 2007/2008 Free Catalogues for all employees and distribution networks to manage the Group's promotional offerings;
- the continuation of the integration of the Intranet system;
- the management of the major brands (with specific reference to the new Fondiaria-SAI headquarters in Rome) and the agency brands belonging to the entire Group;
- the planning of events targeted at employees and agency networks.

## **Customer relations**

With reference to the customer loyalty programmes, the first of the two-year operations of the new club "Assicurati" was concluded, characterised by the "last minute" offer proposal, which are accessible both on the institutional side and through a specific insertion attached to the Linea Diretta Club magazine. The best clients reported by the agencies by the Sai division, the employees of Fondiaria-SAI that wished to join the initiative, those belonging to the Sai seniors division and the clients of Fondiaria-SAI, Milano, Nuova Maa and Previdente involved in the private insurance initiative joined the Club.

During the second half of 2007, a new census was made in order to update the database containing the list of clients involved in the initiative.

The agencies also had the possibility to report new persons in addition to those already present and a new category was created called "Elite Under 30" for which ad hoc initiatives to award in particular young customers are proposed.

Following this updating and the insertion of other employees which choose to enter the Club Assicurati, the two year 2008-2009 period will commence with a base of approx. 14,500 subscribers.

For the new two year period, in addition, it was decided to improve the offer through a Pronto Assistance Guarantee package based upon the category (Private, Elite or Elite under 30).

In relation to the number of claims received by the Company from operators pursuant to Isvap circular No. 518/03, an increase of 22.2% was recorded in 2007; the increase at June 30, 2007 was 54.4%.

The increase in the claims was due in particular to the following factors:

- The Campania situation in relation to claims, both in relation to the restructuring in place in the commercial network (terminations, closure of agencies, movement of portfolio);
- consequent of the entry into force of the Bersani Law (possibility to withdraw from the long term policies and request to maintain the class of the first vehicle also on the second vehicle owned).

In addition, the sending to the clients of the risk certificate and the consequent greater attention of the users to their insurance situation caused reactions both in relation to the application of the malus and in relation to the amounts of the settlement to the counterparties, which the clients often considered too high.

With the introduction of the direct compensation, this factor should progressively decrease.

In relation to sanctions, Isvap transmitted a total of 364 formal notifications in accordance with the application of the Private Insurance Code; the Supervision Authority also issued 231 notices in relation to cases which had been previously been transmitted by the Notification Act.

These injunctions amounted to Euro 2,147,230.31.

In addition to this, there were also 223 injunctions relating to processes in 2002-2003-2004 which were appealed and which Isvap rejected.

For these latter, the total amounted to Euro 5,121,186.

## **Sponsorship and donations**

The planning of the sponsorship and the donations of Fondiaria-SAI in 2007 saw many different programmes at both institutional and local level, aimed at reinforcing the image and presence of the Parent Company in the operating centres of Florence, Milan and Turin. These interventions, in fact, contributed to create a fruitful and positive relationship with the institutions and the local communities, consolidating year on year the companies roots within the territory in which it operates.

The areas of intervention have mainly involved social services, with initiatives that favour the weakest and most disadvantaged populations and medical-scientific research. Another important area of intervention is culture, which has been supported by both high profile initiatives and more accessible and informational initiatives, for the purpose of responding to the needs of the most diverse target audiences. With regard to sport, some opportunities were selected that have provided high visibility to the logo as well as activities that have provided important competitive results.

Specifically, among the initiatives involving social and humanitarian content, which reflect the attention that Fondiaria-SAI has focused on the values of solidarity and the principles of Corporate Social Responsibility, some of the most important include the assistance provided to ANDOS-Associazione Nazionale Donne Operate al Seno (National Association for Women Who Have Undergone Breast Surgery); AID-Associazione Italian Dislessia (Italian Association for Dyslexia) for the creation of the A.P.R.I.CO project, which was founded with the goal of activating preventive, re-education and compensatory projects using IT tools within schools for people with dyslexia; AIMAC-Associazione Italiana Malati di Cancro (Italian Association for Cancer Victims), which provides information and psychological support to cancer sufferers and their families. Moreover, assistance was provided to the Gulliver Centre, a social co-operative that works for the rehabilitation of young drug addicts, ARCA, a socially beneficial non-profit organisation for those with severe mental handicaps, and the Ideando Social Cooperative, which is involved in the rehabilitation of minors who live in severely disadvantaged family situations. In 2007, support was re-newed for the Dino Ferrari Centre, a support organisation involved in the battle for the diagnosis and therapy for neuromuscular and neurodegenerative diseases, the Umberto Veronesi Foundation, which has the goal of promoting scientific cancer research and providing information at all levels, and the socially beneficial non-profit organisation, Aldo Garavaglia "Doctor Smile" Foundation, which through comic-therapy, brings a smile to the faces of children that are admitted to Italian hospitals.

In the socio-cultural area, the traditional contribution to the “Rimini Meetings” was reconfirmed. In its 28<sup>th</sup> Edition, the theme for the Meeting was Friendship among Cultures and the central theme was “Truth is the fate for which we were created”, a subject that included an intense series of meetings among politicians, entrepreneurs and scientists as well as religious leaders and international cultural and artistic personalities. This edition attracted a large number of people, characteristic of the event for several years: 700,000 visitors, 118 meetings, 400 speakers, including the Chief Executive Officer of Fondiaria-SAI, and with 800 accredited journalists in the press room, resulting in significant returns in terms of image.

Fondiaria-SAI also supported the “Agorà dei Giovani Italiani”, an initiative by the Catholic Church aimed at promoting a new focus on youth pastoral activities in our nation’s dioceses which concluded in Loreto with a large meeting that also saw the participation of Pope Benedict XVI.

On a cultural level, the sponsorship of MITO September Music, the International Music Festival, was of special importance in terms of artistic quality and media impact and for the entire month of September, it united Milan and Turin in a busy calendar of musical events, from classical to contemporary music, from jazz to rock to pop, and which was met favourably by a wide variety of target audiences. Born from the thirty-year experience of Turin September Music, the MITO Festival, during its first edition in Milan, met with great success from the public, with more than 160,000 visitors and the participation of critics.

The sponsorship relationship with the Philharmonic Orchestra of La Scala continued, with additional support from Fondiaria-SAI for the special concert that took place in the Cathedral Square of Milan for the Festa della Repubblica and for the Orchestra’s United States tour. Subscriptions were renewed as extraordinary members and supporters of some important institutions in Milan, including, among others, the La Scala Theatre, the PierLombardo Foundation and the AIM-Associazione Interessi Metropolitani (Metropolitan Interests Association), which studies the problems of Lombardy’s metropolitan areas to favour of a balanced modernisation and to increase international competitiveness.

To highlight Fondiaria-SAI’s deep set roots in Milan’s history as well as the bond it shares with the city, the Group continued for the first two months of the year with the financial intervention it began in November of 2006 for the restoration of the facade of the city’s Cathedral.

With support for the “A Masterpiece for Milan” initiative, the Group continued to strengthen its relationships with the institutions of Milan, by once again taking part in the city’s greatest cultural events. Promoted by the Diocesan Museum of Milan and Bipiemmi Gestione – Gruppo Banca Popolare di Milan, a banking and insurance partner, and under the patronage of the City of Milan’s Regional Office of Culture and the Arts, this initiative “brings” some important works of art from other cities or nations, which are not normally readily available to the public, to one of the most prestigious museums in the Region of Lombardy. During the months of September and October Antonello da Messina’s *Annunciation*, from the Regional Gallery of Sicily at Palermo’s Palazzo Abatellis, was exhibited for the first time.

Once again in 2007, Fondiaria-SAI was one of the “500 of FAI”, in other words, among the regular supporters of the Fondo per l’Ambiente Italiano (Italian Fund for the Environment), and it was one of the sponsors of the annual special fundraising concert which this year was conducted by Maestro Riccardo Muti and took place in Rome’s Music Park.

Finally, in the sports sector, the most important support in terms of media coverage and financial commitment was the +39 Challenge, the Italian racing sailboat that took part in the 32<sup>nd</sup> America's Cup, which displayed Fondiaria-SAI's logo on its sails. Also worth mention is the renewed support for the women's track and field team, the Fondiaria-SAI Athletics team of Rome, which participated in its sixth consecutive national championship in 2007 as well as the Supercoppa, an important event that recognises the Senior and Youth activities of the association throughout the entire year, as well as the prestigious Fondiaria-SAI Swing Cup, one of Italy's most important golf tournaments, featuring 16 stages with the final competition held at the Alahotel's Tanka Village course at Villasimius in Sardinia.

Throughout 2007, some important events acted as confirmation of the strong link that exists between the Company and the city of Florence.

In particular, on March 21, the city hosted delegations from all of the nations of the European Community along with the Presidents of the European Parliaments for the 50<sup>th</sup> Anniversary celebration of the Rome Treaties, welcoming them with a concert held at the Theatre of the "Florentine Musical May", featuring Beethoven's Ninth Symphony. Fondiaria-SAI acted as a partner to offer this concert to the city of Florence and the European delegations.

In keeping with tradition, Fondiaria-SAI sponsored the final concert of the Musical May Festival, which celebrates its 70<sup>th</sup> edition this year. The concert was held against the splendid backdrop of the Piazza della Signoria with an "all Cajkóvskjy" concert directed by Maestro Zubin Mehta. Zubin Mehta had previously conducted an exclusive concert for guests of Fondiaria-SAI at the Sala Botticelli of the Uffizi Galleries featuring Mozart's K550 Symphony.

And also in 2007, Fondiaria-SAI supported the edition of the Festival of Creativity organised by the Tuscan System Foundation. Fondiaria-SAI Group has participated in the Tuscan System Foundation's programs through its participation at the Investors Shareholders' Meeting. At the end of the 2<sup>nd</sup> edition of the Festival of Creativity, which saw the participation of more than 400,000 visitors, the Uffizi Galleries hosted an exclusive concert by the viola soloist Giovanni Sollima, which was broadcast live on Radio Tre.

Moreover, the presence of the Company's brand in the road safety campaign promoted by the City of Florence continued, with a testimonial by the footballer Giampaolo Pazzini and the headline "You can lose a game, but not your life Don't drink and drive!".

## **Press Office**

The press office's activity has guaranteed a continual flow of information to media outlets regarding the company, which has allowed for increased visibility, both at an institutional level in relation to financial performance, management objectives and strategies, and with regard to the products that are offered to customers with an improvement in the external perception of the brand and the activities carried out.

Specifically, the press office has supported the dissemination of 34 press releases, 27 of which are price sensitive, and the carrying out of meetings and interviews between journalists and the CEO and other members of top management.

Moreover, the press office has collaborated with the Investor Relations Department for an annual meeting with financial analysts, focusing on the state of advancement of the Group's 2006-2008 Industrial Plan and the new market challenges resulting from the introduction of direct compensation and by the Bersani Decree, in support of media impact.

## **Activities forecast for 2008**

We summarise the principal commitments of Management for 2008:

- Verify and analyse the claims with particular attention to the problems relating to the Direct Compensation in force since February 1, 2007.
- Initiatives aimed at the greater satisfaction of the users which permit a decrease in the number of claims.
- Constant monitoring of the situation relating to the sanctions notified by Isvap.
- Further identify activities and specific initiatives for the Club Assicurati Clients, with particular reference to the Private Insurance Clients and those relating to the new category “Elite Under 30”.
- Verify the feasibility and commence a revision project of the linguistic communications with clients, in order for greater accessibility and transparency of the contents.
- Launch of the new Group service “Auto Presto&Bene” and support communication for the agency networks and for the auto repair network throughout the country.

## **IT ACTIVITIES**

In 2007, the IT Department of the Fondiaria-SAI Group had almost completed the migration activities of the companies into a single IT System, except for some minor activities which will be completed in 2008.

In relation to the LIFE Insurance Companies and the LIFE Bancassurance initiatives, the Group has one single Online IT system.

In 2007, the Online platform for the Broker lines was nearly completed.

Also in 2007, the activities for the new Agency systems were completed and the Online version will be progressively distributed from the second half of 2008.

Again in 2007 the IES Online system was completed for the management of claims within the entire Group, for both Agencies and head offices.

The new IT platform of the Insurance Company Dialogo was completed, and operational from the beginning of 2008 with particular improvements in the Front End services and client assistance.

The development of systems and instruments supporting the operational and sales activities of the agencies (marketing, CRM, DataWareHouse) at the beginning of 2008 permitted the commencement of these services for the Group Agencies.

The Online platform implemented by the Non-Life Bancassurance today permits the management of over 2000 branches.

The Group Datawarehouse, within the integration activities, was implemented during 2007 which will progressively become the business intelligence system for all operational areas.

In addition to the above activities, the IT Department was strongly involved in activities supporting the industrial plan and interventions related to regulatory and legislative changes.

## **Joint Venture with the EDS Group for the Information Technology infrastructure management of the Fondiaria-SAI Group**

At the beginning of 2007, the project began for the management of the Information Technology infrastructure of the Fondiaria-SAI Group to a joint venture comprising a partner with proven capacity and experience in the information technology sector, EDS Italia S.p.A. (hereafter EDS).

Taking into account the growth expectations in competition in the insurance market, it is considered that one of the key factors in achieving the objectives contained in the 2006-2008 Industrial Plan of the Fondiaria-SAI Group comprises the realisation of an upgrade in the Information Technology infrastructure of the group in order to achieve improvements in the competitiveness level of the Group whilst also achieving cost savings.

In summary, the project involves the management of the Information Technology infrastructure based on a long term service contract between the company Fondiaria-SAI Servizi Tecnologici S.r.l. (hereafter FonSAI ST), EDS and companies of the Fondiaria-SAI Group and in which this latter have transferred personnel and/or hardware and software into a business division and, on the other hand, Uniservizi S.c.r.l., the consortium company of the Fondiaria-SAI Group which undertakes utility services and distributes these in favour of the companies of the Fondiaria-SAI Group. FonSAI ST operates exclusively for the Fondiaria-SAI Group.

FonSAI ST was incorporated in December 2006 with an initial share capital of Euro 10,000, divided between Fondiaria-SAI and EDS with shareholdings of 51% and 49% respectively.

Although Fondiaria holds 51% of the capital of FonSAI ST, however, on the basis of the governance agreements signed, the operating control of the company is attributed to EDS - a condition necessary to guarantee to the Fondiaria-SAI Group the operating advantages in terms of reduction of costs.

Subsequently on February 1, 2007, the shareholders' meeting of FonSAI ST approved a share capital increase from Euro 10,000 to Euro 120,000, subscribed and paid in at that date as follows:

- for the part of EDS, with payment in cash so as to maintain the shareholding in FonSAI ST at 49%;

- for the part of Fondiaria-SAI Group, with conferment of business units from Fondiaria-SAI, Milano Assicurazioni S.p.A., Starvox S.p.A. and Uniservizi. These business units comprise personnel and/or hardware and software relating to the activities assigned under management to EDS.

The value of the Business Units conferred is that resulting from the balance sheets of the Business Units as at October 31, 2006, and to which are attached independent expert evaluations by an auditor pursuant to article 2465 of the Civil Code.

The total value of the Business Units was allocated to the share capital of FonSAI ST up to Euro 120,000 and, for the part exceeding, to the share premium reserve, totalling approx. Euro 7.4 million after the revision of the values conferred which took account of the period from the date of the conferment to the date of the deed (February 1, 2007).

The Business Units conferred also included 134 employees of the Parent Company of Milano Assicurazioni and of Starvox, in which an agreement was signed in accordance with law with the trade unions.

In March 2007, Milano Assicurazioni, Uniservizi and Starvox ceded to Fondiaria-SAI their respective holdings in FonSAI ST, in order to hold in Fondiaria-SAI the investment in the corporate vehicle, with the provision that the information services subject to the service contract between FonSAI ST and Uniservizi will relate to all of the companies of the Fondiaria-SAI Group, and not only of those business units conferred.

In December 2007, the transformation of FonSAI ST from an S.r.l. into a S.p.A. was approved, with the issue of various share categories with different rights in terms of voting and profit and loss participation, in accordance with the overall governance agreement.

Within the joint venture launched with success with the EDS Group for the management of the Information Technology infrastructure of the Fondiaria-SAI Group and realised through the joint company Fondiaria-SAI Servizi Tecnologici S.p.A., which has been described in another part of the present report, this latter and Uniservizi S.c.r.l. (consortium company of the Group) signed a contract for the management of the computerised network services, which are the services for the data transmission (non telephone) among the different operating offices of the Group, as well as with the agencies and inspectors.

Previously Uniservizi provided, with limited exceptions, supply contracts of the services in question and Fondiaria-SAI Servizi Tecnologici managed these contracts in the name of and on behalf of Uniservizi.

Due to the new agreement, Fondiaria-SAI Servizi Tecnologici will become a supplier of the service to the Fondiaria-SAI Group and, in turn, agreed in the name of and on behalf of, supply contracts with operators among the leading competitors based on tendering processes.

The project provides for the replacement of the existing network in relation to the equipment and the bandwidth managed. The project is expected to be concluded within a year. The agencies will be gradually connected from around April 2008.

The agreement will permit the Fondiaria-SAI Group a saving compared to the cost to be incurred utilising the current system.

The project has the objective of strengthening and implementing the application system and to contain costs.

## **COMPLIANCE WITH PRIVACY LAW**

In accordance with the rule 26 of the “Technical governance on security matters”, Attachment B) of Legislative Decree No. 196 of June 30, 2003, Fondiaria-SAI S.p.A. declares to have prepared the Programmed Security Document relating to the year 2007, in compliance with the provisions of article 34 of Legislative Decree No. 196 of June 30, 2003 and the technical Governance cited above.

## **RATING, RELATIONS WITH THE MARKET AND INSTITUTIONAL INVESTORS**

In September 2006, the rating agency Standard & Poor’s improved the outlook on the Fondiaria-SAI Group and on the subsidiary Milano Assicurazioni, increasing it from “stable” to “positive”. The counterparty rating and financial insurance solidity “BBB” was reconfirmed for both companies.

The revision of this view reflects a more prudent investment strategy and a better capitalisation, as well as the strong competitive position in the market and the operating performance of the Group.

On June 29, 2007, the rating agency Standard & Poor’s improved the rating of the Fondiaria-SAI Group increasing the rating from BBB to BBB+, confirming the POSITIVE outlook.

This improvement, according to the report of the agency, “takes into consideration a prudent and cautious approach to M&A activity, the constant strengthening of the capitalisation of Fondiaria-SAI as well as the continued improvement in the Risk Management area”.

The opinion is also based on matters such as competitive position and operating performance, or rather the contribution of the Life division, which increased from 15% in 2005 to 21% in 2006. The positive outlook reflects the improved competitive position, current and future, in the Life business of Fondiaria-SAI, following the conclusion of the exclusive distribution agreement, for a ten year period, with Banco Popolare di Verona e Novara and the Banco Popolare Italiana, which reduces the concentration of the Group in the Non-Life business with an operating and profitability diversification drive, although a relatively high concentration of the equity portfolio remains in a few “strategic lines”.

The new Standard & Poor’s valuation is of great satisfaction for the Group and confirms the strategies adopted and the efficiency of the work undertaken in recent years, with a positive outlook to the market challenges and achieving of objectives in the coming years.

## **DIRECTION AND CO-ORDINATION – RELATIONS WITH GROUP COMPANIES AND RELATED PARTIES**

The Company is not subject to management and coordination pursuant to article 2497 of the Civil Code. The company however undertakes management and coordination in accordance with the regulations cited in relation to its subsidiaries, including MILANO ASSICURAZIONI and IMMOBILIARE LOMBARDA and their direct subsidiaries.

The Company has also created rules of conduct for the subsidiary companies, in order to ensure compliance with the management and coordination of the Group companies, as well as to guarantee the transparency obligations and those for reporting to the market required by listed issuers are complied with. These conduct rules provide, among others, specific resolutions of the Board of Directors and of the Executive Committee of Fondiaria-SAI on some operations relating to subsidiary companies, considered significant based on the nature of the operation or the amount.

The Company also undertakes transactions of a financial, insurance and a service nature with the majority of the companies of its Group.

The transactions with the companies of the Group are within the normal activities of management and coordination of the Company and they are subject to, where applicable, the specific governance control by ISVAP. There were no transactions of an atypical nature compared to the normal activities of the business.

The principal inter-group operations, regulated at market prices and in accordance with the criteria of recharging only specific costs incurred, related to reinsurance, the settlement of claims in the Non-Life sector, IT services, administration, the management of real estate and property assets and the concession of loans and guarantees.

The inter-group services guarantee the rationalisation of the operational functions and the utilisation of the existing synergies in the Group, realising greater overall economies.

In addition, there were no significant positions or transactions deriving from atypical and/or unusual transactions.

For details on the inter-group operations, reference should be made to the attachments to the accounts - Part C - Notes to the Financial Statements.

The principal transactions with the companies subject to management and coordination recorded in the accounts of the Parent Company are shown below:

(in Euro millions) Company	Assets	Liabilities	Costs	Revenues
<b>Subsidiaries</b>				
BANCASAI S.p.A.	95	3		4
CASA DI CURA VILLANOVA S.p.A.	2			
CRIVELLI S.r.l.		1		
FINITALIA S.p.A.	2		8	
IMMOBILIARE LOMBARDA S.p.A.	1	3	4	2
LIGURIA S.p.A.	6			1
MANTEGNA S.r.l.		1		
MERIDIANO EUR S.r.l.		3		
MERIDIANO ORIZZONTI S.r.l.		4		
MERIDIANO RISPARMIO S.r.l.		7		
MILANO ASS.NI S.p.A.	255	220	38	113
NUOVE INIZIATIVE TOSCANE S.r.l.		8		
PRONTO ASSISTANCE S.p.A.			15	14
PRONTO ASSISTANCE SERVIZI S.p.A.			14	
SAI FINANZIARIA S.p.A.		162	1	
SAI HOLDING ITALIA S.p.A.	3	23	2	
SAI INVESTIMENTI S.G.R. S.p.A.	1			1
SASA S.p.A.	18	10		2
SASAVITA S.p.A.	8	7	1	2
SIAT S.p.A.	15	5	20	17
SYSTEMA S.p.A.	1	2		
UNISERVIZI S.c.a.r.l.	32	34	87	30
VILLA RAGIONIERI S.r.l.		2		
OTHER	10	13	4	10

In particular, the principal transactions relate to:

- Banca SAI S.p.A. - the activities refer to current accounts which the parent company holds with the subsidiary;
- Milano Assicurazioni S.p.A. - the assets and liabilities from the subsidiary refer prevalently to the inter-group transactions originating from the national tax consolidation regime and reinsurance transactions. The difference between costs and revenues of Euro 9 million (Euro 37 million revenues and Euro 28 million costs) represents the net charge incurred by the subsidiary following the utilisation and provision of the unified services of the Group; There were also Euro 70 million of dividends from the result for the current year and Euro 4 million reinsurance transactions;
- Pronto Assistance S.p.A. - costs and revenues refer to reinsurance transactions, relating to the Assistance Class;

- Pronto Assistance Servizi S.p.A. - costs refer to expenses incurred for the settlement of claims and call centre services;
- Sai Finanziaria S.p.A. - the liabilities principally refer to loans obtained of Euro 160 million;
- Sai Holding S.p.A. - the liabilities principally refer to loans obtained of Euro 18 million;
- Sasa S.p.A. - the assets principally refer to the loans provided, with subordination clauses, for Euro 10 million and Euro 7 million, and assets and liabilities on the inter-group accounts originating following the adherence of the subsidiary to the national tax consolidation regime;
- Uniservizi S.c.a.r.l. - the assets refer to the intergroup recharges, while the liabilities refer to accruals at the year-end. The costs incurred and the revenues recorded refer to transactions of a consortium nature against the provision of the unified group services.

With reference to the other subsidiaries not within the application of article 2497 of the Civil Code, the principal transactions with the Parent Company were as follows:

(in Euro millions) Company	Assets	Liabilities	Costs	Revenues
<b>Subsidiaries</b>				
CAPITALIA ASSICURAZIONI S.p.A.	1			
FINSAI INTERNATIONAL S.A.			1	
FONDIARIA NEDERLAND B.V.		20		11
NOVARA VITA S.p.A.	2			2
SAI INTERNATIONAL S.A.		180	13	
SIM ETOILE S.A.	4	15	1	8
THE LAWRENCE RE IRELAND LTD.	108	46	89	58

In particular, the principal transactions relate to:

- Fondiaria Nederland B.V. - the liabilities principally refer to the loan obtained of Euro 19 million, while the revenues relate to dividends of Euro 11 million;
- Sai International S.A. - the liabilities refer to the loans obtained of Euro 180 million, while the costs refer to the interest on the loan;
- Sim Etoile S.A. - the liabilities refer to the loan obtained of Euro 15 million, while the revenues relate to dividends of Euro 8 million;
- The Lawrence Re Ireland Ltd. - the assets relate to premium reserves and claims relating to group re-insurers, while the liabilities relate to deposit accounts for reinsurance cessions to subsidiaries. The costs and revenues refer to outward reinsurance transactions.

## Other Related Parties of Fondiaria-SAI

With reference to the other related parties of Fondiaria-SAI, the principal transactions were:

(Euro thousand)	31/12/2007		31/12/2006	
	Assets	Liabilities	Assets	Liabilities
Holding company	-	428	-	1.283
Associated companies and joint ventures	353	442	2	-
Group companies	2	21	1	20
Other related parties	12.590	-	31.361	-

(Euro thousand)	31/12/2007		31/12/2006	
	Income	Charges	Income	Charges
Holding company	415	2.050	358	1.103
Associated companies and joint ventures	3.423	-	2.348	-
Group companies	5	-	19	-
Other related parties	5.579	29.643	117	25.094

The account Assets in the Other related parties refer to the transactions with the Company IM.CO. for Euro 12 million, relating to capital expenditures and improvements on property.

The account Income from Associated Companies relates to the dividend from the associated company Fin.Priv. for Euro 2.5 million.

The account Charges from Other related parties includes Euro 23 million relating to directors fees and salaries of senior management of the Parent Company with strategic responsibilities.

## NATIONAL TAX CONSOLIDATION

In 2007, the Company renegotiated, for the three years 2007-2009, the option for the national tax consolidation regime, which had expired following the exercise of the option for the first time for the three-year period 2004-2006. At the same time, this consolidation regime was extended to some new companies of the Group not previously included, among which, Liguria Assicurazioni, Liguria Vita and Capitalia Assicurazioni.

The tax consolidation area at the present moment includes 63 companies including two listed subsidiaries. The change in the consolidation area did not result in the restitution of previous tax advantages obtained.

With reference to the year 2006, the presentation of the declaration of Group income tax and settlement and payment of the relative income taxes took place in 2007 and the single management of the current taxes permitted an overall tax saving of approx. Euro 7.4 million. Of this, Euro 6.1 million was related to the immediate and full utilisation of the tax losses transferred from some subsidiaries while the residual Euro 1.3 million related to savings related to the further non taxation of inter-group dividends.

Consequent to the commitments assumed as consolidating company, Fondiaria-SAI during 2007 paid the income taxes of the Group for the year 2006 totalling Euro 167.3 million which, net of the credits, withholding and payments on accounts transferred to the group and payments by the consolidated company on behalf of the Group, generated a credit balance of approx. Euro 37.4 million.

The Company also made income tax payments on account for the year 2007 in accordance with the modifications to Law No. 296 of December 27, 2006 (2007 Finance Act) and Legislative Decree No. 81 of July 2, 2007 (converted into Law No. 127 of August 3, 2007). Subsequently, the company charged (or credited) the total amounts due from each of the consolidating companies, in full compliance of their tax obligations and the agreements made with the subsidiaries within an equal division of the economic and financial advantages obtained.

### **Effects of the national tax consolidation on the financial statements at December 31, 2007.**

The Ires group income tax estimated for year 2007 was approx. Euro 213.0 million (of which approx. Euro 86.0 million attributable to the consolidating company Fondiaria-SAI). This amount is recorded as a tax provision and not as a tax payable charge, as at the year-end the income tax declarations of the consolidating companies and of the Group were not yet prepared.

The expected tax saving, at Group level, amounts to approx. Euro 8.6 million of which Euro 7.3 million related to the utilisation of tax losses transferred by some subsidiary companies and Euro 1.3 million relating to the consolidation adjustments made to take account of the further tax abatement of 5% of the dividends paid by the subsidiaries within the Group consolidation.

This further tax abatement of the dividends will be reduced from the next income tax period, due to the changes made to the consolidation process as per article 1, paragraph 33, of Law No. 244 of December 24, 2007 (2008 Finance Act).

The estimated advantages in the year to the Company and related to the above-mentioned adjustments amount to approx. Euro 3.6 million. On the other hand, estimated charges are recorded in the income statement of Euro 4.7 million, deriving from the restitution of tax losses relating to previous years, provisionally attributed to the consolidating company. These losses, based on the expected income for 2007, are reattributed to the companies which produce the losses as automatically re-absorbable.

The above charges however are utilised for a similar amount from the provision for risks and charges constituted against this eventual restitution.

Against the Ires income taxes for the year 2007, receivables were recorded from the related subsidiaries for the transfer of the positive assessable income tax of Euro 127.2 million, while the receivables to the tax authorities transferred to the group and recorded in the accounts of the consolidated company against the payable to the subsidiaries amounted to Euro 13.0 million. Finally, at the end of the year the amount of the payments on account of the consolidating companies, already paid to Fondiaria-SAI, and recorded as payables to subsidiaries amounted to Euro 96.8 million.

## INVESTMENTS HELD BY DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS

The holdings of Directors, Statutory Auditors and General Managers pursuant to article 79 of Consob Resolution No. 11971 of May 5, 1999, in implementation of Legislative Decree No. 58 of February 24, 1998 concerning listed companies is shown below.

Investments also held by spouses not legally separated and dependent children, directly or through subsidiary companies, trust or interposed persons are also shown.

Name	Company	Number of shares held at 31/12/2006		No. of shares acquired	No. of shares sold	Number of shares held at 31/12/2007
N.V. € 1						
<u>GENERAL MANAGERS</u>						
MARCHIONNI Fausto	Fondiaria-SAI	625 a)	ord.			625 a)
		282 a)	sav.			282 a)
<u>BOARD OF DIRECTORS</u>						
CORSI Francesco	Fondiaria-SAI	5 a)	ord.			5 a)
LIGRESTI Giulia Maria	Fondiaria-SAI	1.500 b)	ord.			1.500 b)
PINI Massimo	Fondiaria-SAI	3.500 a)	ord.			3.500 a)
TALARICO Antonio	Fondiaria-SAI	9.385 a)	ord.			9.385 a)
		5.200 a)	sav.			5.200 a)
	Fondiaria-SAI	1.800 b)	ord.			1.800 b)
		1.000 b)	sav.			1.000 b)
ZANNONI Oscar	Fondiaria-SAI	29.000 c)	ord.			29.000 c)
<u>Executives with strategic responsibility</u>						
	Fondiaria-SAI	23	ord.			23

### LISTED SUBSIDIARIES

Name	Company	Number of shares held at 31/12/2006	Number of shares acquired	Number of shares sold	Number of shares held at 31/12/2007
<u>BOARD OF</u>		N.V. € 1			
<u>DIRECTORS</u>					
LIGRESTI Giulia Maria	Milano Ass.ni	ord	2.370 b)	2.370 b)	
PINI Massimo	Milano Ass.ni	10.000 a)	ord.		10.000 a)
	Imm. Lombarda	195.220 a)	ord.	95.220 a)	100.000 a)
TALARICO Antonio	Milano Ass.ni	20.100 a)	ord.		20.100 a)
ZANNONI Oscar	Milano Ass.ni	50.000 a)	ord.		50.000 a)
	Milano Ass.ni	86.000 b)	ord.		86.000 b)
LIGRESTI Gioacchino Paolo	Imm. Lombarda	4.000.000 a)	ord.		4.000.000 a)
LO VECCHIO Lia	Imm. Lombarda	50.377 a)	ord.		50.377 a)

### Executives with strategic responsibility

Milano Ass.ni	1.000	ord.	1.000
	5.000	sav.	5.000

(a) shares held directly  
(b) shares held directly by spouses  
(c) shares held through subsidiaries

## **LITIGATION**

### **Actions by shareholders**

With regard to the proceedings instituted by shareholders of the subsidiary La Fondiaria Assicurazioni S.p.A. in the carrying out of the obligations of the public purchase offer pursuant to Consob regulation of December 2002, it should be mentioned that five first instance proceedings are pending.

Specifically, it should be mentioned that on December 13, 2007, the Company, Premafin and Mediobanca received notice of a new summons to appear before the Court of Milan from Ms Maria Antonietta Ravizzoni, a shareholder of the subsidiary Fondiaria Assicurazioni. The Company has established a hearing before the court.

Four proceedings initiated by the Company for the reform of four judgements issued by the Court of Milan are pending with the Court of Appeals of Milan. In addition, another proceeding is pending with the Court of Appeals of Florence following the counter-party's appeal of the judgement that was issued by the Court of Florence in favour of the Company.

The Court of Appeals of Milan, with sentence No. 3425, filed on 20/12/2007 and as confirmation of the previous sentence issued on the subject, has fully reformed the sentence issued by the Court of Milan in the trial brought forth by Messrs Marcegaglia, accepting the Company's objections and rejecting the requests for compensation made by the claimants. Following the aforementioned judgement, the Company proceeded to recover the amounts paid out in compliance with the sentence of first instance, in addition to interest charges and legal expenses.

At the moment, a summary judgement which was brought forth by Promofinan S.p.A. in appeal of the sentence in our favour that was issued by the Court of Appeals of Milan is pending with the Superior Court. The Company has established a hearing before the court.

The provisions in the financial statements at 31/12/2007 are sufficient against the litigation outstanding.

## DISCLOSURES ON SHARE OWNERSHIP PURSUANT TO ARTICLE 123 OF THE CONSOLIDATED FINANCE ACT AS AT MARCH 26, 2008

### a) Share capital structure

The subscribed and paid-in share capital is Euro 168,626,612.

The categories of shares that make up the share capital are as follows:

	Nr. shares	% of share capital	Quoted on	Rights and obligations
Ordinary shares	125.265.390	74,29	MTA – BORSA ITALIANA Sp.A.	(*)
Savings shares	43.361.222	25,71	MTA – BORSA ITALIANA Sp.A.	(**)

(\*) Each Fondiaria-SAI ordinary share has the right to vote in the ordinary and extraordinary shareholders' meetings of FONDIAIRIA-SAI S.p.A. On the distribution of the profits or on the liquidation of the company the ordinary shares of FONDIAIRIA-SAI S.p.A. do not have any privileges.

(\*\*) The savings share are to bearer. They do not have voting rights and have equity privileges pursuant to articles 6 and 27 of the company by-laws and other rights pursuant to law.

In the case of exclusion from trading of the ordinary or saving shares issued by the company, the saving shares have the rights pursuant to law and the company by-laws.

The saving shares have the right of a dividend up to 6.5% of the nominal value of the shares. Where the profits for the year do not permit a dividend of 6.5% to the saving shares, the difference will be included as an increase in the dividend in the two following years.

The profits distributed as dividend by the Shareholders' Meeting are divided among all the shares in order that the saving shares receive a dividend higher than the ordinary shares of 5.2% of the nominal value of the share.

When the share capital has to be written down to cover losses, this does not imply a reduction of the nominal value of the savings shares, except when the losses to be covered exceed the total nominal value of the ordinary shares. Should the Company decide to distribute its reserves, the savings shares shall enjoy the same rights as the other shares.

Should the Company be wound up, the ordinary shares shall not receive any part of the share capital until the entire nominal value of the savings shares has been reimbursed.

The following financial instruments which attribute the right to subscribe to newly issued shares were also issued:

	Quoted on	No. of instruments outstanding	Category of shares for the conversion/exercise	No. of shares from conversion/year
Warrant Fondiaria-SAI S.p.A. 2002-2008	MTA – BORSA ITALIANA Sp.A.	4.194.017	Ordinary shares	1.048.505

With reference to the Fondiaria-SAI 2006-2011 stock option plans in favour of the executive directors and management of Fondiaria-SAI, its subsidiaries and of the parent company for the purchase of savings shares of Fondiaria-SAI, reference should be made to the first part of the report, as well as the press release of the Company published on September 14, 2007.

### b) Restrictions on the transfer of securities

There are no restrictions on the transfer of securities.

### c) Significant shareholdings

The significant shareholdings of the Company, in accordance with article 120 of the Consolidated Finance Act, are as follows:

Shareholder	Direct shareholder	% of ordinary share capital	% of voting share capital
Premafin Finanziaria S.p.A. H.P.		50,004	45,016
	Premafin Finanziaria S.p.A. H.P.	37,272	40,990
	Milano Assicurazioni S.p.A. (*)	6,692	-
	Finadin S.p.A.	3,661	4,026
	Fondiaria – SAI S.p.A. (*)	1,421	-
	SAI Holding Italia S.p.A. (*)	0,958	

(\*) excluded voting right pursuant to law.

### d) Securities which confer special rights

The company has not issued shares which confer special rights.

### e) Employee shareholdings: method of exercise of voting rights

There is no share participation programme for employees.

### f) Restrictions on voting rights

There are no restrictions on voting rights, except that the treasury shares of Fondiaria-SAI and those held by subsidiaries may not exercise voting rights pursuant to law.

### g) Shareholder agreements

To the knowledge of the Company, there are no shareholder agreements pursuant to article 122 of the Finance Act relating to the shares of the Company.

### h) Nomination and replacement of the directors and changes to the company by-laws

#### Appointment and replacement of directors

In compliance with the regulations introduced by the Savings Law, the extraordinary shareholders' meeting of April 30, 2007 approved the introduction to the company by-laws of a voting mechanism of slates for the appointment of the Board of Directors, in order to permit one Director to be elected by the minority shareholders. The new statutory provisions also provide a period of 15 days before the date fixed for the shareholders' meeting in first convocation for the filing of the slate at the registered office, in line with the recommendations of the Code.

The by-laws also provide that, together with the slate, the shareholders must file at the registered office, among other matters, the declarations in which the individual candidates accepted their candidature and certified the existence of the requisites required for holding the office, in addition to a curriculum vitae of each candidate with indication of whether they may qualify as an independent director. The candidates which are considered independent pursuant to article 147-ter of the Consolidated Finance Act should also be indicated.

Shareholders may present slates, alone or together with other shareholders, where they hold at least 2.5% of the share capital of the voting rights at an ordinary shareholders' meeting, except where other measures are established or requested, from time to time, by Law or by Consob.

The slates presented by the shareholders must contain a number of candidates not lower than nine and not exceeding nineteen, each coupled to a progressive number.

The number of members on the Board of Directors will be the same number of candidates contained on the slate which obtains the largest number of votes.

The directors are elected among the candidates of the slates which are first and second by number of votes, as indicated below:

- From the slate that obtains the largest number of votes, all of the candidates are elected except the last candidate nominated by progressive number;
- From the slate that obtains the second largest number of votes the first candidate by progressive number is elected, provided that this slate has obtained a percentage of votes at least equal to half of those requested by the by-laws for the presentation of the slate.

In the case of presentation of a single slate or no slate is presented, the shareholders' meeting votes by statutory majority, without complying with the above-mentioned procedure.

Should one or more directors resign during the year, they shall be replaced in accordance with article 2386 of the Civil Code as follows:

- The Board of Directors appoints the replacements from the same slate to which the directors resigning belonged and the Shareholders' Meeting makes resolutions, in accordance with statutory majority, respecting this criteria;
- When the above-mentioned slate does not contain candidates not previously elected or when for whatever reason that stated by letter a) cannot be complied with, the Board of Directors makes the replacement in accordance with statutory majority, without the voting of slates.

The provisions of letter b) below are applied where the Board of Directors are elected without complying with the voting of slates due to the presentation of only one slate or of no slate.

In the event that the majority of the Directors' offices becomes vacant, the entire Board shall be deemed to have resigned and must promptly call a meeting of the shareholders to elect a new Board.

#### **i) Powers to increase share capital and authorisation to purchase treasury shares**

The Board of Directors does not have powers to increase the share capital pursuant to article 2443 of the civil code.

We recall that:

1. In relation to the merger by incorporation of LA FONDIARIA ASSICURAZIONI S.p.A. in SAI - SOCIETA' ASSICURATRICE INDUSTRIALE S.p.A., the extraordinary shareholders' meeting on September 19, 2002 approved a paid-in share capital, in one or more tranches on the merger, of a maximum of Euro 1,048,505, through the issue of a maximum number of 1,048,505 ordinary shares of a nominal value of Euro 1.00. This increase will be to service the exercise of the "Warrant Fondiaria-SAI 2002-2008" plan, exercisable on FONDIARIA-SAI S.p.A. ordinary shares based on 1 Fondiaria-SAI ordinary share for every 4 warrants.
2. The extraordinary shareholders' meeting of April 28, 2006 approved a share capital increase for a maximum amount of Euro 8,700,000 through the issue of a maximum of 8,700,000 savings shares of a nominal value of Euro 1.00 each, to be assigned to the executive directors of the Company, its subsidiaries and parent company, in accordance with the procedures and criteria established by the Board of Directors, in compliance with the shareholders' meeting resolution and of the provisions of law and regulations, as well as the by-laws, conferring to the Board of Directors the necessary powers to execute the above-mentioned shareholders' meeting resolution, in one or more tranches for a maximum period of five years from the date of the resolution and, therefore, up to April 28, 2011.
3. The extraordinary shareholders' meeting of April 28, 2006 approved a share capital increase for a further amount of Euro 6,249,400.00 through the issue of a maximum of 6,249,400 savings shares of a nominal value of Euro 1.00 each, to be assigned to the management of the Company, its subsidiaries and parent company, in accordance with the procedures and criteria established by the Board of Directors, in compliance with the shareholders' meeting resolution and of the provisions of law and regulations, as well as the by-laws, conferring to the Board of Directors the necessary powers to execute the above-mentioned shareholders' meeting resolution, in one or more tranches for a maximum period of five years from the date of the resolution and, therefore, up to April 28, 2011.

In relation to the authorisation to purchase treasury shares in accordance with article 2357 and thereafter of the civil code, the ordinary shareholders' meeting of April 30, 2007 approved a further purchase of ordinary and or savings treasury shares, in one or more tranches for a period of twelve months from the shareholders' meeting date, for a maximum increase, taking into account any sales in the period, of 2,600,000 ordinary and/or savings treasury shares of a nominal value of Euro 1.00 each, within a maximum amount of Euro 94,000,000, pursuant to article 2357, paragraph 3, of the civil code, establishing that each purchase must be exclusively made on the regulated markets, in compliance with the provisions and regulations applicable by CONSOB, according to the operating procedures established by Borsa Italiana S.p.A., which does not permit the joint proposal of negotiating a purchase with a predetermined sale, and also excluding blocking operations, for a unitary payment not above 5% of the average prices recorded on the computerised system of Borsa Italiana in the three previous trading days for each single operation.

**l) Change of control clauses**

Fondiaria-SAI signed bancassurance agreements with the Unicredit Group and with the Banco Popolare Group, which may be void in the case of change in control of Fondiaria-SAI.

Milano Assicurazioni signed a bancassurance agreement with Banco Popolare di Milano which may be void on the change of control of Milano Assicurazioni.

**m) Indemnity of the directors in case of dismissal and termination of employment following a public purchase offer**

No agreements have been signed between the Parent Company and the directors which provide indemnity in the case of resignation or dismissal/revocation of office without just cause or termination of employment following a public purchase offer.

## **SIGNIFICANT EVENTS AFTER THE YEAR-END**

### **Purchase of 83.32% in the share capital of DDOR NOVI SAD**

On the awarding of the tender for the sale of the company DDOR Novi Sad on November 26, 2007 and on the completion on November 30, 2007 of the purchase contract of 83.32% of the share capital of the above-mentioned company with the Deposit Insurance Agency of Serbia, as shareholder and representative of a group of minority shareholders, and having obtained all the authorisations requested, Fondiaria-SAI acquired on January 31, 2008 the above-mentioned holding, against the payment of the purchase price of approx. Euro 220 million.

It is expected that DDOR Novi Sad will shortly make a request for admission of its shares for quotation on the OTC market of Belgrade and, subsequently, Fondiaria-SAI will launch a public offer for the purchase of a further holding equal of approx. 10%, in accordance with the purchase contract.

DDOR is the second largest insurance company in the Serbian market with a market share of approx. 30% and expected premiums written in 2007 of approx. Euro 159 million, a growth of 13% compared to 2006 (Euro 140 million). The activities of the insurance company are focused in non-life business and in particular in the motor TPL sector where it derives approximately half of all premiums written. DDOR recorded a claims ratio to premiums of 65%. The company recorded a net profit of Euro 2 million (Euro 9 million in 2006) and net equity amounted to Euro 54 million (Euro 53 million in 2006).

The company has a presence throughout the country with a network of over 100 direct sales point for a total of approx. 1,000 brokers, to which is added a network of 60 branches thanks to the recent bancassurance agreement with Metalsbanka, the second largest independent bank in the country and which holds 15% of DDOR. The commercial presence is particularly concentrated in the richest regions of the country - Vojvodina and central Serbia.

DDOR - with 700,000 customers - is a historic and affirmed brand, and is the leading private operator in the Serbian insurance market behind the state company Dunav (approx. 37% market share). The Serbian market, with an expected growth in GDP in 2007 of 7%, a decrease in inflation and a stable currency with the Euro, has interesting opportunities as the insurance business is still underdeveloped (the ratio between insurance premiums and GDP is 1.8% compared to 7.2% in Italy and an 8% EU average).

For Serbia, which has recently signed with the European Union an agreement of association and stabilisation, the first step towards entry into the EU expected for 2014, Italy represents the principal commercial partner with a share of 15% of total exports. The Serbian market also reports a significant presence of direct foreign investments, especially in the financial sector where the most important credit institutions of the company are controlled by foreign groups, and in particular Italian banking groups, which own the first and fifth largest banks in the country.

The price paid for control of DDOR is in line with market averages and highlights the commitment of Fondiaria-SAI to only undertake international growth opportunities where they are based on a concrete forecast of creation of value for its shareholders. The return on investment is estimated as already positive from the third year from acquisition, and when fully operational is expected to achieve an over 20% return on the capital invested.

Fonditaria-SAI with this operation completes a first step in the expansion strategy announced on international markets, acquiring the leadership in a market with a significant growth potential in the insurance sector and with few further opportunities of entry by foreign operators, and at the same time laying the foundations for further growth in Eastern Europe.

## **Agreements with Banca Italease**

Fonditaria-SAI and Banca Italease on January 8, 2008, following the changed conditions in the prospects of the industrial partnership resulting from the well documented matters concerning the Italease Group and of the position taken by the Bank of Italy, jointly resolved the sales/purchase contract and the related agreements, signed on April 26, 2007, which provided:

- The initial acquisition by Banca Italease of a share of 50% in the share capital of Banca SAI;
- The acquisition by Banca Italease of a share of 80% in the share capital of SAI Asset Management SGR (formerly Effegestioni SGR);
- The incorporation of an insurance joint venture in the Life division through the initial acquisition by Banca Italease of a minority share in the share capital of Effe Vita.

Within the complex agreements which resulted in the joint resolution of the above-mentioned contracts, Fonditaria-SAI and Banca Italease signed, also on January 8, 2008, a new agreement which provides for the exclusive distribution of the Life insurance products of the Fonditaria-SAI Group through the branches and networks of the agents and conventioned intermediaries of the Banca Italease Group. This commercial agreement refers to Life products prevalently in classes I, III, and V and for a duration of 5 years, renewable for a further 5 years.

For Fonditaria-SAI, the agreement represents a further growth opportunity in the Life classes through an innovative distribution strategy based on the “alternative” networks not in competition with the traditional networks of Fonditaria-SAI (agents/bank branches) which continue to remain strategic for the growth policies of the Company.

On February 20, 2008, Fonditaria-SAI ceded the distribution agreement with Banca Italease to its subsidiary EFFE VITA S.p.A. (100% subsidiary of Fonditaria-SAI), taking into account that EFFE VITA S.p.A. is the insurance company of the Fonditaria-SAI Group which acts as a vehicle for the realisation of distribution agreements with banks in the Life Division.

## **Loan from Mediobanca**

On January 11, 2008, Fondiaria-SAI S.p.A. and Mediobanca - Banca di Credito Finanziario S.p.A. signed a senior loan agreement for a nominal amount of Euro 250 million in order to temporarily support the financial needs of the Parent Company, while awaiting more favourable market conditions for the placement of the hybrid bond which has already been described in the section relating to debt. The loan was received in one single amount on January 25, 2008. The payment of the interest is made in arrears on a quarterly basis, at an interest rate of Euribor at 3 months increased by a spread of 100 basis points for the first year and from 115 basis points for the second year. The repayment will be made in one single amount after 24 months from the obtaining of the loan (therefore January 25, 2010) or for minimum amounts of Euro 25 million before the maturity.

## **Sale of the investment held in the company Po Vita S.p.A.**

With a letter dated January 17, 2008, Cassa di Risparmio di Parma e Piacenza (hereafter: CRPP) exercised the purchase option of the shareholder agreement relating to the holding in the share capital of Po Vita S.p.A. (divided 50% between CRPP and the subsidiary of Fondiaria-SAI S.p.A., SAI Holding Italia S.p.A.), designated as buyer of the investment in Credit Agrigole Assurance Italia Holding S.p.A..

The withdrawal will be effective from March 31, subject to the obtaining, by that date, of all the authorisations by the buyer: the transfer of the shares will take place within 15 days after March 31.

As an exception to the shareholder agreement, the parties agreed to a determination of the relative price at 50% of the holding in Po Vita S.p.A., established at Euro 105 million, in addition to the right of SAI Holding Italia S.p.A. to receive the payment of the dividend decided on February 25, 2008 by the Board of Directors of Po Vita S.p.A. amounting to Euro 1 million.

From the sale, the Fondiaria-SAI Group will realise a significant gain before taxes, of approx. Euro 33 million.

## **Launch by Fondiaria-SAI of a share swap public offer on the shares of Immobiliare Lombarda for payment of shares in Milano Assicurazioni, for the purpose of the delisting of Immobiliare Lombarda - industrial/corporate restructure project of the Fondiaria-SAI Group.**

In the meeting of January 30, 2008, following a careful examination of the current strategic commercial position of the Group on the market, in view of the numerous acquisitions in recent years which has changed the competitive scenario (also due to recent regulations), as well as the recent trend in financial markets, the Board of Directors of Fondiaria-SAI examined an overall industrial/corporate reorganisation project of the Group concerning the real estate activities managed by the subsidiary Immobiliare Lombarda S.p.A., in addition to the activities of some subsidiary insurance companies.

In particular, the possibility was examined of undertaking a project to internalise all of the real estate activities managed by the subsidiary Immobiliare Lombarda through a market operation to acquire all of the share capital of the company, the delisting of the company and the subsequent restructuring of the real estate activities within Fondiaria-SAI and Milano Assicurazioni.

The complex project, as previously described, also includes a restructuring of the non-listed companies with a direct commercial presence on the market, concentrating the activities undertaken by the subsidiaries SASA Assicurazioni e Riassicurazioni S.p.A. (hereafter: SASA), SASA Vita S.p.A. (hereafter: SASA Vita) and Liguria Assicurazioni S.p.A. (hereafter: Liguria), into the subsidiary Milano Assicurazioni, through the conferment/merger of these companies.

In the above-mentioned meeting of January 30, 2008, the Board therefore approved the launch by Fondiaria-SAI of a voluntary public purchase and exchange offer (hereafter “Offer” or “Public and Exchange Offer”) concerning all of the ordinary shares of Immobiliare Lombarda not held by the Group (and therefore with exclusion of the holdings held by Fondiaria-SAI, equal to 50.1%, and of the subsidiary Milano Assicurazioni, equal to 11.1%) and corresponding to a share of approx. 38.8% of the share capital of the company.

The Board meeting of February 19, 2008 of Fondiaria-SAI therefore approved the Offer document pursuant to articles 102 and thereafter of Legislative Decree No. 58/98 and the subscription procedure to the Offer which were filed at Consob on the same date. The Board meeting of February 27, 2008 examined and approved the clarifications requested by Consob in relation to its report in order to authorise publication of the Offer document.

On March 13, 2008, Consob authorised publication of these documents, as well as the communication of Immobiliare Lombarda, pursuant to article 103 of Legislative Decree No. 58/98, as commented upon below. All of these documents included the amendments and additional information required by Consob in their review phase.

The Offer period, as agreed with Borsa Italiana S.p.A., commenced on March 18 and will terminate on April 17.

Some aspects of the Offer and the underlying reasons for the operation are outlined below.

The overall project was studied with the assistance of KPMG Corporate Finance, a division of KPMG Advisory S.p.A. (hereafter KPMG) and by Studio d’Urso Gatti e Associati as financial and legal advisors of the operations respectively.

In particular, Fondiaria-SAI will pay each subscriber to the Offer, for every 46 shares in Immobiliare Lombarda, a consideration subdivided as follows:

- (i) One Milano Assicurazioni ordinary share valued by the Bidder on the basis of yesterday’s official price of Euro 4.918, corresponding to approx. 74% of the payment (so-called cash equivalent);
- (ii) Euro 1.752 (approx. 26% of the payment) in cash.

The Offer values the shares of Immobiliare Lombarda, of Euro 0.145 per share, with:

- A premium of approx. 22% on the official share price registered on January 29, 2008, the day prior to the Board meeting of Fondiaria-SAI which approved the launch of the Offer;
- A premium of 25% on the average official share price recorded in January;
- A discount respectively of 8% on the average official price at 120 days and 24% on the average official price at 252 days;
- A discount of 11% on the book net equity at September 30, 2007 and of 22% on the Net Asset Value.

Fonditaria-SAI will therefore recognise, in the case of full subscription to the Offer by the holders, a maximum total payment of approx. Euro 230.6 million, divided as follows:

- (i) Approx. Euro 170 million (74% of the payment) through the delivery of approx. 34.6 million Milano Assicurazioni ordinary shares equal to a share of 7.6% of the ordinary share capital;
- (ii) Approx. Euro 60.6 million (approx. 26% of the payment) in cash.

The payment was determined by the Board of Directors of Fonditaria-SAI, also with the assistance of its financial advisor KPMG, on the basis of the performance of the share price of Immobiliare Lombarda (Stock Exchange Quotation Method) in the last six months, three months and one month prior to January 29 inclusive (last stock exchange day prior to the announcement of the launch of the Offer). In particular, the Total Payment was determined analysing the average arithmetic stock exchange prices of the shares of Immobiliare Lombarda for each of the above-mentioned periods offering a premium on the official price of January 29, 2008 which the Board of Directors of Fonditaria-SAI considered fair, taking into consideration the reasons and the strategic importance of the operation for the Company, also in view of the analysis undertaken by the advisor KPMG with regard to comparable offers made in recent years.

This operation, where the Bid is successful, will permit Fonditaria-SAI to acquire the minority shareholdings in Immobiliare Lombarda at convenient values (discount on net equity and on Net Asset Value), availing of an asymmetry of valuations on the prospects of activities of Immobiliare Lombarda expressed, on the one hand, by the share price - which in this historic phase significantly penalises the real estate sector - and on the other hand, from valuations made with reference to the perspective valuations of the assets and real estate development initiatives undertaken by Immobiliare Lombarda.

In addition, in the case of delisting the company, Fonditaria-SAI could obtain further advantages:

- Undertake replacement between listed shares in portfolio and the relative underlying assets, with a consequent reduction of the potential negative effect on the Fonditaria-SAI share price, due to the volatility of the listed share prices in the real estate sector compared to the market values of the underlying assets;
- Achieve greater efficiency compared to the current situation in the allocation of capital within the group, of the risks and returns of the three principal business areas which characterise the activities of Immobiliare Lombarda: Facility management, property management and project development;
- Simplification of the operating management of the company, in terms of reduced compliance and typical charges of listed companies with cost savings.

In order to maintain in all phases of the operation the controlling interests of Fonditaria-SAI on Milano Assicurazioni, indispensable to maintaining the requisites for the tax consolidation and the inter-group VAT liquidation procedure, Fonditaria-SAI has acquired, through equity loan operations at market conditions authorised by Isvap, the temporary availability of Milano Assicurazioni shares held by the subsidiary Fonditaria Nederland BV and SAI Holding Italia S.p.A., for a total holding of 2.47% of the share capital.

We also report that the Board of Directors of Immobiliare Lombarda, in the meeting held on February 26, 2008, examined, among other matters:

- The Offer documents approved by the Board of Fondiaria-SAI on February 19, 2008 and transmitted them to Consob on the same date, as well as made them available to Immobiliare Lombarda;
- The fairness opinion given by the financial advisor Leonardo & Co. S.p.A. appointed by the Board of Directors of Immobiliare Lombarda.

On the completion of the examination of this documentation, the Board of Directors of Immobiliare Lombarda, in order to provide the shareholders of this latter and the market with all the necessary information to assess the Offer as well as its own valuation on the Offer, approved the communication pursuant to article 103, paragraph 3, of the Consolidated Finance Act and article 39 of the Issuers' Regulations. This communication, modified and integrated in accordance with the requests of Consob, was published as an attachment to the Offer document.

In particular, as announced to the market by Immobiliare Lombarda on February 26, 2008, the Board of Directors of Immobiliare Lombarda agreed with the following opinion of its financial advisor:

*"... Leonardo & Co. S.p.A. is of the opinion that at the present date, the Payment of the Offer in terms of offer price and share swap with the Milano Assicurazioni shares, is not fair for Immobiliare Lombarda from a financial viewpoint.*

*However, for completeness of analysis, in order to provide the Board of Directors with all the necessary elements for a full appreciation of the financial conditions of the Offer, as well as the implicit share swap, the following matters should be taken into consideration:*

- *Expected dividends: Against the Immobiliare Lombarda share price, whose profit estimates do not allow the forecast of the distribution of dividends in the short term period, also in consideration of the necessity of self financing by the Company of its development projects, the Milano Assicurazioni share price has a significant historical dividend yield, which has been in constant growth over the last 5 years and has good dividend prospects for the coming years. The share price also appears to be better value compared to shares of comparable companies; it in fact presents a price/earnings ratio of approx. 7.7, the lowest among listed Italian insurance companies.*
- *Immobiliare Lombarda share price: The prospects on the performance of the Immobiliare Lombarda share price are characterised by strong uncertainty related (i) to the general negative trend of real estate, and for which an expansive phase in the short/medium term period is not expected (ii) to the characteristics of the Immobiliare Lombarda real estate portfolio, with a strong project development component, which results in fluctuations of the share price more than proportional to the fluctuations in the real estate market (iii) to the fact that the current stock exchange performance incorporates the positive effects of the offer, rendering therefore uncertain the estimates of the performance of the share price at the end of the offer period;*
- *Liquidity of the Immobiliare Lombarda share price: Analysing volumes, quantities and prices over a 6-month period, the Immobiliare Lombarda share price has scarce "liquidity" (turnover ratio equal to 34.8%). The operation under examination would also result in a further contraction of the floating capital and therefore would render the sale of significant quantities on the market difficult without having a negative effect on the share price."*

On the examination of the second phase of the project, as described at the beginning, in the meeting of January 30, 2008 in which the launch of the Offer was approved, the Board of Directors of Fondiaria-SAI examined and approved the guidelines of the corporate/industrial reorganisation of the Fondiaria-SAI Group, which concerns the activities of some insurance companies belonging to the Group and the real estate activities managed by Immobiliare Lombarda.

The possibility was examined to undertake a restructuring of the non-listed companies of the Fondiaria-SAI Group with a direct commercial presence on the market concentrating the activities undertaken by SASA, SASA Vita and Liguria in Milano Assicurazioni through conferment/merger of these companies.

Specifically, the project provides:

- The merger by incorporation into Milano Assicurazioni of SASA, held 99.9% by Fondiaria-SAI, and of Sasa Vita, held 50% by SASA and the residual 50% by Fondiaria-SAI;
- A share capital increase of Milano Assicurazioni with exclusion of the pre-emptive right, in accordance with article 2441 of the civil code, fourth paragraph, reserved to the parent company Fondiaria-SAI, to be paid through conferment in kind of the entire holding held by this latter in Liguria;
- A share capital increase of Milano Assicurazioni with exclusion of the pre-emption right, in accordance with article 2441 of the civil code, fourth paragraph, for the parent company Fondiaria-SAI, to be paid through conferment in kind of the investments held by Fondiaria-SAI in excess of the 51% of the direct share capital held in Immobiliare Lombarda.

The above operations will be approved by the Board of Directors of the companies concerned, in April and May, on the basis of the financial statements as at December 31, 2007 and, therefore, will be subject to the approval by the relative extraordinary shareholders' meetings, which will deliberate also on the evaluations made by the experts required by current regulations.

The overall operation is subject to authorisation by Isvap.

The industrial advantages which these operations will create are as follows:

- Rationalise the commercial presence of the entire Group in the market, in view of the numerous acquisitions made in recent years and the increased level of competition in the market, also due to regulatory modifications introduced, with the final objective to more efficiently undertake the strategy of creation of value which will permit growth in the coming years;
- Identify a specific mission for the two listed companies:
  - Fondiaria-SAI, as insurance parent company, with strategic and operational functions of the networks which belong to the two historic brands Fondiaria and SAI;
  - Milano Assicurazioni, as holding of the assets from the strong expansion by external lines realised by the Group in recent years.

Within Milano Assicurazioni, there will be an even greater concentration of the coordination of the brands of the distribution networks of non-listed companies, with a direct commercial presence on the market in order to combine:

- The benefits deriving from the synergies/optimisation of the costs expected from the merger of SASA and SASA Vita and from the conferment of Liguria, preliminarily estimated at around Euro 15/20 million for the operations. With regard to Liguria, a conferment is preferable to a merger also due to the conditions contained in the purchase contract of this latter, agreed around two years ago;

- The competitive/organisational benefits from the application of SASA and Liguria of the know-how within Milano Assicurazioni in valuing the agency networks of the Group connected to matters in terms of brand and/or agency mandate and/or territorial presence;
- The maintaining of the commercial identity and of the appropriate autonomous operations in order to preserve the typical flexible approaches to the markets which characterises these companies and which has permitted a loyal agency network and achievement of excellent results in terms of premium growth.

The operations relating to SASA, SASA Vita and Liguria will therefore take place with the integration of the further conferment into Milano Assicurazioni of the direct investments held by Fondiaria-SAI in Immobiliare Lombarda in excess of 51% of the share capital. The realisation of this operation, as well as the further objective of delisting Immobiliare Lombarda on the successful outcome of the Purchase and Exchange Offer, will permit the Fondiaria-SAI Group to achieve greater efficiency compared to the current situation in the internal allocation of capital and of the risks and returns of the three principal business areas of Immobiliare Lombarda: Facility management, property management and project development.

Also, the Board of Directors of Milano Assicurazioni, in the meeting of January 30, 2008, examined the industrial/corporate restructuring project mentioned above and approved the guidelines, emphasising also the strategic importance for Milano Assicurazioni and taking into account, in particular, that the operation would also permit Milano Assicurazioni to obtain the following additional benefits:

- Significant increase in the capitalisation of Milano Assicurazioni following the merger/conferment, with consequent improvement in the liquidity of the share and the re-rating of the share within the Midex;
- Increase of the consolidated premiums written by Milano Assicurazioni of approx. Euro 700 million without any financial investment by the Company and shareholders.

The Fondiaria-SAI Board of Directors' meeting of February 27, 2008 appointed KPMG and Mediobanca as advisors to the Company in the operation, in order to undertake an evaluation of the share swap ratio of the merger by incorporation of SASA and SASA Vita into Milano Assicurazioni and the value of Liguria and, where applicable, of Immobiliare Lombarda for the conferment to Milano Assicurazioni, by Fondiaria-SAI, of investments in Liguria and Immobiliare Lombarda, in accordance with the project described previously.

The Milano Assicurazioni Board of Directors' meeting of February 26, 2008 appointed Morgan Stanley and Credit Suisse as advisors, in order to undertake the above-mentioned valuation activities. In particular, the company Morgan Stanley was appointed on the proposal of the independent directors and during the assignment by the advisor chosen by them met with the management and the advisor, and discussed in detail the activities undertaken. This activity was undertaken in order to guarantee not only adequate and complete information, which could have been undertaken by only one advisor, but in particular so that the independent directors may, where considered appropriate, in the interests of the Company and in accordance with best market practices, would have a detailed exchange of opinion with their chosen advisor, including during the preparation of the opinion.

## **Tikal R.E. Fund**

Tikal R.E. Fund in January signed the preliminary purchase, from the related party Sinergia Seconda Srl, of the following buildings: The entire office building, located at Milan, via dei Missaglia, 97, building A2, with a down-payment of Euro 2.5 million; a portion of an office building, located in Rome, via Vincenzo Bellini, 14 with a down-payment of Euro 0.5 million.

## **Renewal of the shareholder agreement relating to IGLI S.p.A.**

On March 12, 2008, Immobiliare Lombarda S.p.A. signed an agreement with Autostrade per l'Italia S.p.A. and Argo Finanziaria S.p.A. which governs, among other matters, the renewal until June 12, 2009 of the shareholder agreement signed on March 8, 2007, whose expiry was originally fixed at June 12, 2008, relating to the respective holdings in IGLI S.p.A., a company which has a 29.548% holding in the ordinary share capital of Impregilo S.p.A., listed on the Milan Stock Exchange.

It is recalled that Immobiliare Lombarda S.p.A. has a total holding in the company IGLI S.p.A. of 33.3% of the share capital and that the shareholder agreement relates to the governance of IGLI S.p.A. as well as rights deriving from the holding held by IGLI S.p.A. in the share capital of Impregilo S.p.A.

The effectiveness of the renewal of the agreement is subject to the European Commission by June 12, 2008 having informed Immobiliare Lombarda S.p.A., Autostrade per l'Italia S.p.A. and Argo Finanziaria S.p.A. that the agreement is not a concentration pursuant to EU Regulation No. 139/2004, or rather, having informed the parties that the agreement is a concentration pursuant to EU Regulation No. 139/2004, has adopted an authorisation measure.

## OUTLOOK

During 2007, the operational actions and programmes continued for the realisation of the objectives in the 2006-2008 three-year strategic plan. For the future years, the activities of the Group and of the Parent Company will pursue the principal objectives of maintaining leadership in the Motor Division and in the retail sector in Italy, achieving excellent levels of profitability, developing new growth initiatives in Italy and abroad and offering an attractive risk and return profile for shareholders.

The leadership position in the Motor Division will be further consolidated through the relaunch of the direct sales channel, which will have dedicated resources to ensure the degree of visibility and publicity needed. Better competitive efficiency will also be prioritised, with efforts to contain internal costs, for example relating to disputes before the compensation offer by the company, as well as reducing repair costs by directing clients towards tied workshops. In relation to this, we recall that Fondiaria-SAI commenced a new management approach of the reparation circuit as part of the value chain, with the objective of achieving strong savings on the cost of claims, through a specialised company Auto Presto & Beneficiary S.r.l., which will act as spare parts broker for the conventional workshops, with an estimated cost savings of around 15-20%.

In this context the initiatives of reinforcing and training the sales network are being further consolidated, while the development of the Non-Motor Division will also be undertaken through the commencement and strengthening of agreements in the Non-Life bancassurance sector.

The activity in the Life Division, thanks to a doubling of the life portfolio compared to 2006, will continue with greater control on the capital expiring, with preference to the commercial objectives with greater focus in the inherent value of the portfolio, rather than on the volume levels, and with a re-equilibrium of the premiums presently too much in favour of the Non-Life Division.. Also within this segment the development of the bancassurance channels will continue both through targeted commercial agreements and through subsidiaries with strong agreements in the banking sector.

In relation to the synergies with the banking sector, the strategic role of Banca SAI will be re-launched, with the objective to continue the development of the asset management activity, whilst also promoting the placement of bank products, integrated with the insurance and financial offer of the Group.

In the coming years, differentiated geographical choices will be closely evaluated, with the objective of redistributing the risk. A prudent approach will be taken towards international expansion, with a view towards those markets, such as Eastern Europe, which still offer good opportunities in terms of quality-price, permitting expansion as the markets are not yet saturated.

*Milan, March 26, 2008*

*For the Board of Directors  
The Chairperson*

Jonella Ligresti



## **Proposal to the Extraordinary and Ordinary Shareholders' Meetings**

# PROPOSAL TO THE ORDINARY SHAREHOLDERS' MEETING

## Allocation of the profit for the year

Dear Shareholders,

given the directors' report, the report of the Board of Statutory Auditors and the Auditors' Report (all available to the shareholders, together with the financial statements, at the registered office in accordance with law), we present for your approval, in addition to the financial statements, the following proposal to allocate the net profit of Euro 323,070,568.41, comprising the sum of the net profit of the Life Division of Euro 9,931,073.35 and the net profit of the Non-Life division of Euro 313,139,495.06, which results in, after the allocation in accordance with law and the company by-laws, the distribution of a gross dividend of Euro 1.1 for each ordinary share having a right to dividend and Euro 1.152 for each saving share having a right to dividend.

Net profit	€	323,070,568.41
To the legal reserve - Life division	€	0.00
To the legal reserve – Non-Life division	€	0.00
to 42,561,222 savings shares (1): gross dividend of Euro 0.065, equal to 6.50% of the nominal value	€	2,766,479.43
	€	320,304,088.98
to 123,551,457 ordinary shares (1): gross dividend of Euro 1.10, equal to 110% of the nominal value	€	135,906,602.70
to 42,561,222 savings shares (1): gross further dividend of Euro 1.087, and therefore in total Euro 1.152 equal to 115.20% of the nominal value	€	46,264,048.31
	€	138,133,437.97
At the disposition of the Board of Directors 3% of the profit for the year	€	9,692,117.05
		128,441,320.92
To the Extraordinary reserve - Life division	€	9,931,073.35
To the Extraordinary reserve – Non-Life division	€	118,510,247.57

(1) Proposal based on the shares comprising the share capital, net of the treasury shares.

If this proposal is accepted, in accordance with the provisions established by Borsa Italiana S.p.A., we invite you to establish the payment of the dividend from May 22, 2008.

We also report that, as permitted by article 22 of the company by-laws, to propose to attribute to the directors a profit share, which includes a “one off” amount to some directors, even if not holding specific offices.

Up to the present moment, and pursuant to the annual fee of the Board of Directors fixed by the shareholders' meeting, the Board has fixed, on appointment and with the favourable opinion of the Board of Statutory Auditors, the fees of directors with particular offices. Moreover, where the Board has resolved to confer to this director, or to other directors, offices to undertake and/or manage particular operations, the Board evaluates, normally "ex-post", the results achieved and, where appropriate, determines, always with the favourable opinion of the Board of Statutory Auditors, a special fixed remuneration based on the importance of the office and the results achieved.

In relation to this latter fee, and in place of the amounts up to present deliberated by the Board, it is proposed to the shareholders' meeting to deliberate the attribution to the directors of a profit share, whose total amount will then be attributed by the Board, as a bonus, to the directors, including those that do not hold specific offices, on the basis of particular activities carried out by them. For this purpose, the remuneration of a one-off fee to each director will be determined by the Board within the maximum total amount decided by the shareholders' meeting. In this manner it is considered appropriate to tie the "one off" component of the fees to the Board of Directors to the profits of the Company, requesting the shareholders' meeting to determine the relative amount.

### **Appointment of an Alternate Auditor**

We communicate that on January 12, 2008 the alternate auditor Pierino Rosati resigned his office, having been appointed to this office together with the entire Board of Statutory Auditors on April 28, 2006.

You are therefore called to appoint a replacement alternate auditor to the Board of Statutory Auditors.

In accordance with article 24 of the company by-laws, as it is necessary to replace an elected statutory auditor through the same slate presented, the appointment will be made through majority voting without slates.

### **Resolutions in relation to treasury shares in accordance with article 2357 and 2357-ter of the Civil Code**

In compliance with Your previous resolutions, Your Company, at the date of the present report, holds 2,580,000 treasury shares (equal to 1.53% of the entire share capital), of which 1,780,000 ordinary shares (equal to 1.42% of the ordinary share capital) and 800,000 saving shares.

We recall that the shareholders' meeting of today will be called to deliberate, in the extraordinary session, on the reduction of the share capital through cancellation of these shares. In addition, also at the date of the present report, the subsidiary Milano Assicurazioni S.p.A. holds a further 8,382,557 ordinary shares of the Company, equal to 6.69% of the ordinary share capital and 4.97% of the entire share capital, as well as the subsidiary SAI Holding Italia S.p.A. holding 1,200,000 ordinary shares of the Company, equal to 0.96% of the ordinary share capital and 0.71% of the entire share capital.

The official market price of the ordinary shares on March 25, 2008 was Euro 26.95.

On April 30, 2008, the twelve-month period fixed by the Shareholders' Meeting of the Company of April 30, 2007 for the purchase and sale of treasury shares will expire.

We propose to authorise, in accordance with articles 2357 of the civil code, further purchases of ordinary and/or savings treasury shares, in one or more tranches for a period of twelve months from the date of the resolution, in accordance with the programme illustrated below.

We also propose to authorise the sale, where required, of the treasury shares from time to time held in portfolio, where considered appropriate.

The request of renewal of the authorisation to purchase and sell treasury shares has the objective, with relation to the purchase, to avail of further opportunities of investments relating to the liquidity from time to time of the share and of the trend in the share price and market and to undertake, where necessary, a reduction of the share capital through the cancellation of these shares and, with regard to the sale, the achievement of positive results.

In accordance with article 144-*bis* of Consob Research No. 11971/1999, the purchases and sales will be made exclusively in accordance with the procedures pursuant to paragraph 1 sub letter b) of the same article and, therefore, on the regulated markets in accordance with the operating procedures established by Borsa Italiana S.p.A., which does not permit the direct joint proposal to purchase with predetermined proposals to sell. Blocking sales are also excluded.

We therefore propose the authorisation to make, only in accordance with the previous paragraph, further purchases of treasury shares and/or saving shares, for a maximum number, taking into account any sales in the mean time, of 4,600,000 ordinary and/or saving shares of a nominal amount of Euro 1 each, within the maximum amount of Euro 130 million, and in accordance with the limits as per article 2357 of the civil code.

The maximum number of treasury shares which may be acquired above is the difference between the treasury shares acquired and those sold authorised by the Shareholders' Meeting.

We propose that each purchase is made for a unit payment not above 5% compared to the average reference price recorded on the Borsa Italiana system in the three previous trading days before each single operation and the sales are made at a price which must not be lower than 5% compared to the average reference price recorded on the Borsa Italiana system in the three trading prior days to each operation.

With regard to the volumes, a total number of shares may not be acquired or sold above 25% of the average daily share volume traded on the regulated market in which the operation is made, calculated on the basis of the average daily volumes traded in the month prior to the month in which the programme is communicated to the market and fixed, on this basis for the duration of the programme.

In any case, in accordance with article 2357, paragraph 3 of the civil code, the total nominal value of the treasury shares, also taking into account those held by subsidiary companies, may not exceed 10% of the share capital. All the purchase and/or sales operations, in addition, will be made in accordance with all other regulations applicable.

To undertake these purchases We propose - with prior elimination, for the amount that at April 30, 2008 will mature from the previous authorisation, of the “Reserves for treasury shares to be purchased” with a corresponding increase in the “Extraordinary reserve” - to make a provision of Euro 130 million to the “Reserve of treasury shares to be purchased”, from the “Extraordinary reserve”, from which We also propose to transfer the necessary amounts for the reconstitution of the reserve pursuant to article 2357 of the civil code in the case of revaluation of the treasury shares after any write-down.

Where the Shareholders’ Meeting approves the above-mentioned programme, before the commencement of the buyback programme, all the details of the programme will be communicated to the market, with an indication of the objective of the programme, with total maximum value, of the maximum quantity of shares to be purchased and the duration for which the programme is authorised.

At the end of the authorisation period by the Shareholders’ Meeting, the Company will also communicate to the market information on the outcome of the programme.

### **Resolution on the shares of the parent company Premafin Finanziaria Società per Azioni - Holding di Partecipazioni pursuant to article 2359-bis of the Civil Code.**

In compliance with Your previous resolutions, Your Company, at the date of the present report, holds 18,340,027 ordinary shares of the parent company Premafin Finanziaria S.p.A. - Holding di Partecipazioni (hereafter: Premafin), equal to 4.47% of the share capital. In addition, also at the date of the present report, the subsidiary Milano Assicurazioni S.p.A. holds 9,157,710 further ordinary shares in Premafin, equal to 2.23% of the share capital, and the subsidiary SAIFIN Saifinanziaria S.p.A. holds 66,588 ordinary shares of Premafin, equal to 0.02% of the share capital.

The average unitary carrying value of the ordinary shares of the parent company Premafin held by the Company is Euro 1.68. The official market price of the share at March 25, 2008 was Euro 1.606.

On April 30, 2008, the twelve-month period fixed by the Shareholders’ Meeting of the Company of April 30, 2007 for the purchase and sale of shares of the holding company Premafin terminates.

We propose to authorise, in accordance with article 2359 bis of the civil code, further purchases of shares of the holding company Premafin and/or savings treasury shares, in one or more tranches for a period of twelve months from the date of the resolution, in accordance with the programme illustrated below.

We also propose to authorise the sale, where required, of the shares of the holding company Premafin currently held in portfolio, as well as those purchased following the resolution of the Shareholders’ Meeting resolution.

The request of renewal of the authorisation to purchase and sell shares of the holding company Premafin has the objective, with relation to the purchase, to avail of further opportunities of investments relating to the liquidity from time to time of the share and of the trend in the share price and the market and with regard to the sale, the achievement of positive results.

In accordance with article 144-*bis* of Consob Research No. 11971/1999, the purchases and sales will be made exclusively in accordance with the procedures pursuant to paragraph 1 sub letter b) of the same article and, therefore, on the regulated markets in accordance with the operating procedures established by Borsa Italiana S.p.A., which does not permit the direct joint proposal to purchase with predetermined proposals to sell. Blocking sales are also excluded.

We therefore propose the authorisation to make, only in accordance with the previous paragraph, further purchases of shares of the holding company Premafin, for a maximum increase, taking into account any sales in the mean time, of 1,000,000 shares of a nominal amount of Euro 1 each, within the maximum amount of Euro 2 million, and in accordance with the limits as per article 2359 of the civil code.

The maximum number of shares of the holding company Premafin acquired as above is determined as the difference between the treasury shares acquired and those sold authorised by the Shareholders' Meeting.

We propose that each purchase is made for a unit payment not above 5% compared to the average reference price recorded on the Borsa Italiana system in the three previous trading days before each single operation and the sales are made at a price which must not be lower than 5% compared to the average reference price recorded on the Borsa Italiana system in the three trading prior days to each operation.

With regard to the volumes, a total number of shares may not be acquired or sold above 25% of the average daily share volume traded on the regulated market in which the operation is made, calculated on the basis of the average daily volumes traded in the month prior to the month in which the programme is communicated to the market and fixed, on this basis for the duration of the programme.

In any case, in accordance with article 2359 bis, paragraph 3 of the civil code, the total nominal value of the shares of the holding company Premafin, also taking into account those held by the same company and its subsidiary companies, may not exceed 10% of the share capital of the same Premafin. All the purchase and/or sales operations, in addition, will be made in accordance with all other regulations applicable.

To undertake these purchases We propose - with prior elimination, for the amount that at April 30, 2008 will mature from the previous authorisation, of the "Reserves for holding company shares to be purchased" with a corresponding increase in the "Extraordinary reserve" - to make a provision of Euro 2 million to the "Reserve for holding company shares to be purchased", from the "Extraordinary reserve", from which We also propose to transfer the necessary amounts for the reconstitution of the reserve pursuant to article 2359 bis of the civil code in the case of revaluation of the holding company shares after any write-down.

Where the Shareholders' Meeting approves the above-mentioned programme, before the commencement of the buyback programme, all the details of the programme will be communicated to the market, with an indication of the objective of the programme, with total maximum value, of the maximum quantity of shares to be purchased and the duration for which the programme is authorised.

At the end of the authorisation period by the Shareholders' Meeting, the Company will also communicate to the market information on the outcome of the programme.

## **PROPOSAL TO THE EXTRAORDINARY SHAREHOLDERS' MEETING**

- Reduction of the share capital through cancellation of all the 2,580,000 ordinary and saving treasury shares of a nominal value of Euro 1 each, in order to optimise the capital structure of the Company; amendment to article 5 of the company by-laws. Deliberations thereon.
- Proposal of changes to articles 3 and 24 of the Company By-Laws with reference, respectively, to the introduction to the reference to the Insurance Group as per Legislative Decree No. 209/2005 (code of private insurances) and to the statutory limit on the accumulation of offices by the members of the Board of Statutory Auditors. Deliberations thereon.



# **Corporate Governance**

## **FIRST SECTION – THE GOVERNANCE STRUCTURE OF THE COMPANY: GENERAL GUIDELINES**

Information is provided below on the governance structure of the Company and on the implementations of the principles and recommendations contained in the self-governance code of listed companies, prepared by the Committee for corporate governance issued by Borsa Italiana S.p.A. and revised in March 2006 by the Committee (hereafter: the “Code”).

The Company commenced, already from the year 2006, a progressive updating to the recommendations contained in the new code for the parts not already in line with company practices and concerned, in each case, the operations of the business.

The present report provides information in relation to the compliance of the corporate governance of the Company with the recommendations of the Code, describing the actions already implemented at the date of the present report and those programmed to apply these recommendations. In the case of non-compliance with the recommendations of the Code, these are clarified and justified.

### **Board of Directors and Executive Committee**

The Board of Directors is responsible for operational activities and organisational and strategic direction of the Company and the Group, as well as the verification of the existence of the necessary controls to monitor the performance of the Company.

The directors may not be appointed for a period above three years and may be re-elected.

In compliance with the regulation introduced by law No. 262 of December 28, 2005 (hereafter: “Savings Law”), the extraordinary shareholders’ meeting of April 30, 2007 approved the introduction to the company by-laws of a voting mechanism of slates for the nomination of the Board of Directors, in order that one Director may be elected by the minority shareholders.

In accordance with article 147 of Legislative Decree No. 58/98 (hereafter “Consolidated Finance Act”), as introduced by the Savings Law and in relation to the provisions of the honourability of the directors, these latter must have the requisites required for the holding of office by the special regulations applicable to insurance companies (D.M. 186/1997).

The Board of Directors delegated to an Executive Committee their powers with the exclusion of those expressly reserved to the Board and those which according to law may not be delegated.

In accordance with article 14 of the company by-laws, the Company, with the exception of those reserved by law or the company by-laws to the shareholder or board meetings, may delegate their powers to the Chairman, Vice Chairman and/or to one or more of its members, determining the content, the limits and any manner for the exercise of the delegated powers.

In accordance with these statutory provisions, the Board attributed special powers to the Chairman and to the Chief Executive Officer.

The functions, powers and responsibilities of the Board of Directors, of the Executive Committee and of the Chairman are described in the second section of the present report.

### **Board of Statutory Auditors**

The Board of Statutory Auditors undertakes its duties in accordance with Legislative Decree 58/98.

The statutory auditors remain in office for three years. The procedure for their appointment, in accordance with law and the by-laws, stipulates that a statutory auditor and an alternate auditor are elected by the minority shareholders and that the Chairman of the Board of Statutory Auditors is deemed as the standing member elected by the minority shareholders.

While awaiting approval of the regulation contained in article 148, paragraph 4, the requisites of honourability and professionalism of the statutory auditors is established by Ministerial Decree No. 162/2000, in application of Legislative Decree No. 58/98 and the company by-laws.

Consob has established regulatory limits on the accumulation of offices of director or statutory auditor for boards members of listed companies. These latter will be amended in accordance with regulatory provisions by June 30, 2008.

The statutory provisions for the appointment of the Board of Statutory Auditors will be changed in accordance with law and regulations which Consob - pursuant to article 148, paragraph 2, of Legislative Decree No. 58/98 - will establish through regulations in relation to the election of the Board of Statutory Auditors by the voting of slates.

### **Shareholder Meetings and shareholders**

The Shareholders' Meeting is held at least once a year for the approval of the annual accounts and to pass resolutions on all matters put before them by the Board of Directors and in accordance with law.

The share capital, composed of ordinary and saving shares with rights as per the company by-laws, is controlled by Premafin Finanziaria - Holding di Partecipazioni S.p.A. pursuant to article 2359, paragraphs 1 and 2 of the civil code.

Fondiarria-SAI is not aware of shareholder agreements relating to holdings in the share capital of the Company.

### **Management and control**

The Company is not subject to management and coordination pursuant to article 2497 of the civil code. The company however undertakes management and coordination in accordance with the regulations cited in relation to its subsidiaries, including Milano Assicurazioni, Immobiliare Lombarda and their respective direct subsidiaries.

The Company has also created rules of conduct for the subsidiary companies, in order to ensure compliance with the management and coordination of the Group companies, as well as to guarantee the transparency obligations and those for reporting to the market required by listed issuers are complied with. These conduct rules provide, among others, specific resolutions of the Board of Directors and of the Executive Committee of Fondiaria-SAI on some operations relating to subsidiary companies, considered significant based on the nature of the operation or the amount.

## **SECOND SECTION - INFORMATION ON THE IMPLEMENTATION OF THE SELF-GOVERNANCE CODE**

The organisational structures adopted and, where different than those recommended by the Code, the reasons for the choices made, are outlined below.

### **Composition and role of the Board of Directors**

The Board of Directors, in addition to exercising powers and complying with the requirements of the civil code, undertakes exclusively, in accordance with law or regulations and/or business practice, the following functions:

- Examines and approves the strategic, industrial and financial plans of the Company and of the Group which the Company heads, the corporate governance of the Company and the structure of the Group. In relation to the boards of the individual subsidiaries, the Board of Directors determines, on the proposal of the Chief Executive Officer, the industrial strategies of the Group;
- Periodically verify the adequacy of the internal control system, assisted by the Internal Control Committee;
- Evaluates, based on the information and reports received from the executive functions, the adequacy of the organisational, administration and accounting system of the Company and of the Group, with particular reference to the internal control system and to the management of the conflict of interests, as well as the general operational performance. Approves the company organisational structure;
- Attributes and revokes powers to the directors and to the Executive Committee, defining their limits and procedures for the exercise of these powers;
- Determines, after examining the proposals of the Remuneration Committee and after having consulted the Board of Statutory Auditors, the fees of the executive directors and those who hold specific positions, as well as dividing the total fees to which the directors are entitled among the individual members of the board;
- Examines and approves the operations of the Company and its subsidiaries, when these operations have a significant strategic, economic, or financial importance for the Company, with particular attention to the situations in which one or more directors have an interest on their own behalf or on behalf of third parties and, in general, in the transactions with related parties.

The Board also defines the guidelines of the internal control system, in order that the principal risks are correctly identified, as well as adequately measured, managed and monitored.

Isvap, with circular No. 577/D of December 30, 2005 (as further detailed below), issued provisions which reserve the central strategic role of the Board of Directors in relation to the definition of the organisational structure, of the decisional processes, of the allocation of powers and employment policies and the management of the risks, in accordance with the provisions deriving from the Savings Law and from the Self-Governance Code of listed companies.

As recommended in the Code, the Board of Directors evaluated the size, composition and the functioning of the Board and of its committees and also that all the necessary and appropriate professional figures are present on the board.

In accordance with article 18 of the company by-laws, the Board of Directors delegated to an Executive Committee, currently composed of 7 members, its powers, with the exclusion of those which by law or regulation may not be delegated, and also those concerning all decisions in relation to significant operations with related parties, which are the exclusive remit of the Board. The powers are described below.

The Board of Statutory Auditors is invited to participate at the meetings of the Executive Committee. Although it is the exclusive competence of the Board on the above matters, there is no exclusive attribution of power to the Executive Committee with reference to specific types of operations or spending limits. The Executive Committee meets whenever it considers a resolution on one or more matters necessary or in the case of necessity or urgency with respect to the time necessary for the convocation of the Board of Directors.

By its nature, the Executive Committee does not meet frequently enough to result in a systematic involvement of its members in the current management of the Company.

The resolutions made by the Executive Committee are reported to the Board in the next meeting, together with an update on the development of any operations authorised.

The composition of the Board of Directors, unchanged at the current date compared to December 31, 2007 and which comprises of 19 members, is reported in the current report. The current mandate expires with the shareholders' meeting for the approval of the annual accounts for the year 2008.

The appointment of the directors was deliberated by the Shareholders' Meeting of April 28, 2006 on the proposal of the shareholders.

We recall that the Board of Directors appointed Mr. Salvatore Ligresti as honorary Chairman of the Company, inviting him to attend all the meetings of the Board and of the Executive Committee.

As indicated elsewhere in the current accounts, the Executive Committee is currently composed of 7 members, amongst which are the Chairman, three Vice Chairmen and the Chief Executive Officer. The current composition has remained unchanged compared to December 31, 2007.

The Chairman, Vice Chairmen and the Chief Executive Officer represent the company against third parties and in legal matters.

The delegated management powers of the Chairman, the Vice Chairmen and the Chief Executive Officer, pursuant to article 14 of the by-laws, are attributed by the Board.

Currently, the Board of Directors has delegated to the Chairman and to the Chief Executive Officer all of the ordinary and extraordinary powers, to be exercised with single signature and with the possibility to confer mandates and legal attorneys, with the exclusive exception of the following powers:

- sale and/or purchase of property above the value of Euro 15 million for each operation;
- sale and/or purchase of investments of a value above Euro 25 million for each operation and, in any case, of controlling interests;
- obtaining of loans above Euro 50 million for each operation;
- provision of non-insurance guarantees in favour of third parties.

The parties delegated are directly responsible for the deeds undertaken in the exercise of the powers; the entire Board of Directors has a greater supervision power of the direction and control of the overall activities of the enterprise in its various components, ensuring that each director is updated and operates in an informed manner.

The parties delegated report to the Executive Committee or to the Board of Directors in each meeting in relation to the exercise of the powers attributed above.

In each case, the Board receives from the Executive Committee and from the executive directors, on the occasion of the individual meetings, exhaustive information on the most important operations, for their size and nature, made by the Company and its subsidiaries. These delegated bodies report, also in accordance with article 2381 of the civil code, on the general operating performance and on the outlook. The same information is provided, in the Board meetings, also to the Board of Statutory Auditors, pursuant to article 150 of the Consolidated Finance Act, also with regard to operations in which the directors have an interest.

The delegated boards (executive directors and Executive Committee) also provide adequate information to the Board of Directors and to the statutory auditors, in the Board meetings, in relation to atypical, unusual or related party transactions whose examination and approval are not reserved to the Board of Directors.

The Board of Directors meet regularly.

During the year 2007:

the Board of Directors met 10 times;

the Executive Committee met 5 times.

It is expected that a similar number of meetings will take place in 2008. At the date of the present report, 4 Board of Directors meetings had been held in 2008 and 1 Executive Committee meeting had been held.

In addition to the Chairman and the Chief Executive Officer - holders, as reported, of delegated powers for the management of the Company attributed to them by the Board - the Vice Chairman Antonio Talarico is also to be considered an executive director, as holder of operational powers and/or directional functions in subsidiary companies operating in the real estate sector and, among these, in the company Immobiliare Lombarda S.p.A., responsible for the management of the real estate assets of the Company and of the Group. The same applies to the Director Gioacchino Paolo Ligresti, who covers the role of Chairman, with operational powers, of Immobiliare Lombarda.

All the directors other than those indicated above are to be considered non-executive, in that they do not hold operational and/or functional directional powers in the operations. In addition to their number, the non-executive directors are for their expertise and authority such as to guarantee that their judgement can have a significant weight on the Board decisions, contributing their specific competences to the making of decisions that conform to corporate interests. The contribution of the non-executive directors is particularly useful on matters in which the interests of the executive directors and those more generally of the shareholders do not coincide. In fact, the non-executive component of the Board may evaluate with greater detachment the proposals and operations of the directors with executive powers.

Also in accordance with the definitions contained in the new Code, the independent non-executive directors pursuant to the Code are: Andrea Brogгинi, Maurizio Comoli, Francesco Corsi, Enzo Mei, Giuseppe Morbidelli, Cosimo Rucellai, Ezio Tosell and Oscar Zannoni. These directors, in fact, are not in the situations indicated by the new Code where their position is not compatible with that of an independent director.

The number of the independent directors is such so as to balance the number of other directors on the Board.

The Board of Directors, most recently in March 2008, verified the independence of the non-executive directors with reference to the indications provided in writing, on specific request of the Company, of each director on the basis of the parameters indicated in the application criteria contained in the Code. The Board also examined the individual positions of those directors that, due to uncertainty on their qualification or otherwise as independent, had requested the valuation to be made by the Board.

The Board made similar verifications with reference to independence pursuant to article 147-ter of the Consolidated Finance Act, introduced by the Savings Law.

The Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board to evaluate the independence of its members.

Currently there are no formal meetings of the independent directors in the absence of the other directors, nor has a lead independent director been appointed. It is considered that the periodic process of self-evaluation of the Board of Directors does not normally require meetings of only independent directors, as each director has the possibility to freely express their opinion on the functioning of the Board, discussing the outcomes in a meeting of the Board.

On the periodic verification of independence, the directors were also required to provide information on any activity exercised in competition with the Company. The Shareholders' Meeting did not authorise any general or specific competitor agreements as per article 2390 of the civil code.

In general, the directors accept the office when they believe they can dedicate the necessary time to a diligent undertaking of their duties, also taking into consideration other offices held in other companies. The directors must be aware of the tasks and responsibilities relating to their appointment. They act and deliberate in a knowledgeable and independent manner pursuing the creation of value for the shareholders. The Chairman and Chief Executive Officer ensure that the Board is also informed on the principal new legislation and regulations relating to the Company and corporate bodies.

Pursuant to the Self Governance Code a list of the positions of director or statutory auditor held at March 19, 2008 by the Company's directors in other listed companies in Italy and abroad, in financial, banking and insurance companies, and in other large companies is provided below.

**Jonella LIGRESTI**

Chairperson of:	SAI HOLDING ITALIA S.p.A.
Vice Chairperson of:	GILLI S.r.l. PREMAFIN FINANZIARIA S.p.A.
Director of :	ASSONIME Associazione fra le società italiane per azioni FINADIN S.p.A. Finanziaria di Investimenti MILANO ASSICURAZIONI S.p.A. RCS MediaGroup S.p.A.
Members of the Supervision Board:	ATAHOTELS S.p.A. MEDIOBANCA S.p.A.

**Giulia Maria LIGRESTI**

Chairman and  
Chief Executive Officer of: PREMAFIN FINANZIARIA S.p.A.

Chairperson of: GILLI S.r.l.  
FONDAZIONE FONDIARIA-SAI

Chief Executive Officer of: SAI HOLDING ITALIA S.p.A.  
SAIFIN SAIFINANZIARIA S.p.A.

Director of : FINADIN S.p.A. Finanziaria di Investimenti  
HELM FINANCE S.g.r.  
ISTITUTO EUROPEO DI ONCOLOGIA S.r.l.  
MILANO ASSICURAZIONI S.p.A.  
PIRELLI & C. S.p.A.  
SAILUX S.A.  
SAINTERNATIONAL S.A.  
TELECOM ITALIA MEDIA S.p.A.

Members of the  
Supervision Board: ATAHOTELS S.p.A.

**Massimo PINI**

Vice Chairperson of: ADR S.p.A.  
IMMOBILIARE LOMBARDA S.p.A.

Director of : FINADIN S.p.A. Finanziaria di Investimenti  
MILANO ASSICURAZIONI S.p.A.

**Antonio TALARICO**

Chairperson of: FINADIN S.p.A. Finanziaria di Investimenti  
INTERNATIONAL STRATEGY S.r.l.  
MARINA DI LOANO S.p.A.  
NUOVE INIZIATIVE TOSCANE S.r.l.  
SAIAGRICOLA S.p.A.

Vice Chairperson of:  
Chief Executive Officer of: IMPREGILO S.p.A.  
IMMOBILIARE LOMBARDA S.p.A.

Director of: IGLI S.p.A.  
MILANO ASSICURAZIONI S.p.A.  
SAI INVESTIMENTI SGR S.p.A.

Members of the  
Supervision Board: ATAHOTELS S.p.A.

**Fausto MARCHIONNI**

Chairman and  
Chief Executive Officer of: MILANO ASSICURAZIONI S.p.A.  
LIGURIA Società di Assicurazioni S.p.A.  
LIGURIA VITA S.p.A.  
SIAT S.p.A.

Chairman of: AUTO PRESTO & BENE S.r.l.  
BANCA SAI S.p.A. BIM VITA S.p.A.  
PRONTO ASSISTANCE SERVIZI S.p.A.  
SAI INVESTIMENTI SGR S.p.A.  
SASA Assicurazioni Riassicurazioni S.p.A.

Vice Chairperson of: IMMOBILIARE LOMBARDA S.p.A.  
NOVARA VITA S.p.A.

Director of : ANIA (indennizzo diretto RC Auto)  
ASSONIME Associazione fra le società italiane per azioni  
GRUPPO BANCA LEONARDO S.p.A.  
IRSA

**Andrea BROGGINI**

Director of : BANCA EUROMOBILIARE (Suisse) S.A.  
FASTWEB S.p.A.  
FEDERAZIONE DELLE COOP. MIGROS GENERALI (Schweiz)  
HOLDING  
KIEGER AG  
KNORR-BREMSE Systeme für Schienenfahrzeuge GmbH  
MARCH LIMITED

**Mariella CERUTTI MAROCCO**

Chairperson of: CERFIN S.p.A.

Director of : OFFICINE MECCANICHE GIOVANNI CERUTTI S.p.A.

**Maurizio COMOLI**

Vice Chairman  
of the Supervision Board: BANCO POPOLARE DI VERONA E NOVARA Scarl

Chairman of the  
Board of Statutory Auditors of: BASTOGI S.p.A.  
BRIOSCHI FINANZIARIA S.p.A.  
MIRATO S.p.A.

Standing member of: LORO PIANA S.p.A.

**Francesco CORSI**

Vice Chairperson of: MERCANTILE LEASING S.p.A.

Statutory auditor of: BIEFFE 5 S.p.A.  
FINDOMESTIC BANCA S.p.A.  
FINDOMESTIC NETWORK S.p.A.

**Carlo d'URSO**

Vice Chairperson of: IMMSI S.p.A.

Director of: AEDES S.p.A.  
BANCA BSI ITALIA S.p.A. BANCA SAI S.p.A.  
F.C. INTERNAZIONALE MILANO S.p.A.  
GRUPPO BANCA LEONARDO S.p.A.  
MICOS BANCA S.p.A.  
PREMAFIN FINANZIARIA S.p.A. SISAL S.p.A.  
SISAL Holding Finanziaria S.p.A.  
STILO IMMOBILIARE FINANZIARIA S.r.l.

**Vincenzo LA RUSSA**

Director of : IMMOBILIARE LOMBARDA S.p.A.

**Gioacchino Paolo LIGRESTI**

Chairperson of: ATAHOTELSSWISS S.A.  
IMMOBILIARE LOMBARDA S.p.A.  
S.R.P. ASSET MANAGEMENT S.A.  
STAR MANAGEMENT S.r.l.  
TOUR EXECUTIVE S.p.A.

Vice Chairperson of: BANCA GESFID S.A.  
BANCA SAI S.p.A.  
MILANO ASSICURAZIONI S.p.A.  
MARINA DI LOANO S.p.A.  
PREMAFIN FINANZIARIA S.p.A.  
SAI INVESTIMENTI SGR S.p.A.  
SAIAGRICOLA S.p.A.

Director of: FINSAI INTERNATIONAL S.A.  
GILLI S.r.l. MILAN A.C.  
SAILUX S.A.  
SAINTERNATIONAL S.A.

Members of the  
Supervision Board: ATAHOTELS S.p.A.

**Lia LO VECCHIO**

Director of : MILANO ASSICURAZIONI S.p.A.  
SAIAGRICOLA S.p.A.  
SIAT S.p.A.

**Enzo MEI**

Chairperson of: SOCIETÀ GESTIONE CAPANNELLE S.p.A.

CEO: GENERAL SERVICE ITALIA S.p.A.

Director of: BANCA GALILEO S.p.A.  
DATA SERVICE S.p.A.  
LA MAGONA S.r.l.  
VIGEST S.r.l.

**Giuseppe MORBIDELLI**

Director of: ACF FIORENTINA S.p.A.  
BANCA CR FIRENZE S.p.A

**Cosimo RUCELLAI**

Chairperson of: MERCANTILE LEASING S.p.A.

Vice Chairperson of: MILANO ASSICURAZIONI S.p.A.

Director of : ESSELUNGA S.p.A.  
SUPERMARKETS ITALIANI S.p.A.

**Salvatore SPINIELLO**

Chairman of the Board  
of Directors of: CAMPO CARLO MAGNO S.P.A.  
IMMOBILIARE ANDRONICA S.P.A.

Director of: EUROFLY SERVICE S.P.A.  
IMMOBILIARE LOMBARDA S.P.A.  
SASA ASSICURAZIONI RIASSICURAZIONI S.P.A.

Members of the  
Supervision Board: ATAHOTELS S.P.A.

Sole Director of: G.B. & CO S.R.L.  
G.B.H. S.P.A.

Chairman of the  
Board of Statutory Auditors: EDILNORD GESTIONI S.P.A.  
EMITTENTI TITOLI S.P.A.  
GRANDI LAVORI FINCOSIT S.P.A.  
IMHOLDING S.R.L.  
ITALHOLDING S.R.L.  
M.T. MANUFATTURA TABACCHI S.P.A.  
PIRELLI & C REAL ESTATE PROPERTY MANAGEMENT S.P.A.  
TA.RO. S.P.A.  
UNICREDIT BANCA PER LA CASA S.P.A.  
X-ROP40 S.P.A.  
YSL BEAUTE ITALIA S.P.A.

Statutory auditor of:

ASG S.C.A.R.L.  
EDISON S.P.A.  
ELILARIO ITALIA S.P.A.  
FINAGIN S.P.A.  
LAZARD INVESTMENTS S.R.L.  
P.TV. PROGRAMMAZIONI TELEVISIVE S.P.A.  
PRO MAC S.P.A.  
TELECOM ITALIA S.P.A.  
TI MEDIA S.P.A.  
UNICREDIT BANCA S.P.A.

**Ezio TOSELLI**

Does not hold any offices in listed companies, including abroad, in financial, banking and insurance companies or of significant size.

**Oscar ZANNONI**

Chairperson of:

GRUPPO CERAMICHE RICCHETTI S.p.A.  
ARCA S.p.A.  
FINCISA S.p.A.  
SIC S.p.A.

Director of:

AFIN S.p.A.  
FIN-ANZ S.p.A.  
FINANZIARIA NORDICA S.p.A.  
HERMES INVESTIMENTI S.p.A.

The Board did not express its opinion on the maximum number of offices of director or statutory auditor held in other listed companies, including abroad, in financial, banking and insurance companies or of a significant size which can be considered compatible with a current undertaking of the office of director of the Company. The Board also considered it preferable to make a specific valuation case by case, on the approval of the present report.

On the outcome of this valuation, the Board considers that the number of offices held by directors and/or statutory auditors held by the Directors in other companies is compatible with an efficient undertaking of the position in the Board of Directors of Fondiaria-SAI, taking into account the nature and the size of the companies in which the offices are held and, in any case, of the companies belonging to the Group. The Board reserves the right to consider, where necessary, the position taken, also in order to provide an indication to the shareholders before the expiry of their mandate in order that they may have an additional element of valuation in the selection of the candidates for the office of director.

The office of director or statutory auditor held by the standing members of the Board of Statutory Auditors in other listed Italian companies is reported below:

**Marco SPADACINI**

Director of: A. MONDADORI EDITORE S.p.A.

Chairman of the Board  
of Statutory Auditors : ATLANTIA S.p.A.  
SORIN S.p.A.

Statutory Auditor: IMMSI S.p.A.  
SNIA S.p.A.

The Chairman of the Board of Statutory Auditors Mr. Benito Giovanni MARINO and the standing auditor Mr. Giancarlo MANTOVANI do not hold other offices in other listed companies.

**Chairman of the Board of Directors**

The Chairman of the Board of Directors convenes and co-ordinates the meetings of the Board and the Executive Committee. The Chairman ensures that the directors and the members of the Committee are provided with, before each meeting, the documentation and the information necessary, except in the cases of necessity and urgency with reference to the nature of the deliberations to be taken, in line with the degree of confidentiality and the timing with which the Board or Executive Committee must assume these decisions. The Chairman, with the agreement of the participants, may invite participation at the meetings of the Board and the Executive Committee - as attendees and/or with consultant duties – of external parties to these meetings. The Chairman of the Board of Directors, in addition, presides over and organises the Shareholders' Meeting. He is also attributed - as described - powers by the Board, as previously indicated. The Chairman normally exercises these powers only in the case of necessity or urgency, in the absence or impediment of the Chief Executive Officer, or - in any case - when particular circumstances render it necessary.

**Treatment of corporate information**

The Company has adopted a consolidated practice, which provides for rules for the management and treatment of corporate information and for the external communication of documents and disclosures, with particular regard to price sensitive information.

The management of the corporate information concerning the Company and its subsidiaries is generally undertaken by the Chief Executive Officer. The executives and the employees of the Company and its subsidiaries are bound by secrecy obligations in relation to reserved information to which they have knowledge.

All relationships with the press and other mass communication media (or with financial analysts and professional investors) for the divulgence of corporate documents and information must be expressly authorised by the Chief Executive Officer. The Company subscribes to the Network Information System circuit, organised and managed by Borsa Italiana S.p.A. for the computerised diffusion of information to the market.

In any case, the procedure is undertaken to avoid that these communications could be made on a selective basis (with preference to certain parties), in an untimely manner or in an incomplete and inadequate form.

The Company has adopted a code of conduct in relation to internal dealing, to govern disclosure obligations - in accordance with law and regulatory provisions issued by Consob - relating to operations on financial instruments undertaken by “relevant persons”, considered as parties that, in relation to the office held, have access to confidential information. The Company has also informed the relevant persons of their obligations and responsibilities with reference to operations subject to the code of conduct.

The code is available on the Company’s website.

In accordance with applicable law and the above regulations, the Company maintains a Register of the persons, which based on their duties and professional responsibilities or of the positions held, have access to “confidential” information.

In relation to the regulations which govern insider trading offences and market manipulation, a procedure is also implemented relating to all the business areas and in order to reduce the risks which - in the undertaking of the management activities of their portfolio and of the companies of the Group - are undertaken by the Companies in a manner not in line with current regulations. This procedure in particular relates to:

- The operations on treasury shares, of the parent company and of the listed subsidiaries;
- The operations on determined financial instruments;
- The counterparties with which the Company operates.

**Appointment of Directors**

In 2007, the company continued with the approach not to create within the Board a specific nomination committee for the appointment of directors, in consideration of the fact that the ownership of the Company is sufficiently concentrated and there have never been any difficulties by the shareholders to prepare such nomination proposals for the selection of the candidates.

In the occasion of the appointment of the directors, the shareholders that wish to propose nominations must file the proposal at the registered office of the company before the shareholders' meeting together with the curriculum vitae of each candidate.

At the shareholders' meeting of April 28, 2006 a single slate was proposed by the shareholders before the shareholders' meeting, together with the curriculum vitae of the candidates, distributed to the participants. The candidature for director is accompanied by indications of whether they qualify as independent. The participants were informed of this before voting at the shareholders' meeting.

In compliance with the regulations introduced by the Savings Law, the extraordinary shareholders' meeting of April 30, 2007 approved the introduction to the company by-laws of a voting mechanism of slates for the appointment of the Board of Directors, in order to permit one Director to be elected by the minority shareholders. The new statutory provisions also provide a period of 15 days before the date fixed for the shareholders' meeting in first convocation for the filing of the slate at the registered office, in line with the recommendations of the Code.

The by-laws also provide that, together with the slate, the shareholders must file at the registered office, among other matters, the declarations in which the individual candidates accepted their candidature and certified the existence of the requisites required for holding the office, in addition to a curriculum vitae of each candidate with indication of whether they may qualify as an independent director. The candidates which are considered independent pursuant to article 147-ter of the Consolidated Finance Act should also be indicated.

**Remuneration of directors and senior management**

The remuneration of directors is decided by the Board pursuant to article 2389 of the civil code, with the favourable opinion of the Board of Statutory Auditors and with the abstention of the parties concerned.

The Board has always determined, upon appointment, the compensation of the directors that are attributed specific offices. The remuneration was determined in fixed measure, without an incentive component, in relation to the undertaking of the ordinary activities related to the office. Where the Board has resolved to confer to this director, or to other directors, offices to undertake and/or manage particular operations, the Board evaluates, normally "ex-post", the results achieved and, where appropriate, determines, with the favourable opinion of the Board of Statutory Auditors, a special fixed remuneration based on the importance of the operation and the results achieved.

The remuneration paid to the directors in 2007 is reported in a schedule in the Notes to the financial statements.

The next shareholders' meeting called to approve the financial statements will also be proposed to decide, as permitted by the company by-laws, the attribution to the directors of a profit share, whose total amount will be attributed by the Board, as a bonus, to the directors, including those not with corporate offices, which have undertaken particular activities (instead of the amounts up to now decided by the Board, as reported above). For this purpose, the remuneration of a one-off fee to each director will be determined by the Board within the maximum total amount decided by the shareholders' meeting.

On July 14, 2006, the Board of Directors of Fondiaria-SAI agreed to assign the options of the 2006-2011 stock option plan in favour of executive directors and management of Fondiaria-SAI, of its subsidiaries and of the parent company Premafin Finanziaria, for the acquisition of saving shares of Fondiaria-SAI.

The assignment by the Board was made in execution of the extraordinary shareholders' meeting resolution of Fondiaria-SAI of April 28, 2006. In relation to the executive directors, a total of 8,700,000 options were assigned in favour of the parties and in accordance with the quantities approved by the above-mentioned shareholders' meeting. In relation to the management, the stock option plan relates to 75% of the executives in service in the Group, totalling 6,300,000 options. The number of the options assigned to the individual beneficiaries takes into account the level of responsibility attributed and of the impact of the office held in the activities of the business and toward its results.

The Board also required that the exercise of the options would be related to the achievement of the principal objectives of the Group's 2006-2008 Industrial Plan.

The option rights assigned became partially exercisable by the beneficiaries from July 14, 2007, after the first phase of the vesting period of 12 months established for both plans by the respective regulations, as modified by the Board of Directors' meeting of June 20, 2007, that - as announced to the market - expired a year earlier than the three vesting period phases originally established by the Board, also taking into account the advanced achievement of some of the 2006-2008 Industrial Plan objectives of the Group.

With regard to the executive directors, it is intended to create an adequate remuneration structure, which facilitates their interests along with the creation of value for the shareholders over the medium-long term period, through the achievement of the 2006-2008 Industrial Plan of the Group. In this manner, it was also considered necessary to comply with the recommendations contained in the Code in relation to linking a part of the remuneration of the executive directors to the financial results of the Company and of the Group.

In addition, the utilisation of the instrument in question also in favour of senior management contributes to providing incentive and loyalty and creating the appropriate conditions for the achievement of the objectives of the Plan.

Also taking into account the adoption of the above-mentioned stock option plans, the Board of Directors of Fondiaria-SAI, in the meeting of March 27, 2007, appointed a Remuneration Committee, which has the following functions, with reference also to the subsidiary companies:

- Presents to the Board proposals for the remuneration of the executive directors and directors holding specific offices, including based on the results of the Company and/or specific objectives, monitoring the application of the decisions made by the Board;
- Periodically evaluates the criteria adopted for the remuneration of the executives with strategic responsibilities, supervises their application on the basis of the information provided by the executive directors and formulates general recommendations on the matter to the Board;
- Supervises the realisation of the stock option plans, also proposing to the Board, where necessary, modifications to the plan regulations.

The Remuneration Committee is composed of the Chief Executive Officer and of two independent non-executive directors, Mr. Enzo Mei and Mr. Oscar Zannoni. The Board also considered it appropriate that the Chief Executive Officer was a member of the Committee in order to allow co-ordination of the operational management. The Chief Executive Officer did not participate at meetings where his remuneration was discussed.

In 2007, the Committee met twice during the year. Minutes are kept of the Committee meetings.

#### **Executive responsible for the preparation of the corporate accounting documents**

The Board of Directors' meeting of June 20, 2007, appointed the executive responsible for the preparation of corporate accounting documents pursuant to article 154-bis of the Consolidated Finance Act (hereafter: the "Executive Responsible") as Mr. Pier Giorgio Bedogni, Vice General Manager of the Company and responsible for the Administration Department.

In accordance with the provisions of the company by-laws, the Board undertook the appointment with the favourable opinion of the Board of Statutory Auditors and verified the professional qualifications of the person appointed pursuant to the company by-laws which requires that the Executive Responsible is a person of *"adequate professional ability who has undertaken management activity in the administrative/accounting sector or finance or management control or internal audit of a company whose financial instruments are listed on a regulated market or that undertake banking, insurance or financial activities or, in any case, is of significant size"*.

The duration of the appointment was established until the expiry of the mandate of the current Board of Directors.

The Company also adopted a specific management model with reference to application of law No. 262/2005, which introduced the above-mentioned article 154-bis of the Consolidated Finance Act. This management model is integrated into the organisational structure of Fondiaria-SAI and its constitution is based on the fact that the administrative and accounting procedures are part of a wider internal control system, whose responsibility is - and remains - that of the Board of Directors. This latter, however, maintains the general responsibility of direction in relation to the provisions introduced by the above-mentioned law No. 262/2005.

## **Internal Control**

The current provisions require that insurance companies adopt adequate internal control procedures. ISVAP in turn - since 1999 and, recently, with circular No. 577/D of December 30, 2005 - define the internal control system of the companies and the relative functioning procedures, providing indications in order to facilitate, while respecting entrepreneurial independence, the realisation of adequate control systems and risk management, which each enterprise must develop, taking into account the size of their operations and their risk profile.

The internal control system comprises the overall rules, procedures and organisational structures needed in order to ensure the correct functioning and good performance of the enterprise and to guarantee, with a reasonable margin of security:

- The efficiency and effectiveness of the business processes;
- An adequate control of the risks;
- The reliability of the accounting and management information;
- The safeguarding of the company's assets;
- The conformity of the activities of the business with current regulations, directives and business procedures.

Pursuant to circular 577D the enterprise must have an adequate system of risk management, calibrated with respect to the size and complexity of the activities exercised, which permits the identification, the evaluation and the control of the most significant risks, which are those risks, which could endanger the solvency of the enterprise or constitute a serious obstacle to the realisation of the enterprise's objectives. The final objective of the risk management system is to maintain an acceptable level, in line with the available assets of the enterprise, of the risks identified and evaluated.

The Company therefore realised, where necessary, an adequate organisation process in accordance with circular No. 577/D, within the prescribed period required in the circular.

Within the Fondiaria-SAI Group, the undertaking of the activities and the relative procedures today provide for control by the individual operating units (so-called "line control"), as well as by the managers of each unit.

The verification of the adequacy, efficiency and effectiveness of the procedures adopted and, in general, of the internal control system is undertaken by the Audit function of the Group, reporting to the Chief Executive Officer and whose activities also have the purpose of the correct identification and management of business risks. The Audit activities also extend to all the business processes of Fondiaria-SAI and of Group companies (also indicating the corrective actions considered necessary), the execution of follow-up activity for the verification of the realisation of corrective interventions and the efficiency of the changes made.

The Board of Directors is responsible for the internal control system of the Company, defines the directives and periodically verifies the adequacy and effective functioning and is assisted by the Internal Control Committee. The Chief Executive Officer has the responsibility to overview the functioning of the internal control system, identifying the business risks and undertaking the design, management and monitoring of the internal control system, through which he appoints the manager of the Audit function of the Group.

The Board of Directors annually approves the work plan of the Group Audit function. This latter is provided with appropriate means and undertakes their activity in an autonomous and independent manner and do not report to any operating area managers. This manager - who interacts with the Executive Responsible in relation to the management model pursuant to law No. 262/2005 - also coordinates with the Internal Control Committee, to which it reports its work, with the Board of Statutory Auditors and with the audit firm of the Company.

The managers of the operating area of the business must ensure that the Group Audit function has free access to all operating structures and all documentation relating to the operating area subject to control. The Group Audit function has contacts with all the officers of the Company and of the Group companies and its manager has the necessary authority to guarantee the independence of the function.

In particular, following the attribution of a specific Internal Control Committee of the functions in accordance with the Code and as already reported and having regard to the fact that, among these functions, are the valuation of the work plans prepared by the Group Audit function and the receiving of their reports, this latter prepares these reports, presenting them to the Internal Control Committee. This latter, in turn, reports to the Board of Directors its opinions of the work plan of the Group Audit function and on the adequacy of the internal control system.

The manager of the Group Audit function reports also to the Chief Executive Officer on the conclusion of each individual activity undertaken.

In application of Isvap circular 577/D above, the Board annually examines and approves the following documents, which are then transmitted to Isvap:

- A report on the internal control system and risk management system;
- The business organisational structure, specifying the duties attributed to the individual business units and identifying the managers;
- The system of powers delegated within the entity;
- The structure of the Group Audit function and the number of resources dedicated to the activities as well as the characteristics and technical-professional experience;
- The internal audit activities undertaken, any deficiencies reported and the corrective actions adopted;
- The strategic information and communication technology (ICT) plan, in order to ensure the existence and maintenance of a highly integrated overall architecture from an application and technological viewpoint and adequate to the entity's needs.

A Risk Management function was also created, with the duties of:

- Managing the activities to complete the capital risk models functional to the implementation of an efficient and effective Enterprise Risk Management system;
- Defining and maintaining, in collaboration with the Group Audit function, the mapping of the business risks, with the relative control procedures;
- Monitoring recurring risks, reporting on the results to the Group Audit function;

- Prepare reports for the Board of Directors, the Internal Control Committee and operational functional managers in relation to the evolution of risks and any anomalies;
- Undertake ongoing control of the activities carried out by the different business functions in execution of the resolution procedures for the problems noted;
- Transmitting, together with the Group Audit function, the periodic reports to Isvap.

The Risk Management function also undertakes specific periodic stress testing in relation to the principal sources of risk and reports these results to the Board of Directors.

The Risk Management function manager reports directly to the Chief Executive Officer.

### **Internal Control Committee**

The Board of Directors has set up an Internal Control Committee, to assist the Board of Directors, which has the duties of analysing the problems relating to the control of the business activities, attributing to it specific functions which have merely a consultative and proposing function, while the deliberations are exclusively the competence of the Board of Directors.

The Internal Control Committee is currently composed of three directors, non-executive and the majority of which are independent, in the persons of Enzo Mei, Salvatore Spiniello and Ezio Toselli. This latter is also the lead co-ordinator of the Committee. The composition of the Committee guarantees professionalism and has adequate experience in the undertaking of the role. The Board resolved to attribute to these directors a special remuneration for the role undertaken.

All the statutory auditors are invited to participate at the meetings of the Internal Control Committee. Minutes are kept of the Committee meetings.

The Internal Control Committee has the role to:

- Assist the Board in the periodic verification of the adequacy and of the effective functioning of the internal control system and, within this system, also the adequacy of the administration and accounting procedures;
- Assist the Board in the identification and management of the principal business risks which have a significant possibility of occurring;
- Assist the Board in the definition of the budget and of the intervention plans (with relative priorities) of the activities of the Executive Responsible;
- Assist the Board, in relation to the application of law No. 262/2005, in the supervision:
  - On the implementation of the Action Plan;
  - On the effective compliance with the administration and accounting procedures;
  - On the specific interventions undertaken by the Executive Responsible to verify determined situations;
  - On compliance and procedures for the use of the budget of the activities of the Executive Responsible;
- Assist the Board of Directors in the definition of the procedures for approval and execution of transactions with related parties;
- Evaluates the work plan prepared by the Group Audit function and receive periodic reports;

- Assesses, together with the Executive Responsible, the executives and the external auditors, the appropriateness of the accounting standards applied and their homogeneousness for the purpose of preparing the consolidated financial statements;
- Evaluate the proposals formulated by the independent audit firms in order to be appointed as auditors as well as the audit work plan and the results expressed in the report and letter of recommendations;
- Exercise, in the management of the relations with the external auditors, a general supervision of the efficiency of the audit processes undertaken by the audit firm;
- Supervise on the compliance and periodic updating of the corporate governance rules adopted by the Company and by its subsidiaries.

The Committee reports at least every six months, at the time of the approval of the annual and half-yearly accounts, and informs the Board on the work carried out and the adequacy of the internal control system.

The Committee has an active role in evaluating the work plan of the Group Audit function and of the periodic reports issued.

The Board of Directors also approve the Internal Control Committee regulations, which formalise the principal procedures for its functioning. The Board also assigned an amount to permit the Internal Control Committee, where necessary, to make recourse to external professional advisors for the analysis of specific issues of particular complexity and of risks for the Company.

In 2007, the Committee met 7 times.

In particular, in the meetings prior to those that the Board of Directors called to approve the draft financial statements for the year ended December 31, 2006, the Committee expressed its favourable opinion on the Group Audit function and considered, at the present moment, the internal control system of the Company to be adequate. The Committee also expressed its opinion:

- that the accounting principles utilised, having consulted with the administrative manager of the Company and the opinion of the audit firm Deloitte & Touche S.p.A., on the basis of the verifications made, are adequate and in accordance with those for the preparation of the consolidated financial statements;
- that, at the current moment, based on the information available, there are no critical elements in the audit of the financial statements of the Company;
- that the governance rules adopted by the Company, to the current knowledge of the Committee, have been complied with and that the report prepared in accordance with the current regulatory provisions was prepared in line with the recommendations supplied by Assonime and Emittenti Titoli S.p.A., taking into account the new legislation introduced and justifying the reasons for the choices made where these are different than those recommended by the Code, as well as indicating those initiatives which it intends adopting.

On the occasion of a subsequent meeting before the Board of Directors' meeting called to approve the half year report at June 30, 2007, the Internal Control Committee confirmed its evaluation on the adequacy of the internal control system, and also did not report any critical elements in the audit undertaken by the audit firm.

## **Social Report**

In September 2007, the social responsibility statement concerning the activities of the Fondiaria-SAI Group was presented for the year 2006.

This document, already prepared with reference to the previous two years, analyses, from a qualitative and quantitative viewpoint, the impact of the Group activities on the various stakeholders whose interests, in addition to those of the shareholders, vary in relation to the Company and the Group.

For the preparation of the social responsibility statement, the Company undertook this in collaboration with the Economics Faculty of the University of Turin.

The social report is available on the Company's website.

## **Organisation, Management and Control Model pursuant to Legislative Decree No. 231/01**

The Board of Directors of the Company approved an organisational, management and control Model appropriate to prevent the committing of offences contained in Legislative Decree No. 231 of June 8, 2001, relating to the "Regulation of administrative responsibility of legal persons, of companies and of associations including those without legal form, in accordance with article 11 of law No. 300 of September 29, 2000", which introduced for the first time into Italian law criminal responsibility, which is added to that of personal responsibility.

The Board considered that the adoption of the organisational, management and control Model pursuant to Legislative Decree 231/2001 mentioned above, although not obligatory, may constitute a valid instrument in informing all employees of Fondiaria-SAI and all other parties with co-interests, in the undertaking of their activities, and correct conduct so as to prevent the risk of offences as contained in the decree.

In compliance with the provisions of the Decree, the Model approved by the Board of Directors complies with the following principles:

- The verifiability and documentation of all significant operations pursuant to Legislative Decree No. 231/2001;
- The respect of the principle of the separation of the functions;
- The definition of the authorisation powers in line with the responsibilities assigned;
- The attribution to a Supervision Board of the duties to promote the effective and correct implementation of the Model also through the monitoring of business conduct and the constant diffusion of information on the significant activities pursuant to Legislative Decree No. 231/2001;
- The communication to the Supervision Board of the relevant information;
- The creation of specific preventive "controls", specific for the macro categories of activities and related risks, to prevent the committing of the different type of offences contemplated by the Decree (control "ex ante");
- The availability to the Supervision Board of adequate resources to support the duties assigned and the achievement of results reasonably obtainable;
- The activity of verifying the functioning of the Model with consequent periodic updating ("ex post" control);
- The implementation of instruments and diffusion at all company levels of the regulations defined.

The Board approved the setting up of the Supervision Board, which is assigned, through a general plan, the duty to supervise compliance of the Model, to verify the real efficiency and effectiveness of the Model, in relation to the operating structure, to prevent offences pursuant to Legislative Decree No. 231/2001 as well as updating the Model, where there is a need to update this in relation to changed operating conditions. In relation to the composition of the Supervision Board, it was considered appropriate to opt for a mixed composition, with two external professionals with knowledge of the Company and of the Group together with one internal party.

Finally, the Board of Directors approved the Ethical Code of the Company, which recalls the fact that, in the undertaking of its activities, Fondiaria-SAI believes fully in the criteria of transparency and correctness, in compliance with law and in the interests of all stakeholders.

### **Significant transactions with related parties**

The Board of Directors approved specific conduct principles for the undertaking of significant operations and with related parties. In defining these principles, the Board availed, as recommended by the Code, of the support of the Internal Control Committee. This latter, in the undertaking of its consultative functions, was also appointed to undertake a preliminary examination of the operations with related parties - which in accordance with these principles were subject to examination and approval by the Board of Directors or by the Executive Committee.

#### *Significant operations*

In the attribution to the Chairman and to the Chief Executive Officer of specific powers described previously with the identification of the value limits, the Board of Directors of Fondiaria-SAI indicated the criteria in order to identify the significant operations, which must be subjected to examination and authorisation by the Board of Directors or by the Executive Committee.

#### *Transactions with related parties*

With reference to the transactions with related parties, it is noted that:

- The related party transactions, including those through subsidiary companies, which due to the nature, value, method or timing could have an effect on the value of the company assets or on the completeness and correctness of the disclosures, including of an accounting nature, relating to the issuer, and for which the issuer must also make available to the public an information document pursuant to article 7 of Consob Regulation No. 11971/1999, are reserved to the exclusive and prior approval of the Board of Directors;
- Also presented for examination and approval of the Board of Directors or of the Executive Committee, normally prior to the transaction, even if within the limits attributed to the Chairman and Chief Executive Officer, are a series of transactions with related parties specifically identified by type and value (other than inter-group transactions as per letter “c” below), considered individually or cumulatively with other transactions in the previous twelve months;

- In relation to inter-group transactions, these generally are within the powers delegated by the Board to the Chairman and to the Chief Executive Officer and are therefore generally not reserved to the remit of the Board of Directors and/or of the Executive Committee except where their value is generally above the limits established for the exercise of these delegated powers. The following is also noted:
  - in accordance with the specific regulations for insurance companies, the inter-group transactions in which at least one of the parties is an insurance company - or transactions considered significant according to the quantitative parameters determined by the regulations of the sector - are in any case subject to prior authorisation by ISVAP and are only completed after the authorisation by the Supervision Authority;
  - the inter-group transactions concluded between two non insurance subsidiaries are, where applicable, among those subject to communication to the parent company which require specific resolutions of the Board of Directors or of the Executive Committee pursuant to the conduct rules described in the last paragraph of the first section.

For the purposes of the implementation of the above-mentioned conduct principles, each director and statutory auditor, as well as executives with strategic responsibilities, are requested to provide a list of related parties. The request was also made to statutory auditors in line with the recommendations of the Code in order to report the position of the statutory auditors and of the directors with regard to the operations of the issuer in which the statutory auditor has an interest.

A directive was then issued by the Chief Executive Officer to regulate the operating procedures for the offices of the Company and the subsidiaries where there are significant operations relating to the parties on these lists.

In general all transactions with related persons must comply both in substance and in form.

Where the nature, value or others characteristic of the transaction requires, the Board of Directors will ensure that the transactions with related parties are concluded with the assistance of independent experts for the evaluation of assets and the provision of financial, legal or technical consultants for fairness and/or legal opinions.

The directors which have an interest in the operation must inform in an exhaustive and timely manner to the Board of Directors on the existence of the interest and on the circumstances, evaluating, case by case, whether the director should leave the meeting at the moment of the resolution or abstain from voting. Where this relates to an Executive Director, he must abstain from undertaking the operation.

In the cases relating to the previous paragraph, the Board of Directors' resolutions provide adequate reasons and the benefits for the Company from the operation.

The Board of Directors will resolve on the most appropriate action to be taken in the case where the exclusion of the directors at the moment of the resolution could prejudice the constitutive of the necessary quorum.

**Relations with institutional investors and other shareholders**

The Company has always given adequate importance to creating continual dialogue, founded on the reciprocal understanding of roles, with all shareholders and, in particular, with institutional investors and also in compliance with the internal procedures for external communication of documents and information relating to the Company, already previously examined. This is undertaken by the Chairman and the Chief Executive Officer.

The Company has identified the Investor Relations Department of the Group as the function to communicate with the institutional investors, in co-ordination with the other Group management and company interests. The Group Investor Relations Department also communicates with the shareholders, together with the Shareholders' Office.

The Investor Relations Department is responsible for online information through the website of the Company, and is responsible for the publication of forecast information, relations with the Rating Agencies and in general relations with the institutional investors. In addition, together with the Press Office, it is responsible for the publication of press releases and comments relating to market rumours.

The Investor Relations Department can be contacted at the telephone number 011/6657.642 and/or at the e-mail address [investorrelations@fondiaria-sai.it](mailto:investorrelations@fondiaria-sai.it).

In order to further promote dialogue with the shareholders, the shareholders may consult the website of the Group, which is regularly updated.

**Shareholders' Meetings**

The Board of Directors considers the Shareholders' Meeting, although there are many manners of communication with the shareholders, an important occasion for dialogue between directors and shareholders, especially in respect of the governance rules on price sensitive information. Normally all of the directors attend the Shareholders' Meetings.

The Board reports on the activities of the Company in the Shareholders' Meetings and endeavours to ensure shareholders have adequate information on Shareholder Meeting resolutions.

It was not considered necessary to adopt specific shareholder meeting regulations (taking into account the current provisions contained in the company by-laws, which attributes to the Chairman the powers to direct the Shareholders' Meeting and also contains specific provisions in relation to the functioning of the meeting) considered appropriate to permit a correct and functional undertaking of the meetings.

In the exercise of the powers of management and coordination of the shareholders' meetings conferred by the company by-laws, the Chairman therefore, in the opening of the meeting, communicates to the shareholders' meeting the principles he intends to apply in the undertaking of his statutory functions, fixing the rules before the commencement of the shareholders' meeting proceedings.

The by-laws do not establish any terms for the deposit of shares for attendance at shareholders' meetings.

**General representative of the saving shareholders**

The Special Shareholders' Meeting of Savings Shareholders of April 30, 2005 appointed Mr. Sandro Quagliotti Common Representative of the Savings Shareholders for the years 2007/2008/2009 and, therefore, until the approval of the financial statements as at December 31, 2009.

**Statutory Auditors**

Following the statutory modifications introduced pursuant to the Consolidated Finance Act, as subsequently modified by the Savings Law, the transparency of the procedure for the nomination of the statutory auditors is assured, which permits one standing member of the Board of Statutory Auditors to be elected by the minority shareholders and that the chairman of the Board is the standing member elected by the minority shareholders.

The statutory provisions for the appointment of the Board of Statutory Auditors will be changed in accordance with law and regulations which Consob - pursuant to article 148, paragraph 2, of Legislative Decree No. 58/98 - will establish through regulations in relation to the election of the Board of Statutory Auditors by the voting of slates.

The current Board of Statutory Auditors is composed of three standing members and two alternative members, which is reported in another part of the present report. They were appointed by the shareholders' meeting of April 28, 2006, when only one slate was presented by shareholders, within the terms established by the by-laws. This slate obtained the majority of the votes at the shareholders' meeting.

After the appointment, in accordance with current provisions, the Board of Directors made a formal verification that the statutory auditors appointed by the shareholders' meeting held the requirements to hold such an office pursuant to article 148, paragraph 3, of the Consolidated Finance Act. The Board of Statutory Auditors periodically verifies the requirements of each member, as well as whether the members are independent based on the criteria of the Code with reference to the directors, in accordance with the recommendations of the Code.

The Board of Statutory Auditors reviews the appointment of the independent audit firm. They also periodically hold meetings with the Group Audit Function and participate at the meetings of the Internal Control Committee for the reciprocal exchange of information of common interest.

The Board of Statutory Auditors were requested, as reported, to provide a list of related parties, in line with the recommendations of the Code in order to align the position of the statutory auditors with that of the directors with regard to the operations of the Company in which the statutory auditor has an interest.

The by-laws set out a procedure to appoint the Statutory Auditors which assures transparency. The appointment is made in accordance with a voting mechanism of slates.

Pursuant to current regulations and the by-laws, the slates must be filed at the registered office of the Company at least 15 days before the date fixed for the shareholders' meeting in first convocation, except in the cases as per article 144, paragraph 5 of Consob Regulation No. 11971/1999. Together with the slates, the shareholders must file at the registered office, among other matters, the declarations in which the individual candidates accepted their candidature and certified the existence of the requisites required for holding the office, in addition to a curriculum vitae of each candidate.

**Independent Auditors**

The ordinary Shareholders' Meeting of April 28, 2006 appointed the audit firm Deloitte & Touche S.p.A. auditors for the parent company and consolidated financial statements for the years 2006 to 2011 and the limited audit on the half-year report at June 30 from 2006 to 2011. These appointments conclude on the Shareholders' approval of the accounts as at December 31, 2011.

Within the Group, the audit was appointed for some subsidiaries, among which Immobiliare Lombarda, to the audit firm Reconta Ernst & Young S.p.A.

Tables are attached which summarise the Company's procedures for adopting the principal recommendations of the Code:

- The first table summarises the structure of the Board of Directors and the Committees;
- The second table summarises the characteristics of the Board of Statutory Auditors;
- The third, and last, table summarises the level of adequacy of the other contents of the Code in relation to the delegation system, transactions with related parties, nomination procedures, shareholders' meetings, internal control and investor relations.

TABELLA 1: STRUTTURA DEL CONSIGLIO DI AMMINISTRAZIONE E DEI COMITATI

Board of Directors							Internal Control Committee		Remuneration Committee (a)		Nomination Committee (b)		Executive Committee	
Office	Members	executive	non executive	independent as per the Self-Governance Code	***	Number of other offices held *	**	***	**	***	**	***	**	***
Chairman	Jonella LIGRESTI	X			90%	9							X	100%
Vice Chairman	Giulia Maria LIGRESTI		X		90%	14							X	75%
Vice Chairman	Massimo PINI		X		80%	4							X	100%
Vice Chairman	Antonio TALARICO	X			100%	11							X	100%
Chief Executive Officer	Fausto MARCHIONNI	X			100%	16			X	100%			X	100%
Director	Andrea BROGGINI		X	X	80%	7								
Director	Mariella CERUTTI		X		50%	2								
Director	Maurizio COMOLI		X	X	80%	5								
Director	Francesco CORSI		X	X	80%	4								
Director	Carlo d'URSO		X		80%	11								
Director	Vincenzo LA RUSSA		X		100%	1							X	75%
Director	Giocchino Paolo LIGRESTI	X			100%	18							X	100%
Director	Lia LO VECCHIO		X		70%	3								
Director	Enzo MEI		X	X	70%	6	X	57%	X	100%				
Director	Giuseppe MORBIDELLI		X	X	40%	2								
Director	Cosimo RUCELLAI		X	X	100%	4								
Director	Salvatore SPINIELLO		X		100%	29	X	86%						
Director	Ezio TOSELLI		X	X	100%	0	X	100%						
Director	Oscar ZANNONI		X	X	80%	8			X	100%				

**a) Reasons for non-establishment of the Committee:**

In 2006, the Board of Directors did not establish a specific internal committee for the remuneration of directors who are attributed specific offices. This was undertaken directly by the Board where specific mandates were conferred to directors, with the prior approval of the Board of Statutory Auditors. The Remuneration Committee was established on March 27, 2007.

**b) Reasons for non-establishment of the Committee:**

The ownership of the Company is sufficiently concentrated and there have never been difficulties by the shareholders to make nominations.

<b>Number of meetings held during the year</b>	<b>Board of Directors: 10</b>	<b>Internal Control Committee: 7</b>	<b>Executive Committee: 5</b>
	<b>Remuneration Committee: 2</b>		

**NOTE:**

\* This column indicates the number of directorships or statutory auditor positions held in other companies listed on regulated markets, including foreign markets, and in holding, banking, insurance or large enterprises. The corporate governance report indicates all other offices held.

\*\* This column indicates with an “X” whether the member of the Board is a member of the Committee.

\*\*\* This column indicates the percentage of attendance of the Director compared to the number of Board and Committee meetings.

TABELLA 2: COLLEGIO SINDACALE

<b>Office</b>	<b>Members</b>	<b>Percentage of attendance at Board meetings</b>	<b>Number of other offices held *</b>
<b>Chairman</b>	Giovanni Benito MARINO	100%	-
<b>Statutory Auditor</b>	Giancarlo MANTOVANI	94%	-
<b>Statutory Auditor</b>	Marco SPADACINI	94%	5
<b>Alternate Auditor</b>	Alessandro MALERBA		
<b>Alternate Auditor</b>	Maria Luisa MOSCONI		
<b>Number of meetings held during the year: 18</b>			
<b>Indicate the quorum required for the presentation of slates by minority shareholders for the election of one or more standing members (as per art. 148 CFA): 3%</b>			

**NOTE:**

\* This column indicates the directorships or statutory auditor positions held in other listed companies in regulated Italian markets. The corporate governance report indicates all other offices held.

TABELLA 3: ALTRE PREVISIONI DEL CODICE DI AUTODISCIPLINA

	YES	NO	Summary of the reasons for any differences from the recommendations of the Code
<b><i>Powers delegated and transactions with related parties</i></b>			
The BoD has attributed powers defining:			
a) limits	X		
b) functioning	X		
c) and periodic reporting?	X		
The BoD reviews and approves the transactions of an important economic and financial nature (including transactions with related parties)?	X		
The BoD has defined guidelines and criteria for the identification of "significant" operations?	X		
The above guidelines and the criteria are described in the report?	X		
The BoD has defined specific procedures for the review and approval of operations with related parties?	X		
Are the procedures for approval of transactions with related parties described in the report?	X		
<b><i>Procedures for the most recent appointment of directors and statutory auditors</i></b>			
The filing of the candidates for the office of director is made at least ten days in advance?		X	At the shareholders' AGM of April 28, 2006 a single slate was presented by shareholders to the meeting, together with the curriculum vitae of the candidates, distributed to the participants.
The candidature for director is accompanied by full and complete information?	X		
The candidature for director is accompanied by information on independence?	X		
The filing of the candidates for the office of statutory auditor is made at least ten days in advance?	X		
The candidature for statutory auditor is accompanied by full and complete information?	X		

TABELLA 3: ALTRE PREVISIONI DEL CODICE DI AUTODISCIPLINA

	YES	NO	Summary of the reasons for any differences from the recommendations of the Code
<b><i>Shareholders' Meetings</i></b>			
Has the Company approved Shareholder Meeting Regulations?		X	The provisions of the by-laws - which attribute to the Chairman the power to manage the discussions and define the functioning of the Shareholders' Meetings - were held to be appropriate and allow for an orderly functioning of these meetings.
<b><i>Internal Control</i></b>			
Has the company appointed persons responsible for internal control?	X		
Are they hierarchically independent from Operational Area managers?	X		
Dept. responsible for Internal Control (as per article 9.3 of the Code)			Group Internal Audit Function
<b><i>Investor relations</i></b>			
Has the Company appointed an investor relations manager?	X		
Dept. (address /telephone/fax/e-mail) and person responsible for investor relations			<b><i>Investor Relations Department</i></b> - Corso G. Galilei, 12 TURIN Tel. 011/6657.642 e-mail: investorrelations@fondiaria-sai.it



**Annual Accounts 2007**  
**Balance Sheet**  
**and Income Statement**



Company: **FONDIARIA – SAI**

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Subscribed capital      E. 168.692.679

Paid-up      E. 168.692.679

Registered office in      FLORENCE

Jurisdiction      FLORENCE

## **YEAR-END ACCOUNTS**

### Balance sheet

Financial year      2007

(Amounts in Euros)

## BALANCE SHEET

## ASSETS

Amounts for the financial year

A. RECEIVABLES FROM MEMBERS FOR UNPAID SUBSCRIBED CAPITAL		1	0		
Of which recalled capital		2	0		
B. INTANGIBLE ASSETS					
1. Underwriting costs to be amortised					
a) life business	3	900.000			
b) non-life classes	4	0	5	900.000	
2. Other underwriting costs		6		0	
3. Set-up and expansion costs		7		7.216.941	
4. Goodwill		8		314.999.281	
5. Other multi-year costs		9		7.406.930	
					10 330.523.152
C. INVESTMENTS					
I - Land and buildings					
1. Buildings intended for company business		11		106.406.117	
2. Buildings for use of third parties		12		957.171.130	
3. Other buildings		13		4.679.107	
4. Other rights in rem		14		2.279.472	
5. Construction in progress and advances		15		2.632.856	16 1.073.168.682
II - Investments in Group companies and other holdings					
1. Stocks and shares in:					
a) parent companies	17	30.835.519			
b) subsidiaries	18	3.559.775.246			
c) affiliates	19	0			
d) joint ventures	20	48.711.644			
e) others	21	23.120.533	22	3.662.442.942	
2. Securities issued by:					
a) parent companies	23	0			
b) subsidiaries	24	78.180			
c) affiliates	25	0			
d) joint ventures	26	0			
e) others	27	0	28	78.180	
3. Lending to:					
a) parent companies	29	0			
b) subsidiaries	30	11.951.822			
c) affiliates	31	0			
d) joint ventures	32	0			
e) others	33	11.730.340	34	23.682.162	35 3.686.203.284
to carry forward					330.523.152

## Amounts for the previous financial year

					181	0
	182	0				
183	1.669.000					
184	0	185	1.669.000			
	186		0			
	187		16.097.749			
	188		363.656.133			
	189		16.486.867		190	397.909.749
	191		111.227.126			
	192		932.426.876			
	193		4.678.411			
	194		2.279.472			
	195		2.618.363	96	1.053.230.248	
197	30.835.519					
198	2.841.518.775					
199	0					
200	38.483.675					
201	45.643.216	202	2.956.481.185			
203	0					
204	156.360					
205	0					
206	0					
207	0	208	156.360			
209	0					
210	11.151.822					
211	0					
212	0					
213	9.678.802	214	20.830.624	215	2.977.468.169	
	to carry forward					397.909.749

## BALANCE SHEET

## ASSETS

Amounts for the financial year

				Amounts for the financial year		
Brought forward					127,919,115	
C. INVESTMENTS (continued)						
III - Other financial investments						
1. Stocks and shares						
a) Listed shares	36	1.592.681.461				
b) Unlisted shares	37	3.916.714				
c) Units	38	1.500.000	39	1.598.098.175		
2. Shares in mutual funds			40	586.048.783		
3. Bonds and other fixed rate securities						
a) listed	41	8.892.772.971				
b) unlisted	42	151.624.028				
c) convertible bonds	43	1.010.489	44	9.045.407.488		
4. Lending						
a) loans with liens on property	45	0				
b) loans against policies	46	38.669.316				
c) other loans	47	7.740.053	48	46.409.369		
5. Units in investment funds			49	0		
6. Deposits with credit institutions			50	479.796		
7. Sundry financial investments			51	191.730		
			52	11.276.635.341		
IV - Deposits with ceding companies				53	65.592.205	
			54	16.101.599.512		
D. INVESTMENTS FOR THE BENEFIT OF LIFE INSURANCE POLICYHOLDERS WHO ASSUME THE RISK THEREON, AND RISK ARISING FROM PENSION FUND MANAGEMENT						
I - Investments relating to loans associated with mutual funds and market indexes				55	467.671.554	
II - Investments arising from pension fund management				56	143.251.555	
			57	610.923.109		
D bis. TECHNICAL RESERVES FOR THE ACCOUNT OF REINSURERS						
I - NON-LIFE CLASSES						
			58	40.132.909		
1. Premiums reserve			59	288.460.847		
2. Claims reserve			60	0		
3. Reserve for profit-share and refunds			61	0		
			62	328.593.756		
4. Other technical reserves						
II - LIFE BUSINESS				63	88.038.911	
1. Actuarial reserved			64	0		
2. Premiums reserve for supplementary insurance			65	3.515.311		
3. Reserve for amounts payable			66	0		
4. Reserve for profit-share and refunds			67	0		
5. Other technical reserves						
6. Technical reserves where the risk is assumed by the policyholders and risks arising from pension fund management	68	0	69	91.554.222	70	420.147.978
to carry forward					17.463.193.751	

Amounts for the previous financial year

Brought forward			397.909.749
216	1.739.439.401		
217	30.050.154		
218	1.500.000	219	1.770.989.555
		220	402.124.715
221	9.335.120.162		
222	161.101.846		
223	1.015.428	224	9.497.237.436
225	0		
226	42.560.064		
227	6.815.492	228	49.375.556
		229	0
		230	477.930
		231	163.195
		232	11.720.368.387
		233	67.970.031
		234	15.819.036.835
		235	570.622.197
		236	125.859.955
		237	696.482.152
		238	41.203.769
		239	279.614.402
		240	0
		241	0
		242	320.818.171
		243	83.947.912
		244	0
		245	3.353.504
		246	0
		247	0
		248	0
		249	87.301.416
		250	408.119.587
to carry forward			17.321.548.323

## BALANCE SHEET

## ASSETS

		Amounts for the financial year	
Brought forward			17.463.193.751
E. RECEIVABLES			
I - Receivables arising from direct insurance operations relating to:			
1. Policyholders			
a) for premiums for the year	71 435.726.097		
b) for premiums for previous financial years	72 3.549.379	73 439.275.476	
2. Insurance intermediaries		74 511.890.487	
3. Current account companies		75 145.470.626	
4. Policyholders and third parties for sums to be recovered		76 42.636.086	77 1.139.272.675
II - Receivables arising from reinsurance operations relating to:			
1. Insurance and reinsurance companies		78 60.670.316	
2. Reinsurance intermediaries		79 105.588	80 60.775.904
III - Other receivables		81 627.816.614	82 1.827.865.193
F. OTHER ASSET ITEMS			
I - Fixed assets and stocks:			
1. Furniture, office equipment and internal transportation	83 8.747.534		
2. Assets recorded on public registers	84 34.998		
3. Plant and equipment	85 947.807		
4. Stocks and sundry assets	86 4.107.135	87 13.837.474	
II - Liquid assets			
1. Bank deposits and postal current accounts	88 159.922.346		
2. Cheques and cash balances	89 98.495	90 160.020.841	
III - Own shares or units		91 63.232.683	
IV - Other assets			
1. Transit accounts – reinsurance assets	92 1.545.330		
2. Sundry assets	93 310.036.594	94 311.581.924	95 548.672.922
G. PREPAID EXPENSES AND ACCRUED INCOME			
1. For interest		96 132.758.202	
2. For rental costs		97 531	
3. Other prepaid expenses and accrued income		98 4.058.122	99 136.816.855
TOTAL ASSETS			100 19.976.548.721

Amounts for the previous  
financial year

Brought forward				17.321.548.323
251	394.295.597			
252	49.222.880	253	443.518.477	
		254	584.715.660	
		255	140.900.800	
		256	40.457.008	257 1.209.591.945
		258	66.229.850	
		259	85.965	260 66.315.815
				261 666.573.568 262 1.942.481.328
		263	11.772.518	
		264	27.384	
		265	1.012.234	
		266	3.007.135	267 15.819.271
		268	155.818.999	
		269	643.146	270 156.462.145
				271 182.200.721
		272	3.288.159	
		273	459.332.261	274 462.620.420 275 817.102.557
		276	131.234.895	
		277	530	
		278	2.505.621	279 133.741.046
				280 20.214.873.254

BALANCE SHEET - LIABILITIES AND NET EQUITY Amounts for the financial  
year

A. NET EQUITY			
I - Subscribed capital or equivalent fund	101	168.533.918	
II - Reserve for issue premiums	102	207.785.314	
III - Revaluation reserve	103	200.024.934	
IV - Legal reserve	104	35.536.164	
V - Statutory reserve	105	0	
VI - Reserve for own shares and those of the parent	106	94.068.201	
VII - Other reserves	107	1.762.052.315	
VIII - Profits (losses) brought forward	108	0	
IX - Profit (loss) for the year	109	323.070.568	110 2.791.071.414
B. SUBORDINATE LIABILITIES			111 650.000.000
C. TECHNICAL RESERVES			
I - NON-LIFE CLASSES			
1. Premiums reserve	112	1.388.466.895	
2. Claims reserve	113	4.801.784.843	
3. Reserve for profit-share and refunds	114	0	
4. Other technical reserves	115	10.632.607	
5. Equalisation reserves	116	14.512.075	117 6.215.396.420
II - LIFE BUSINESS			
1. Actuarial reserves	118	7.566.117.237	
2. Reserve for premiums on supplementary insurance	119	796.034	
3. Reserve for sums payable	120	132.772.486	
4. Reserve for profit-share and refunds	121	2.507.986	
5. Other technical reserves	122	60.418.314	123 7.762.612.057 124 13.978.008.477
D. TECHNICAL RESERVES WHERE THE INVESTMENT RISK IS BORNE BY THE POLICYHOLDERS AND RESERVES ARISING FROM PENSION FUND MANAGEMENT			
I - Reserves relating to contracts on which payments are linked to investment funds and market indexes	125	467.671.823	
II - Reserves arising from pension fund management	126	143.251.556	127 610.923.379
To carry forward			18.030.003.270

Amounts from the previous financial year

		281	177.680.822		
		282	207.409.906		
		283	200.024.934		
		284	34.622.823		
		285	0		
		286	213.036.240		
		287	1.714.597.868		
		288	0		
		289	272.074.150	290	2.819.446.743
				291	650.000.000
292	1.346.849.401				
293	4.965.602.449				
294	0				
295	7.602.327				
296	12.186.698	297	6.332.240.875		
298	7.537.708.782				
299	870.361				
300	127.661.729				
301	3.175.635				
302	61.685.735	303	7.731.102.242	304	14.063.343.117
		305	570.549.892		
		306	125.859.954	307	696.409.846
	to carry forward				18.229.199.706

BALANCE SHEET - LIABILITIES AND NET EQUITY  
Amounts for the financial year

Brought forward			18.030.003.270
E. PROVISIONS FOR RISKS AND CHARGES			
1. Provisions for lump sum retirement payments and similar obligations	128	2.833.391	
2. Taxation reserves	129	366.395.723	
3. Other set-asides	130	183.849.380	131 553.078.494
F. DEPOSITS RECEIVED FROM REINSURERS			
			132 144.955.529
G. DEBTS AND OTHER LIABILITIES'			
I - Debts arising from direct insurance business, relating to:			
1. Insurance intermediaries	133	29.285.583	
2. Current account companies	134	10.269.890	
3. Policyholders – surety and premiums	135	73.826	
4. Guarantee funds in favour of policyholders	136	182.509	137 39.811.808
II - Debts arising from reinsurance operations, relating to:			
1. Insurance and reinsurance companies	138	39.116.928	
2. Reinsurance intermediaries	139	816.708	40 39.933.636
III - Debt instruments			
	141	0	
IV - Payables to banks and financial institutions			
	142	0	
V - Payables with liens on property			
	143	0	
VI - Sundry loans and other financial payables			
	144	393.775.684	
VII - Employee severance fund			
	145	50.822.958	
VIII - Other debts			
1. For taxes payable by policyholders	146	66.225.376	
2. For sundry tax payables	147	47.481.063	
3. To welfare and pensions bodies	148	11.582.636	
4. Sundry debts	149	333.350.448	150 458.639.523
IX - Other liabilities			
1. Reinsurance transit accounts - liabilities	151	361.545	
2. Provision for premiums being collected	152	63.610.064	
3. Sundry liabilities	153	183.194.749	154 247.166.358 155 1.230.149.967
to carry forward			19.958.187.260

Amounts for previous financial year

brought forward			18.229.199.706
	308	3.072.097	
	309	360.562.628	
	310	181.529.122	311 545.163.847
			312 150.743.198
	313	44.880.126	
	314	12.073.713	
	315	107.553	
	316	166.593	317 57.227.985
	318	42.136.518	
	319	816.708	320 42.953.226
			321 0
			322 0
			323 0
			324 350.000.000
			325 56.829.553
	326	68.768.609	
	327	44.617.597	
	328	4.515.699	
	329	240.104.505	330 367.006.410
	331	365.987	
	332	69.937.228	
	333	328.175.974	334 398.479.189 335 1.272.496.363
	to carry forward		20.197.603.114

BALANCE SHEET - LIABILITIES AND NET EQUITY

Amounts for the year

H. ACCRUED EXPENSES AND DEFERRED INCOME	Brought forward		19.958.187.260
	1. For interest	156 18.262.753	
	2. For rental payments	157 56.549	
	3. Other accrued expenses and deferred income	158 42.159	159 18.361.461
	TOTAL LIABILITIES AND NET EQUITY		160 19.976.548.721

BALANCE SHEET GUARANTEES,  
COMMITMENTS AND OTHER OFF BALANCE  
SHEET ITEMS

Amounts for the year

GUARANTEES, COMMITMENTS AND OTHER OFF BALANCE SHEET ITEMS		
I - Guarantees given		
1. Sureties	161	0
2. Endorsements	162	0
3. Other personal guarantees	163	1.017.769
4. Liens on property	164	7.347.528
II - Guarantees received		
1. Sureties	165	81.023.685
2. Endorsements	166	0
3. Other personal guarantees	167	1.184.923
4. Liens on property	168	52.900.000
III - Guarantees given by third parties in the interests of the business	169	74.132.218
IV - Commitments	170	336.134.363
V - Third party goods	171	9.893.019
VI - Assets pertaining to pension funds managed in the name of and for the account of third parties	172	0
VII - Securities deposited with third parties	173	14.165.807.478
VIII - Other off balance sheet items	174	298.719.452

Amounts for the previous year

brought forward		20.197.603.114
336	17.158.376	
337	69.605	
338	42.159	339 17.270.140
		340 20.214.873.254

Amounts for the previous year

		341 0
		342 0
		343 160.000
		344 8.067.403
		345 82.664.757
		346 0
		347 1.255.226
		348 50.000.000
		349 30.863.452
		350 318.469.770
		351 9.899.277
		352 0
		353 14.616.217.814
		354 290.477.471



Company: **FONDIARIA-SAI** \_\_\_\_\_  
\_\_\_\_\_

Subscribed capital                      E. 168.692.679                      Paid-up    E. 168.692.679

Registered office in                      FLORENCE

Jurisdiction                      FLORENCE

## YEAR-END ACCOUNTS

### **Profit and loss**

Financial year                      2007

(Amounts in Euros)

PROFIT AND LOSS ACCOUNT

				Amount for the year		
I. TECHNICAL ACCOUNT FOR NON-LIFE CLASSES						
1. RELEVANT PREMIUMS, NET OF REINSURANCE CESSIONS						
a) Gross premiums booked	1	3.854.147.903				
b) (-) Premiums ceded for reinsurance	2	138.315.020				
c) Changes to the gross amount of the premium reserve	3	41.596.938				
d) Changes to the premium reserve for the account of reinsurers	4	-700.441		5	3.673.535.504	
2. (+) SHARE OF PROFIT ON INVESTMENTS TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT (ITEM III. 6)						
				6	157.756.682	
3. OTHER TECHNICAL INCOME, NET OF REINSURANCE CESSIONS						
				7	43.331.877	
4. CHARGES RELATING TO CLAIMS, NET OF RECOVERIES AND REINSURANCE CESSIONS						
a) Amounts paid						
aa) Gross amount	8	2.833.311.353				
bb) (-) share for the account of reinsurers	9	59.379.190	10	2.773.932.163		
b) Change to recoveries net of the share for the account of reinsurers						
aa) Gross amount	11	47.233.216				
bb) (-) share for the account of reinsurers	12		13	47.233.216		
c) Change to claims reserve						
aa) Gross amount	14	-144.333.090				
bb) (-) share for the account of reinsurers	15	23.246.611	16	-167.579.701	17	2.559.119.246
5. CHANGE TO OTHER TECHNICAL RESERVES, NET OF REINSURANCE CESSIONS						
				18	3.030.280	
6. REFUNDS AND PARTICIPATION IN PROFITS, NET OF REINSURANCE CESSIONS						
				19		
7. BUSINESS EXPENSES:						
a) Underwriting costs	20	573.327.316				
b) Other acquisition costs	21	88.395.112				
c) Changes to fees and other acquisition costs to be amortised	22					
d) Fees for receipt of premiums	23	26.683.138				
e) Other administrative expenses	24	166.997.478				
f) (-) Fees and participation in profits received from reinsurers	25	24.304.955				
				26	831.098.089	
8. OTHER TECHNICAL CHARGES, NET OF REINSURANCE CESSIONS						
				27	140.051.085	
9. CHANGE TO THE EQUALISATION RESERVES						
				28	2.325.377	
10. RESULT ON THE TECHNICAL ACCOUNT FOR NON-LIFE CLASSES (Item III. 1)						
				29	338.999.986	

## Amounts for the previous year

[illegible]

PROFIT AND LOSS ACCOUNT

Amounts for the year

II. TECHNICAL ACCOUNT FOR LIFE BUSINESS				Amounts for the year		
1. PREMIUMS FOR THE YEAR, NE OF REINSURANCE CESSIONS:						
a) Gross premiums booked		30	1.218.048.542			
b) (-) premiums ceded in reinsurance		31	15.428.156	32	1.202.620.386	
2. INVESTMENT INCOME:						
a) Income arising from stocks and shares		33	22.118.471			
(of which from group businesses		34	6.166.799)			
b) Income from other investments:						
aa) from land and buildings	35	3.232.669				
bb) from other investments	36	379.012.112	37	382.244.781		
(of which from group businesses			38	2.462.360 )		
c) Recovery of value adjustments on investments		39	4.037.529			
d) Realised gains on investments		40	77.043.421			
(of which from group businesses		41	)	42	485.444.202	
3. INCOME AND UNREALISED GAINS RELATING TO INVESTMENTS FOR THE ACCOUNT OF POLICYHOLDERS WHO ASSUME THE RISK THEREON AND TO INVESTMENTS ARISING FROM PENSION FUND MANAGEMENT						
				43	40.682.839	
4. OTHER TECHNICAL INCOME NET OF REINSURANCE CESSIONS						
				44	1.076.240	
5. CHARGES RELATING TO CLAIMS, NET OF REINSURANCE CESSIONS:						
a) Sums paid						
aa) Gross amount	45	1.435.907.732				
bb) (-) Share for the account of reinsurers	46	10.245.090	47	1.425.662.642		
b) Change to the reserve for sums payable						
aa) Gross amount	48	5.132.893				
bb) (-)Share for the account of reinsurers	49	198.761	50	4.934.132	51	1.430.596.774
6. CHANGE TO ACTUARIAL RESERVES AND OTHER TECHNICAL RESERVES, NET OF RESINSURANCE CESSIONS						
a) Actuarial reserves:						
aa) Gross amount	52	57.776.485				
bb) (-)Share for the account of reinsurers	53	3.956.471	54	53.820.014		
b) Premium reserve for supplementary insurance:						
aa) Gross amount	55	-74.326				
bb) (-)Share for the account of reinsurers	56		57	-74.326		
c) Other technical reserves						
aa) Gross amount	58	-1.935.072				
bb) (-)Share for the account of reinsurers	59		60	-1.935.072		
d) Technical reserves where the investment risk is assumed by the policyholders and arising from pension fund management						
aa) Gross amount	61	-85.486.467				
bb) (-) Share for the account of reinsurers	62		63	-85.486.467	64	-33.675.851

Amounts for previous year			
	140	1,365,611,738	
	141	19,485,094	142 1,346,126,644
	143	25,347,600	
(of which from group businesses	144	10,772,135 )	
	145	1,651,256	
	146	300,050,231	147 301,701,487
(of which from group businesses	148	8,712,870 )	
	149	1,651,743	
	150	83,864,729	
(of which from group businesses	151	)	152 412,565,559
			153 52,662,443
			154 1,343,888
	155	1,098,762,250	
	156	11,594,485	157 1,087,167,765
	158	41,562,565	
	159	1,526,410	160 40,036,155
	162	492,790,392	
	163	5,990,854	164 486,799,538
	165	-82,821	
	166		167 -82,821
	168	-1,750,330	
	169		170 -1,750,330
	171	32,823,746	
	172		173 -32,823,746
			174 452,142,641

PROFIT AND LOSS ACCOUNT

				Amounts for the year	
7. REFUNDS AND PROFIT-SHARE, NET OF REINSURANCE CESSIONS				65	
8. BUSINESS EXPENSES':					
a) Underwriting costs	66	18.504.379			
b) Other acquisition costs	67	19.368.950			
c) Change in fees and in other acquisition costs to be amortised	68	-769.000			
d) Fees for handling monies	69	6.659.579			
e) Other administration costs	70	28.464.788			
f) (-) Fees and profit-share received from reinsurers	71	1.230.615		72	72.536.081
9. CAPITAL AND FINANCIAL CHARGES:					
a) Charges for investment management and interest payable	73	73.544.206			
b) Value adjustments on investments	74	86.508.291			
c) Realised losses on investments	75	22.350.042		76	182.402.539
10. CAPITAL AND FINANCIAL CHARGES AND UNREALISED LOSSES RELATING TO INVESTMENTS FOR THE ACCOUNT OF POLICYHOLDERS WHO BEAR THE RISK THEREON AND TO INVESTMENTS ARISING FROM PENSION FUND MANAGEMENT				77	33.620.280
11. OTHER TECHNICAL CHARGES, NET OF REINSURANCE CESSIONS				78	17.565.512
12. (-) PROFIT-SHARE ON INVESTMENTS TRANSFERRED TO THE NON-TECHNICAL ACCOUNT (ITEM III. 4)				79	3.114.278
13. RESULT ON THE TECHNICAL ACCOUNT FOR LIFE CLASSES (Voce III. 2)				80	23.664.054
III. NON-TECHNICAL ACCOUNT					
1. RESULT ON THE TECHNICAL ACCOUNT FOR NON-LIFE CLASSES (Item I. 10)				81	338.999.986
2. RESULT ON THE TECHNICAL ACCOUNT FOR LIFE CLASSES (Item II. 13)				82	23.664.054
3. INVESTMENT INCOME FOR NON-LIFE CLASSES					
a) Income arising from stocks and shares	83	193.653.482			
(of which from group companies	84	87.456.698 )			
b) Income arising from other investments:					
aa) from land and buildings	85	41.761.840			
bb) from other investments	86	97.818.421	87	139.580.261	
(of which from group companies	88	5.737.949 )			
c) Recovery of value adjustments on investments	89	27.319.545			
d) Realised gains on investments	90	41.081.667			
(of which from group companies	91			92	401.634.955

Amounts for the previous year

			175	27.913	
		176	14.578.131		
		177	17.469.993		
		178	-1.058.000		
		179	8.213.323		
		180	29.326.234		
		181	1.730.888	182	68.914.793
		183	30.676.731		
		184	56.003.309		
		185	17.792.446	186	104.472.486
				187	15.718.177
				188	13.008.500
				189	10.297.305
				190	20.912.799
				191	411.944.460
				192	20.912.799
		193	200.177.200		
(of which from group businesses		194	93.358.409 )		
	195	40.812.955			
	196	121.486.246	197	162.299.201	
(of which from group businesses			198	5.597.130 )	
		199	6.054.685		
		200	19.726.231		
(of which from group businesses		201	)	202	388.257.317

PROFIT AND LOSS ACCOUNT

			Amounts for the year	
4. (+) SHARE OF PROFIT ON INVESTMENTS TRANSFERRED FROM THE TECHNICAL ACCOUNT OF THE LIFE CLASSES (item II. 12)			93	3.114.278
5. CAPITAL AND FINANCIAL CHARGES DEO THE NON-LIFE CLASSES:				
a) Management charges for investments and interest payable	94	34.171.446		
b) Value adjustments on investments	95	28.754.638		
c) Realised losses on investments	96	118.029.179	97	180.955.263
6. (-)SHARE IN THE PROFIT ON INVESTMENTS TRANSFERRED TO THE TECHNICAL ACCOUNT OF THE NON-LIFE CLASSES (item I. 2)			98	157.756.682
7. OTHER INCOME			99	160.769.058
8. OTHER CHARGES			100	277.071.925
9. PROFIT / LOSS FROM ORDINARY ACTIVITY			101	312.398.461
10. EXTRAORDINARY INCOME			102	143.355.040
11. EXTRAORDINARY CHARGES			103	27.680.257
12. PROFIT / LOSS FROM EXTRAORDINARY ACTIVITY			104	115.674.783
13. PRE-TAX PROFIT / LOSS			105	428.073.244
14. TAXES ON INCOME FOR THE FINANCIAL YEAR			106	105.002.676
15. PROFIT (LOSS) FOR THE FINANCIAL YEAR			107	323.070.568

Amounts for the previous year

		203	10.297.305
204	60.187.275		
205	40.243.979		
206	53.772.031	207	154.203.285
		208	170.661.042
		209	157.286.744
		210	303.901.218
		211	359.933.080
		212	48.337.322
		213	33.186.020
		214	15.151.302
		215	375.084.382
		216	103.010.232
		217	272.074.150



## **Notes to the financial statements**

The financial statements as at December 31, 2007:

are prepared in accordance with the general provisions for insurance company financial statements pursuant to Leg. Decree No. 209/2005;  
utilise the obligatory format pursuant to Legs. Decree No. 173 of 26/5/1997;  
adopt the general provisions on the preparation of the financial statements and apply the accounting principles established by article 16 of the above-mentioned Decree;  
in accordance with article 2434 of the Civil Code consist of the Balance Sheet, Income Statement and present notes thereto; they also include the Directors' Report on Operations in its entirety, reported in the previous pages.

The Balance Sheet and the Income Statement are prepared in accordance with the formats contained respectively in attachments I and II of Legislative Decree 173/1997.

The Notes to the Financial Statements, which provide information and indications on the successive attachment III, are divided into the following parts:

- Parte A - Accounting principles
- Parte B - Information on the Balance Sheet and Income Statement and relative attachments
- Parte C - Other information

The following statements are attached:

- Cash flow statement
- Changes in net equity accounts
- Statement of assets still in the balance sheet for which revaluations were made in accordance with article 2425, paragraph 3 of the Civil Code (pursuant to article 10 of Law No. 72 of March 19, 1983)
- Schedule of buildings reporting movements in the year
- Schedule of buildings at 31/12/2007.

The financial statements were audited by Deloitte & Touche S.p.A. pursuant to article 155 and thereafter of Legislative Decree No. 58/98, approved by the shareholders meeting of April 28, 2006, which appointed the auditors for the period 2006-2011.

**Part A**  
**Accounting principles**  
**of the accounts in the financial statements**

## SECTION 1 - SUMMARY OF ACCOUNTING POLICIES

The accounting principles adopted, unchanged compared to the previous year, are in accordance with current law and for their interpretation the accounting principles issued by the Italian Accounting Organisation (Organismo Italiano di Contabilità).

### **Intangible assets**

The capitalised commissions paid to the brokers for the acquisition of long-term policies are entirely expensed to the income statement of the year.

The acquisition commissions of the Life Division, relating to the portfolio of the former La Fondiaria S.p.A., and already in the course of amortisation at the beginning of the year, apply the original amortisation plan, equal to the actual duration of the contracts, up to the policy loading and, in any case, not above 10 years.

All other charges incurred for the acquisition of the risks relating to long-term contracts and for their management are recorded in the income statement in the year incurred.

The “set up and formation costs” and “other deferred costs”, fully considered as long-term use, are recorded at purchase cost and are amortised in accordance with the residual utilisation and, in any case, for a maximum period of five years.

The purchased goodwill is recorded under assets and amortised systematically over a limited period, considered appropriate in relation to the utilisation, taking into account the prospective earnings of the company and, in any case, for a maximum period of twenty years.

### **Land and buildings**

The property, plant and equipment are recorded in the accounts at acquisition or construction costs increased by any incidental charges, improvement expenses, in addition to any revaluation made, also on the allocation of the merger difference, and are recorded net of the accumulated depreciation provision and write-downs made in previous years.

The depreciation relates to all buildings used in the business, while those used by third parties are prudently depreciated when there are losses compared to the current value and provided the losses are a permanent loss in value.

### **Non-current financial investments**

The investments in Italian and foreign bonds classified as “non-current” are valued, pursuant to article 16, paragraph 3 of Legislative Decree No. 173/1997, at the lower value between purchase cost, adjusted for any write-downs in previous years, and the permanent value at the reporting date. The equity and debt securities, where relating to the non-current portfolio, are recorded at the value resulting from the application, at the moment of transfer, of the valuation criteria of the sector they are transferred from.

The purchase cost is taken from the cost determined using the weighted average method, adjusted following the inclusion of the issue and trading spread and any adjustments to value, revaluations of original costs and allocations of merger differences.

For the securities issued and acquired without coupon, the original purchase cost is increased pro-rata, by the difference between the purchase cost and the nominal value collectible on maturity.

For the values at the reporting date, it is assumed:

- in the case of listed fixed-income securities, that resulting from the average price of the last half-year is taken;

- in the case of listed investments, that resulting from the analysis for the purposes of the determination of the recoverable value is taken, provided not in the short-term period.
- In the case of non-listed investments, that determined taking into account pro-rata the equity decreases resulting from the most recent accounts is taken;
- In the case of non-listed bonds, that normally taken with reference to the share price with similar characteristics or based on other objective elements is taken.

The reduction in value is restated in subsequent years, if the reasons for the adjustments no longer exist.

### **Current financial investments**

The investments in Italian and foreign bonds classified as “current” are valued, pursuant to article 16, paragraph 3 of Legislative Decree No. 173/1997, at purchase cost, adjusted for any write-down in previous years, or the realisable value based on market prices, if lower. The purchase cost is taken from the cost determined with the weighted average method, adjusted for any previous adjustments to value or revaluations of original cost. The original purchase cost is also adjusted, pro-rata, by the issue margins, as well as the differences between purchase cost and nominal value collected on maturity for the securities at implied interest. The reductions in value are not maintained in subsequent years if the reasons for the write-downs no longer exist.

For realisable value, it is assumed:

- In the case of investments or listed bonds, as well as treasury shares, that resulting from the average price of the last month is taken;
- In the case of non-listed investments, that determined taking into account pro-rata the equity decreases resulting from the most recent accounts is taken;
- In the case of non-listed debt securities, and for mutual investment fund units, that normally taken with reference to the share price with similar characteristics or based on other objective elements is taken.

### **Investments where the risk is borne by Life policyholders and investments relating to pension fund management**

These investments, referring to index-linked and unit-linked products, as well as the assets from the special Life separated Management “SAI QUOTA” are recorded at fair value pursuant to article 16, paragraph 8 of Legislative Decree 173/1997. Similar criteria are adopted for the recording of the investments deriving from the management of Pension Funds.

### **Time deposits**

The value of securities acquired “spot”, with repurchase obligation by the seller, are recorded under other financial investments and those of securities sold “spot” under Payables and Other Liabilities.

The interest and the differences between the “spot” and “forward” values are recorded respectively under “Income from other investments” and “Investment management charges and interest expense”. For the operations at the end of the year, the income is recognised using the pro-rata method.

### **Derivative financial instruments**

The valuation criteria are differentiated based on the “hedging” or “efficient management” purpose for which the financial operations are undertaken.

The hedging operations, with the purpose of fixing the value of the investments and of other financial instruments from unfavourable changes in interest rates, exchange rates or from market values are measured in accordance with the coherent valuation principle. In particular this results in the recording in the income statement of gains and losses from valuations in line with the correlated gains or losses on the hedged financial instrument.

In the efficient management operations, the derivative contract is valued at market value, recording in the income statement only the valuation loss.

The premiums collected and paid for options on securities and currencies are recorded respectively under Payables and Other Payables and under Investments.

On the maturity of the option, where not exercised, the premium is recorded under Investment Income or Asset and Financial Charges. Vice versa the premiums exercised, in the case of purchase or sale of the underlying assets, adjust the carrying value or the sales price, while they are allocated to Investment Income or Asset and Financial Charges in the case of the financial settlement of the commitment.

The options in force at year-end are valued taking into account the assets in the underlying securities or currency with reference to the recoverable value, in the case of non-current assets, or the respective prices in the case of current assets. In this latter case, where there are no prices, a prudent valuation of their realisable value is made.

### **TANGIBLE ASSETS**

All the assets are stated in the accounts at purchase cost and depreciated based on their residual utilisation; the depreciation rates correspond to the maximum rates fixed by tax regulations which are considered to reflect the effective depletion of the assets.

### **Receivables**

The receivables from policyholders for premiums are recorded based on the expected realisable value, less any write-downs made on an analytical basis and taking into account the evolution of the receivables relating to each of the classes exercised. Other receivables are recorded at their estimated realisable value.

### **Sub-ordinated liabilities**

The loans issued as part of this account are stated at their nominal value.

### **Technical reserves for direct business**

The general regulations on the technical reserves, described in article 31 of Legislative Decree 173/97, establish the principle for which the amount of the reserve must always be sufficient for the company to meet, with reasonable foresight, its commitments on insurance contracts.

Therefore the following accounting principles apply:

### **Non-Life Unearned Premium Reserve**

Article 32 of Legislative Decree 173/97 requires the obligation to record the unearned premium reserve under two components, “reserve for fraction of premium” and “reserve for risks in course”.

#### *- Reserve for fraction of premium*

This is calculated in all the classes, applying analytically the pro-rata method, on the basis of the gross premiums written, net of the acquisition expenses, as outlined in articles 51 and 52 of the afore-mentioned Decree.

For the risks deriving from hailstorms and nuclear energy, the calculation was applied as per M.D. of May 23, 1981.

For the credit class, the provisions of Ministerial Decree of June 22, 1982, were applied for the contracts made or renewed before December 31, 1991.

In the other non life classes, fire, injury and merchandise transported, further provisions were made for natural calamity, in accordance with Ministerial Decree of June 15, 1984.

In the Bond class, the supplementary reserves in accordance with Isvap Regulation No. 1978/2001 were made.

#### *- Provision for risks in course*

This component of the premium reserve is made in accordance with article 32 of Legislative Decree 173/97 to cover the risks on the company after the year-end, in order to meet all the costs for claims which could arise on contracts which gave rise to the formation of the reserve for the premium fraction.

The calculation procedure adopted for the provision of this reserve is in accordance with the empiric method suggested by the Supervision Authority in the Circular No. 360/D/1999, applied separately for each class, and, within each class, for each type of risk included. The ratio of claims utilised was valued also taking into account a sufficient period of time in relation to each class.

### **Non-Life Claims Reserve**

The claims reserve represents the total amount of the funds which, from a prudent valuation made based on objective elements, is necessary to meet the payment of claims open at the year-end, as well as the relative settlement expenses.

The claims reserve was valued in accordance with the provisions of paragraph 2 of article 33 of Legislative Decree 173/97, utilising the last cost as calculation criteria, to take into account all expected future charges, on the basis of historical and projected data. This also includes the estimate relating to the claims not reported at the year end.

The claims reserve recorded in the accounts represents the result of a multi-phased complex technical valuation, which arises from a preliminary valuation made through an analytical analysis of the single positions open, followed by a process, assigned to a management level within the company, which utilises statistical-actuarial methods in order to determine the measure of the last cost of the claims.

In particular:

■ *Motor TPL Division*

The valuation of the open claims of the current generation is strongly impacted by the commencement of the new direct compensation procedures. From February 2007 a new procedure is in place which, in the case of road accidents, permits non-responsible claimants, or those only partly responsible, to be compensated directly by their insurance company.

The short period of time since the commencement of the new compensation procedures has not permitted a complete and definitive valuation on the relative economic and financial impact and its precise effect on the future performance of the results, which present strong elements of change from the past.

Therefore the reserve for the current year was valued separately for the various types of management contained in the new regime, utilising methods based on the valuation of the respective average costs, in particular:

- for the claims up to January 31, 2007, and therefore prior to the entry into force of the new regime, the determination of the final cost was made through revaluations of the open claims of the various settlement offices, on the basis of appropriate management indices;
- For the claims within the CARD Debtor regime, the valuation was made based on the once-off amount defined by the Technical Committee created pursuant to Pres. Decree No. 254/2006;
- For the CARD Operator claims the forecast last cost was recorded net of the recoverable amounts;
- For the claims after January 31, but not within the new regime (essentially as they involve two vehicles and permanent bodily damage greater than 9%), the valuation of the last cost was made revaluing the amounts indicated by the settlement offices, taking into account the specific average costs assumed for these type of claims, evidently more costly.

The previous generations are examined after the analytical recording made by the settlement offices, which verifies the appropriateness of the estimates. In relation to the claims portfolio of previous generations, subject to analytical verification by the settlement offices according to rotation criteria, the amounts of the reserves in the accounts of previous generations are utilised as initial data for an analysis model which takes into account, among other matters, of the sufficiency/insufficiency of the reserves, of the percentage of the “decrease” of the reserve for payments, of the percentage of the reserve included in the eliminations “without follow-up” and “reopenings”, as well as the revaluations, in order to define the final costs of the claims.

For the determination and final valuation of the last cost of the claims, taking into account the longer settlement period, statistical/actuarial methods were used on the evolution of the cost of the claims based on both historical and future elements, appropriately adjusted to the specific characteristics of the company (method attributable to the Fisher-Lange methodology): In particular for the determination of the future increase in the cost of the claims reserve, account was taken of the expected inflation and of the specific costs in the insurance sector.

In order to guarantee a uniform analysis on the claims population, separate valuations were made for the various divisions which compose the claims portfolio of the company. For each of these, the claims were classified by year of occurrence.

The process for the determination of the RCA reserve of previous years is based on the following principles:

- The Fisher-Lange method was confirmed as the actuarial statistical benchmark method and control in that, taking account also of the number of claims, it permits the estimates of the reserve without neglecting any changes to the settlement policies of the claims.
- In support of the Fisher-Lange method, it was considered appropriate to utilise three other statistical-actuarial methods: the Chain Ladder, the Bornhuetter Ferguson and the separation method of Taylor. These methods were utilised to consider and, where necessary, supplement the estimate obtained with the Fisher-Lange method. These methods, although simple to apply in relation to the information requirements, on the other hand require that the fundamental assumption of the constant progression of the cumulative payments is satisfied over time.
- The reserve determined with these methods includes the IBNR claims reserve.
- In relation to the distribution of this amount to the various generations it is reported that:
  - a. The generation reserve is determined as the average cost based on the generation cost from which the amount paid is subtracted;
  - b. The previous year's generation reserve has as reference the reserve communicated by the integrated settlement network on the basis of the statistical actuarial projections.

Finally, on the basis of the four fundamental assumptions needed for the Fisher-Lange method (speed in settlement, rate of claims followed up, average base cost, future inflation of the average costs) various scenarios were considered for the sensitivity analysis of the results provided by the method.

#### ■ *Other Non-Life Classes*

The valuations were made analytically claim-by-claim by the settlement structure. These valuations were adjusted by the management based on the results of specific valuation models, in order to determine the last cost of the claims. These models take into account past experience in relation to the adequacy of the claim reserve and the effective late claims.

### **Other technical reserves**

Also included, in accordance with article 37, paragraph 8 of Legislative Decree 209/05, is the ageing reserve comprising the insurance contracts against long term health and for which the company has renounced the right of withdrawal. The reserve was calculated in accordance with the provisions of paragraph 8 of the above article.

### **Equalisation reserves**

This contains the sums provisioned in accordance with article 12, paragraph 1 of Legislative Decree No. 691 of December 19, 1994 concerning the equalisation reserves for the natural calamity risks. With reference to the contracts pursuant to article 1 of regulation No. 705 of September 19, 1996 the reserve was created in accordance with the regulations. This also includes the compensation reserve of the Credit class as per article 37, paragraph 7 of Legislative Decree No. 209/05.

### **Life technical reserves**

The technical reserves of the direct insurance relating to the Life Division is calculated analytically for each contract, on the basis of the commitments without deduction for acquisition expenses of the policies and with reference to actuarial assumptions (technical interest rates, demographic assumptions and management expenses) adopted for the calculation of the premiums relating to the contracts in force. In any case, the actuarial reserve is not lower than the redemption values. The premium quota relating to the annual premiums of the subsequent year is included in the technical reserves.

The actuarial reserve also includes the additional reserve on the revaluation service contracts, pursuant to ISVAP 1801-G of February 21, 2001 and the additional reserves for the base techniques to take into account the higher charges which the company must incur against the existing differences between the interest rate given to the policyholders and the trend of the expected yields of the separated managements over the next four years.

The calculation principles and technical procedures utilised for the determination of the reserves and the certification of their sufficiency results from the Actuarial report, in accordance with Legislative Decree No. 209/05.

### **Technical reserves where investment risk borne by policyholders and reserves from pension fund management**

This category includes the reserves relating to all the products included in article 41, paragraph 1 and 2 of Legislative Decree No. 209/05, whose calculation, analysed by contract, follows the general procedures of the other technical reserves in the Life classes. These reserves represent the maximum approximation possible of the underlying assets.

### **Technical reserves attributed to reinsurers**

The reserves attributable to the reinsurers include the amounts determined, in accordance with the reinsurance contractual agreements, based on the gross amount of the technical reserves.

In particular in relation to the unearned Premium Reserves on proportional cessions, these are calculated in accordance with article 32 of Legislative Decree 173/97 for the gross Unearned Premium.

### **Inward Reinsurance**

For the risks underwritten in reinsurance, the premiums and the costs already communicated by the transferors, with exclusion of inter-group reinsurance and any portfolio managed by the Company, are recorded in the income statement in the following year; this difference in the timing derives from the impossibility to record all the amounts in time for the preparation of the accounts. The technical reserves are included in the financial statements based on the communications from ceding companies. These communications, based on the provisions of paragraph 2 of article 39 of Legislative Decree 173/97, are subject to an internal valuation.

Where past experience shows deficiencies, adjustments are made in order to ensure the sufficiency of the reserves.

### **Provision for risks and future charges**

They are made against risks of a technical-insurance nature, whose amounts are indeterminable at the date of occurrence.

**Service bonus provision pursuant to art. 30 of CCNL**

The fund was created for all employees that had completed 20 and 30 years of service at the company based on the annual contributions at 31/12/2007 and proportional to premiums maturing after 25 and 30 years of service. The provision is used for the premiums issued and re-determined at the end of each year.

**Building maintenance provision**

The provision includes the costs for the year and previous years not yet incurred as the relative works, for technical and economic reasons, are made at periodic intervals.

The overall revision of the provision is made, on the basis of expert evaluations, in relation to the residential and non-residential buildings.

Provisions are made for buildings which are to be sold or restructured before the completion of the normal maintenance cycle, as well as for the individual condominium units which have uniform maintenance costs over the period.

**Payables and other liabilities**

Payables are determined at their nominal value.

**Employee leaving indemnities provision**

This is calculated on the current labour contracts and criteria contained in article 5 of law No. 297 of May 29, 1982 which governs the treatment of leaving indemnities.

The charge deriving from the contractual renewals, due to the retrospective effect, are recorded when these agreements enter into force.

**Prepayments and accruals**

Prepayments and accruals are calculated in accordance with the accruals principle.

**Guarantees, commitments and other memorandum accounts**

They are recorded in the accounts at the value of the commitments assumed or the guarantees given or received.

**Gross premiums written**

In accordance with article 45 of Legislative Decree 173/97, the gross premiums calculated include the amounts matured in the year from insurance contracts.

**Other technical charges**

These are recorded in the income statement net of reinsurance. For the Non-life division, they include, among others: the write-downs for uncollectible receivables from policyholders for premiums in the year made at the year-end, the write-downs of receivables from policyholders for premiums of previous years together with the cancellations of receivables from policyholders for premiums of previous years, when they exceed the specific provision. For the Life division, they include, among others: the write-downs for uncollectible receivables from policyholders for first annuity premiums in the year made at the year-end, the write-downs of receivables from policyholders for first annuity premiums of previous years together with the cancellations of receivables from policyholders for first annuity premiums of previous years, when they exceed the specific provision.

## **Other technical income**

For the Non-Life classes the income includes, among others, the prior year income on receivables from policyholders for premiums of previous years, previously written down or cancelled. For the Life classes this income includes, among others, the prior year income on receivables from policyholders from premiums of first annuity previously written down or cancelled.

## **Income from debt and equity securities**

The interest income matured, the issue margin and the difference between purchase cost and nominal collectible value on maturity is recorded in the income statement based on the annual accrual principle.

The dividends are recorded in the year in which they are paid.

The dividends from subsidiaries are recorded based on the “maturity” principle, or rather the year in which the profits are produced by the subsidiaries and for which the relative distribution resolution was made prior to that of the Parent Company.

The gains and losses deriving from trading on securities in the portfolio of the Company are recorded in the income statement in the year in which the relative sales contracts are settled.

The results deriving from trading of non-current financial instruments on the other hand are recorded on the signing of the relative sale/purchase contract.

## **Income taxes**

The income taxes are determined on the basis of the valuation of the current and deferred tax charge. The direct taxes for the period are calculated based on current tax regulations.

All the temporary differences, both deductible and assessable, refer to the income tax rate in force at the moment in which the differences will reverse.

The deferred tax assets are recorded in the accounts only when reasonably certain of their recovery in relation to the expected assessable income.

Liabilities for deferred taxes are always recorded in the financial statements. The deferred tax liabilities relating to the higher values not fiscally recognised were recorded prudently, for the revaluations of investments made against the allocation of the merger difference originating from the incorporation of Fondiaria Assicurazioni S.p.A., where it is probable that these higher values will generate higher assessable income.

Deferred tax provisions are not made against net equity taxable reserves in the case of distribution as these distributions are not probable. On the other hand provision is made for the deferred taxes against reserves in suspension of taxes allocated to the share capital for the part which it is presumed will be subject to taxation based on the deliberated or expected reduction of the share capital.

The deferred tax liabilities are also recorded which arise on the possibility to deduct from assessable income the costs as per article 109, paragraph 4 letter b) of the new Finance Act (as modified by Legislative Decree 344/03).

The deferred tax assets and liabilities also include the prior balances, as well as those arising during 2007 relating to the companies participating in the tax regime as per article 115 of Presidential Decree Number 917/1986. In this case, the deferred tax of the company is recorded proportionally to the percentage of the shareholding held.

The income taxes also include any tax saving (or higher charge) deriving from the adoption of the national tax consolidation as per article 117 of DPR 917/1986 for the part relating to the Company based on the agreements with each of the subsidiaries participating.

The deferred taxes are recorded under income taxes and in the balance sheet under “Other assets” or “Tax provisions”.

### **Foreign currency translation**

The accounting of the operations in foreign currencies is made through the utilisation of multi currency accounting. The balances in foreign currencies are therefore stated in the accounts and converted to Euro applying the exchange rates at the balance sheet date. The relative effects are recorded in the income statement accounts “Other Income”, if positive or “Other Charges”, if negative.

The historic exchange rates are maintained only for the investments considered long term, provided that the exchange rate does not reflect a permanent loss in value.

### **Breakdown of the settlement expenses of claims not directly allocated to the ministerial classes.**

Based on the management accounts, a breakdown was made on the settlement expenses between “Motor” and other “Non-Life Classes”.

The division on each class is made in proportion to the average arithmetical percentage of the number of claims settled and of the relative amounts, this latter excluding any particular serious events.

All the amounts in the attachments are shown in thousands of Euro. The data in the notes are in Euro with indication whether the amounts are in thousands or millions of Euro.



**Part B**  
**Information**  
**on the Balance Sheet**  
**and Income Statement**

## BALANCE SHEET – ASSETS

The information on the accounts of the Balance Sheet, the amounts of the previous year and the movements are provided below.

Where the accounts of the previous year are not comparable with that of the current year, necessary adjustments were made. Where not comparable, any adjustments or the impossibility to make adjustments are included in the comments to the individual accounts.

### SECTION 1

#### INTANGIBLE ASSETS – (Account B)

The intangible assets, entirely considered as long-term, amount to Euro 330,523 thousand (Euro 397,910 thousand at December 31, 2006) and are shown net of amortisation.

The intangible fixed assets are systematically amortised in relation to their residual utilisation. During the year, no situations arose resulting in a permanent loss in value.

The movement in the year is summarised in attachment 4, to which reference should be made.

(Euro thousand)	31/12/2007	31/12/2006	Change
Acquisition commissions to be amortised			
Life Division	900	1,669	(769)
Non-Life Division	-	-	-
Formation and start-up costs	7,217	16,098	(8,881)
Goodwill	314,999	363,656	(48,657)
Other deferred costs	7,407	16,487	(9,080)
	330,523	397,910	(67,387)

#### Acquisition commissions to be amortised

This account refers entirely to the portfolio La Fondiaria S.p.A. and applies the original amortisation plan, equal to the effective duration of the contracts. The duration of the amortisation is contained in the limits of the policy loading and in any case not above ten years.

The long term commissions arising in the year, both in the Life and Non-Life classes, are prudently recorded, for the entire amount, in the income statement.

#### Formation and start-up costs

The account “Set-up and expansion costs” is comprised of:

- Euro 396 thousand relating to costs of the merger by incorporation of La Fondiaria S.p.A. in Fondiaria-SAI S.p.A., amortised over 5 years;
- Euro 5,608 thousand relating to the charges incurred for the obtaining of the subordinated loan and amortised over 5 years;
- Euro 1,213 thousand relating to the loan costs relating to the subsidiary Sainternational S.A., amortised over 5 years.

## Goodwill

The account “Goodwill” is composed of:

- Euro 215,127 thousand from the deficit on the cancellation emerging from the merger by incorporation of La Fondiaria S.p.A. into Fondiaria-SAI S.p.A., during 2002, net of the quota allocated to buildings and investments. These costs are amortised over a period of 20 years;
- for Euro 69,722 thousand from the goodwill of the incorporated Fondiaria Assicurazioni and the relative conferment of the business in 1990 and amortised over 20 years;
- for Euro 28,066 relating to the incorporation of Fondiaria Assicurazioni in 1995 and amortised over 16 years;
- for Euro 2,084 thousand to the transfer, in 2001, of the portfolio of the subsidiary BIM Vita and of the company Profilo Life. This portfolio is amortised over a period of 10 years.

## Other deferred costs

“Other deferred costs” are broken down as follows:

(Euro thousand)	31/12/2007	31/12/2006	Change
- Studies and research expenses	6,825	15,791	(8,966)
- Licences and software programme rights	561	669	(108)
- Trademarks	17	19	(2)
- Leasehold improvements (assessment centres and agencies)	4	8	(4)
<b>Total</b>	<b>7,407</b>	<b>16,487</b>	<b>(9,080)</b>

From 2005, the role of the company Uniservizi S.c.r.l. was strengthened, in which all the management of resources, assets and service activities already existing and for new acquisitions relating to the areas of I.T., Services, Group Purchases and Logistical and Organisational Services is concentrated.

The activities undertaken by the company, of a consortium nature, consists of the management at centralised level of all matters common to the Companies of the Group, broken down as IT services, Group purchases (plant, furniture, equipment and consumable materials), and in the management of the information flows of all the companies, for the reparation and recharge of the costs incurred.

With reference to the decrease of Euro 9.1 million, relating to the expenses for studies and research, this derives from the costs capitalised in the year of Euro 3.5 million, relating to management consultancy activity, less the amortisation for the period of Euro 12.6 million.

The capitalisation of these amounts refers to the future utilisation which it is considered can be obtained from the above-mentioned activity. The residual value of the costs for studies and research recorded in the accounts, permits the distribution of dividends as there are residual equity reserves sufficient to cover the amount of the non-amortised costs.

All of these long-term costs are recorded under assets in consideration of their long-term utilisation. The licenses for IT products and the leasehold improvements are amortised respectively over three and five years.

At December 31, 2007, the trademarks recorded in the accounts relate to “Principi di Piemonte” for Euro 12 thousand and “Finanza & Previdenza” for Euro 5 thousand. These costs are amortised over 10 years.

## SECTION 2

### INVESTMENTS - (Account C)

#### Land and buildings

All the land and buildings of the Company are considered as for permanent use.

(Euro thousand)	31/12/2007	31/12/2006	Change
Property used for business activities	166,241	168,795	(2,554)
Property used by third parties	1,016,612	985,836	33,394
Others buildings	4,683	4,682	1
Other property rights	2,630	2,630	-
Assets in progress and payments on account	2,633	2,618	15
<b>Total gross</b>	<b>1,192,799</b>	<b>1,161,943</b>	<b>30,856</b>
Accumulated depreciation	(119,630)	(108,713)	(10,917)
Net total	1,073,169	1,053,230	19,939
Current value	1,587,220	1,495,984	91,236

The account “Property used by third parties” includes the buildings for services and residential.

The account “Other buildings” includes the Agriculture Land at Montepulciano and land located in Turin (Corso Giulio Cesare), in Florence (Via S. Leonardo 38-40-42), in Sanremo, in Modena (V. Buonarroti) and in Rome (Tor Carbone).

The account “Other property rights” includes garages located in Florence.

There are no leased assets nor have any finance lease acquisitions taken place.

The increase of Euro 31 million in investments in land and buildings, net of accumulated depreciation, compared to December 31, 2006 arises from:

(in Euro millions)	31/12/2007	31/12/2006	Change
- Purchases	-	30	(30)
- Capital improvements	31	50	(22)
- Fixed assets in progress	-	(28)	28
- Sales	-	(14)	17
<b>Total</b>	<b>31</b>	<b>38</b>	<b>(7)</b>

The change in capital improvements is principally due to the work undertaken on the following buildings: Milan at Via Senigallia (Euro 8 million) for the restoration and expansion work on office buildings; hotel complex at Giardini Naxos (Euro 7 million) with the completion of the restructuring; Florence in Piazza della Repubblica (Euro 5 million) and Turin at Via Gobetti (Euro 1 million).

During the year, no purchase or sale of buildings took place.

In accordance with article 18 of Legislative Decree 173/97 and Isvap measure 1915-G of July 20, 2001, the Company determined, through an independent expert's evaluation, the current value of the land and building owned.

The market value was determined through the separate valuation of each asset, applying typical property methods, integrated with elements which take account of the returns on the buildings, in accordance with the provisions of the Supervision Authority.

The overall current value of the buildings is Euro 514 million above the book value. The gross gains amount to Euro 517 million while the losses amount to Euro 3 million. An attachment to the notes reports for each building owned and cumulatively for the condominium units, the amount of the current value. The lower value between carrying value and current value, relating to each building, was not considered a permanent loss in value.

Attachment 4 shows the changes in the year.

## Investments in group companies and in other companies

(Euro thousand)	31/12/2007	31/12/2006	Change
- Shares and holdings in companies	3,662,443	2,956,481	705,962
- Corporate bonds	78	156	(78)
- Corporate loans	23,682	20,831	2,851
	3,686,203	2,977,468	708,735

Class C. II. of the Balance Sheet includes marketable securities, represented by the investment in the parent company Premafin Finanziaria S.p.A. - for a book value of Euro 30,836 thousand (Euro 30,836 thousand at December 31, 2006).

## Shares and holdings in companies

The investments shown in account C.II.1 of the Balance sheet amount to Euro 3,662,433 thousand. The amount is net of write-downs of Euro 9,006 thousand, entirely relating to the subsidiaries classified under “non-current assets”.

The composition of the account is as follows:

(Euro thousand)	31/12/2007	31/12/2006	Change
- Holding companies	30,836	30,836	-
- Subsidiaries	3,559,775	2,841,519	718,256
- Associated companies	48,712	38,483	10,229
- Other	23,120	45,643	(22,523)
	3,662,443	2,956,481	705,962

The carrying value of the listed companies in the account C.II.1 of the Balance Sheet is lower than market value by Euro 290,989 thousand, calculated on the basis of the average prices in December 2007; this difference refers to the market gains relating to the parent company Premafin Finanziaria S.p.A. for Euro 5,423 thousand and to the subsidiary Milano Assicurazioni S.p.A. for Euro 349,628 thousand. On the other hand, the subsidiary Immobiliare Lombarda S.p.A. reports a lower market value of Euro 64,062 thousand; this loss is not considered a permanent loss in value in consideration of the particular conditions which concerned the prices in all of the Real Estate sector during 2007, and the medium term prospects of the Group, based on the realisation of some important development construction projects in course.

The decrease of Euro 22,523 thousand recorded in the other companies is principally due to the reimbursement of the conferments, made by the shareholders, in the Company Consortium S.r.l. following the reduction in the share capital and the distribution of the share premium reserve.

The other information relating to the investments in the account C.II.1 of the Balance Sheet is shown in attachments 5-6-7 of the Present Notes.

The increase relating to the subsidiaries is principally due to the following operations:

- BANCASAI S.p.A.: payment to cover losses of Euro 7,947 thousand; the share was sold for Euro 3,300 thousand;
- BANCA GESFID S.A.: residual purchase of 40% of the investment for Euro 28,387 thousand;
- ITALIBERIA INVERSIONES FINANCIERAS SL: subscription to the share capital increase of Euro 30,098 thousand;
- MERIDIANO QUINTO ORD.: payment of share capital increase of Euro 50,600 thousand;
- MILANO ASSICURAZIONI ORD.: purchase of 10,497,300 shares with a payment of Euro 65,705 thousand and a sale of 10,820,300 shares for a decrease of Euro 29,231 thousand;
- NUOVE INIZIATIVE TOSCANE S.r.l.: payment of share capital increase of Euro 14,551 thousand;
- POPOLARE VITA S.P.A. (former BPV VITA): purchase of shares for Euro 530,930 thousand.

Pursuant to article 16 point 4 of Legislative Decree No. 173/97 the table below shows the investments in subsidiaries and associated companies classified as “non-current”, whose carrying value is above net equity, calculated in accordance with the method outlined in point 5 of the above-mentioned article:

(Euro thousand)	% holding	Book values	Valuation under equity method	Change
Subsidiary Companies				
BANCA GESFID S.A.	100.00	62,298	45,289	17,009
CAPITALIA ASSICURAZIONI S.p.A.	51.00	56,000	5,647	50,353
LIGURIA Società di Assicurazioni S.p.A.	99.97	151,053	47,153	103,900
NUOVE INIZIATIVE TOSCANE S.r.l.	96.88	200,156	189,218	10,938

These differences are due to the existing gains on the buildings of the company (Nuove Iniziative Toscane), to the Voba value (Value of business acquired) paid on the purchase together with the higher fair value of assets and liabilities compared to the book value (Banca Gesfid and Liguria Assicurazioni), in addition to the goodwill paid (Liguria Assicurazioni and Capitalia). With reference to the nature of these differences, the impairment tests did not result in any permanent loss in value.

## Corporate Bond

The fixed income securities shown in the account C.II.2 amount to Euro 78 thousand and they are not listed on regulated markets.

The account refers fully to the bonds issued by the subsidiary SCAI S.p.A.; the decrease refers to the repayment on maturity of one of these loans.

## Corporate Loans

The “Loans to group companies and other holdings” were as follows:

(Euro thousand)	31/12/2007	31/12/2006	Change
Subsidiaries	11,952	11,152	800
Others	11,730	9,679	2,051
<b>TOTAL</b>	<b>23,682</b>	<b>20,831</b>	<b>2,851</b>

Loans issued to subsidiary companies relate to:

(Euro thousand)	31/12/2007	31/12/2006	Change
Sasa S.p.A.	10,000	10,000	-
Villanova S.r.l.	1,952	1,152	800
	11,952	11,152	800

The loan relating to Sasa S.p.A. was paid in order to permit the company to improve its own solvency margin. This subordinated loan has a ten year expiry, with the possibility of partial repayments from the 24<sup>th</sup> month. The interest is at Euribor six months increased by 2.80% to be paid on a half yearly basis.

The loan relating to Villanova S.r.l. is in two tranches: The first, without expiry date and repayable in several tranches with notice, provides for an interest at Euribor at three months increased by 0.50%, while the second, with expiry at December 31, 2007 renewed to December 31, 2008, has a spread of 1.25% (increased by 1.40% for 2008).

The loans issued to other Group companies are as follows:

(Euro thousand)	31/12/2007	31/12/2006	Change
Ex VAR s.c.s.	11,730	9,679	2,051
	11,730	9,679	2,051

The loan relating to the Former VAR s.c.s. is composed of two amounts received expiring respectively on April 12, 2011 and January 1, 2012 for a real estate development project. The interest on the loan is Euribor at one month increased by 0.40%.

The changes are reported in attachment 5.

## Other financial investments

(Euro thousand)	31/12/2007	31/12/2006	Change
Shares and quotas	1,598,098	1,770,990	(172,892)
Mutual investment fund units	586,049	402,125	183,924
Bonds and other fixed income securities	9,045,407	9,497,237	(451,830)
Loans	46,409	49,375	(2,966)
Deposits at credit institutions	480	478	2
Other financial investments	192	163	29
	11,276,635	11,720,368	(443,733)

## Shares and quotas included in Other financial investments

The account is composed as follows:

(Euro thousand)	31/12/2007	31/12/2006	Change
Listed shares	1,592,681	1,739,439	(146,758)
Non-listed shares	5,417	31,551	(26,134)
	1,598,098	1,770,990	(172,892)

The investments recorded a loss on disposals of Euro 24,759 thousand entirely relating to listed companies.

The write backs in value amount to Euro 26,979 thousand and relate entirely to listed subsidiaries.

The carrying value of the listed companies is lower than the market value by Euro 397,011 thousand resulting from the average prices in December and the exchange rate at the year-end.

The most significant operations relating to the account C.III.1 were as follows:

- A2A ORD (formerly AEM ORD): sale of 6,150,158 shares equal to a decrease in value of the share of Euro 10,940 thousand, realising a gain of Euro 5,643 thousand.
- ABN AMRO ORD.: purchase of 317,700 shares with the payment of Euro 8,095 thousand, a distribution of 7,717 shares as dividends; sale of 343,014 shares, equal to a decrease in value of the share of Euro 8,367 thousand, realising a gain of Euro 3,789 thousand.
- EDISON : purchase of 5,027,436 shares with a payment of Euro 11,099 thousand; sale of 15,841,767 shares equal to a decrease in the value of the share of Euro 29,352 thousand, realising a gain of Euro 5,431 thousand. The direct holding in the company is 0.002%.
- GEMINA ORD. : purchase of 596,694 shares and subscription of a share capital increase of 46,109,133 shares; total payment of Euro 54,180 thousand. The direct holding in the company is 4.18%.

- GENERALI: sale of 5,200,000 shares equal to a decrease in value of the share of Euro 133,357 thousand, realising a gain of Euro 20,887 thousand. The direct holding in the company is 0.88%.
- MILANO ASSICURAZIONI ORD.: purchase of 10,497,300 shares with a payment of Euro 65,771 thousand and sale of 10,820,300 shares equal to a decrease in the value of the share of Euro 29,231 thousand, realising a gain of Euro 38,367 thousand. The direct holding in the company is 55.13%.
- MONTE DEI PASCHI DI SIENA: sale of 8,271,052 shares equal to a decrease in value of the share of Euro 24,905 thousand, realising a gain of Euro 12,618 thousand. The direct holding in the company is 1.098%.
- PIRELLI & C. ORD. : purchase of 7,811,876 shares with a payment of Euro 6,457 thousand. The direct holding in the company is 4.45%.
- RCS MEDIAGROUP ORD.: purchase of 1,514,527 shares with a payment of Euro 6,413 thousand; assignment of dividends of Euro 262,469 shares for a total value of Euro 1,168 thousand. The direct holding in the company is 2.24%.
- UNICREDIT ORD.: purchase of 20,790,369 shares with a payment of Euro 158,105 thousand, purchase of 76,060,367 shares from the merger of Capitalia into Unicredit for a value of Euro 283,863 thousand; sale of 42,198,075 shares equal to a decrease in value of the share of Euro 159,052 thousand, realising a gain of Euro 87,500 thousand. The direct holding in the company is 0.27%.

The decrease recorded on the non listed shares principally refers to the conversion of equity shares in investment fund units.

During the year, spot and forward purchases on listed shares were made in conjunction with the dividend coupon; these operations resulted in financial operations of Euro 50,400 thousand represented by the dividends received and losses realised of Euro 46,076 thousand. This particular activity, limited to the period of dividend distributions, was used as an alternative use to similar operations directly made on the money markets.

The shares subject to the above-mentioned operations are the following:

Security	Number of shares
Atlantia ord	8,000,000
Enel	51,000,000
Eni	17,000,000
Intesa Sanpaolo	20,000,000
Mediaset	2,000,000
Telecom Italia ord	106,000,000
Telecom Italia risp	4,500,000
Terna	20,000,000
Unicredito	20,000,000

## Mutual investment fund units

(Euro thousand)	31/12/2007	31/12/2006	Change
Investment fund units	586,049	402,125	183,924
	586,049	402,125	183,924

The principal funds in the sector are, among the real estate funds, the Tikal Fund for Euro 215,456 thousand (Euro 215,456 thousand at December 31, 2006) , the Public Real Estate Fund, for Euro 109,336 thousand (Euro 83,840 thousand at December 31, 2006) and the Atlantic 1 Fund for Euro 10,085 thousand (Euro 10,000 at December 31, 2006). The residual for Euro 251,172 is composed principally of open security funds. The losses recorded on the alignment amounted to Euro 4,426 thousand, while the write back in value amounted to Euro 776 thousand.

## Bonds and other fixed-income securities

(Euro thousand)	31/12/2007	31/12/2006	Change
Listed	8,892,773	9,335,120	(442,347)
Non-listed	151,624	161,102	(9,478)
Convertible bonds	1,010	1,015	(5)
	9,045,407	9,497,237	(451,830)

During the year, costs were recorded in the income statement for Euro 52,195 thousand for issue discounts and discounting and income for Euro 1,859 thousand for trading discounts.

The write-downs to market value in the income statement amounted to Euro 66,412 thousand, while the write-backs amounted to Euro 3,601 thousand.

The listed securities recorded in the accounts are above market value by Euro 85,368 thousand based on the average prices in the last six months in 2007 for the securities classified under “non-current” and at the average price in December 2007 for the securities classified as “marketable securities” at year-end exchange rates.

The losses on market value of the non-current portfolio were not considered permanent losses, given the particular movements of interest rates in 2007.

The most significant amounts by issuer are shown below:

Issuer - (Euro thousand)	2007	2006
Italian State	6,458,426	6,636,928
German State	372,382	217,900
Greek State	167,055	390,059
Enel	131,967	112,714
Austrian State	74,047	45,213
Spanish State	66,229	81,076
Belgium State	61,987	105,956
Mediobanca	60,656	24,734
Banco Popolare Spa	59,812	-
French state	49,196	78,981
Portuguese State	49,117	56,479
Bear Stearns	44,988	57,899
Veolia Environnement	42,875	-
BEI Banca Europea Investimenti	37,975	36,581
Rabobank Nederland	32,101	-
Telecom Italia	31,712	46,692
Bnp Paribas	28,957	-
Santander Issuances	27,160	-
Depfa Acs Bank	26,923	-
Allianz Finance	25,961	28,718
Commerzbank	22,452	36,156
Banca Intesa Sanpaolo	19,930	20,015
The Netherlands State	14,679	406,625
Morgan Stanley	4,880	20,474
Others issuers	1,133,940	1,094,037
<b>Total general</b>	<b>9,045,407</b>	<b>9,497,237</b>

During the year 2007, for government securities and following the events relating to the “subprime” crisis, preference was given to investments in those countries (in particular Germany and Austria) where the real estate market was less sensitive to the turbulences on the international markets.

In addition, against an average lengthening of the duration of the Life segment, offset by a reduction in the Non-Life segment, the German issues offered better choices in terms of investment.

In relation to the bonds issued by companies it was decided to increase the investments in some issuers that were greater security in terms of risk/return and of exposure to the US real estate market, reducing, in the sector the investments in issuers involved in the business giving rise to the crisis.

At December 31, 2007 the following positions were in the portfolio relating to securities with subordination clauses, for a total carrying value of Euro 287 million (Euro 273 million at December 31, 2006): The write-downs for recording values at market value in the income statement amounted to Euro 15.7 million.

(Euro thousand)

Section	Beneficiary	Book value	Nominal value	Maturity date	Level of subordination	Interest rate	Early repayment
C.III.3	ABN AMRO BANK	2,091	2,500	perpetual	Tier 1	4.3100%	March10, 2016
C.III.3	ALPHA CREDIT GROUP	5,841	6,000	Feb 1, 2017	Lower Tier 2	Euribor 3m+40	Feb 1, 2012
C.III.3	ASSURANCE GEN.DE FRANCE	3,153	3,500	perpetual	Tier 1	4.6250%	June 10, 2015
C.III.3	AVIVA	4,549	5,000	perpetual	Tier 1	4.7291%	Nov 28, 2014
C.III.3	AVIVA	3,549	3,500	Nov 14, 2021	Lower Tier 2	5.7500%	Nov 14, 2011
C.III.3	AXA	14,555	15,500	perpetual	Tier 1	5.7770%	July 06, 2016
C.III.3	BANCA CARIGE	3,872	4,000	June 7, 2016	Lower Tier 2	Euribor 3m+42	June 7, 2011
C.III.3	BANCA FIDEURAM	106	105	Oct 1, 2009	Lower Tier 2	Euribor 6m+50	No
C.III.3	BANCA INTERMOBILIARE	992	968	July 29, 2015	Lower Tier 2	1.5000%	Jan 1, 2009
C.III.3	BANCA LOMBARDA	1,490	1,500	June 30, 2014	Lower Tier 2	Euribor 3m+45	June 30, 2009
C.III.3	BANCA POPOLARE EMILIA ROMAGNA	192	200	May 15, 2017	Lower Tier 2	Euribor 3m+35	May 15, 2012
C.III.3	BANCA POPOLARE DI VERONA E NOVARA	484	500	June 15, 2016	Lower Tier 2	Euribor 3m+40	June 15, 2011
C.III.3	BANCHE POPOLARI UNITE	4,915	5,000	Dec 7, 2015	Lower Tier 2	Euribor 3m+40	Dec 7, 2010
C.III.3	BANCO BILBAO VIZCAYA ARG.	1,851	2,000	Oct 20, 2019	Lower Tier 2	4.3750%	Oct 20, 2014
C.III.3	BANCO BILBAO VIZCAYA ARG. INTL.	3,151	3,500	perpetual	Tier 1	4.9520%	Sept 20, 2016
C.III.3	BARCLAYS BANK	7,454	9,500	perpetual	Tier 1	4.7500%	March 15, 2020
C.III.3	COMMERZBANK	12,494	12,500	April 21, 2009	Lower Tier 2	4.7500%	No
C.III.3	COMMERZBANK	9,909	10,000	Nov 29, 2017	Lower Tier 2	5.6250%	Nov 29, 2012
C.III.3	COMMERZBANK CAP FUND	4,815	5,500	perpetual	Tier 1	5.0120%	April 12, 2016
C.III.3	CREDIT AGRICOLE	2,136	2,500	perpetual	Tier 1	4.1300%	Nov 9, 2015
C.III.3	CREDITO VALTELLINESE	496	500	March 14, 2015	Lower Tier 2	Euribor 3m+47.5	March 14, 2010
C.III.3	DANSKE BANK	8,022	9,000	perpetual	Tier 1	4.8780%	May 15, 2017
C.III.3	DANSKE BANK	907	1,000	March 16, 2018	Upper Tier 2	4.1000%	March 16, 2015
C.III.3	DEUTSCHE BANK	1,488	1,500	Jan 31, 2013	Lower Tier 2	5.1250%	No
C.III.3	DONG ENERGY	7,085	7,500	perpetual	Tier 1	5.5000%	June 29, 2015
C.III.3	ERSTE FINANCE 6	1,099	1,300	perpetual	Tier 1	5.2500%	Sept 23, 2010
C.III.3	FORTIS BANK	4,369	5,000	perpetual	Tier 1	4.6250%	Oct 27, 2014
C.III.3	GENERALI	2,500	2,500	July 20, 2022	Lower Tier 2	6.9000%	July 20, 2012
C.III.3	GENERALI FINANCE	16,797	18,000	perpetual	Tier 1	5.3170%	June 16, 2016
C.III.3	GOTHAER ALLG VERSICHERUNG	4,829	5,000	Sept 29, 2026	Lower Tier 2	5.5270%	Sept 29, 2016
C.III.3	GROUPAMA	11,814	12,500	perpetual	Tier 1	6.2980%	Oct 22, 2017
C.III.3	HBOS CAPITAL FUNDING	845	1,000	perpetual	Tier 1	4.9390%	May 23, 2016
C.III.3	HSBC	7,268	7,500	March 18, 2016	Lower Tier 2	4.2500%	March 18, 2011
C.III.3	HSBC HOLDINGS	1,970	2,000	Sept 22, 2014	Lower Tier 2	Euribor 3m+30	Sept 22, 2009
C.III.3	HT1 FUNDING	2,764	3,000	perpetual	Tier 1	6.3520%	June 30, 2017
C.III.3	HVB FUNDING TRUST VIII	2,520	2,500	perpetual	Tier 1	7.0550%	March 28, 2012
C.III.3	ING BANK	2,865	3,000	March 15, 2019	Lower Tier 2	4.6250%	March 15, 2014
C.III.3	INTESA BANK OVERSEAS	6,629	6,603	June 10, 2008	Lower Tier 2	Euribor 3m+62.5	No
C.III.3	JP MORGAN CHASE	1,895	2,000	May 29, 2017	Lower Tier 2	4.6250%	May 29, 2012
C.III.3	MEDIOBANCA	776	800	Oct 11, 2016	Lower Tier 2	Euribor 3m+30	Oct 11, 2011
C.III.3	MONTE DEI PASCHI DI SIENA	982	1,000	Sept 24, 2015	Lower Tier 2	4.5000%	Sept 24, 2010
C.III.3	MONTE DEI PASCHI DI SIENA	4,573	5,000	May 31, 2016	Upper Tier 2	4.8750%	No
C.III.3	MONTE DEI PASCHI DI SIENA	482	500	Nov 30, 2017	Lower Tier 2	Euribor 3m+40	Nov 30, 2012
C.III.3	MONTEPASCHIVITA	17,150	17,150	Dec 1, 2009	Altre clause	Euribor 3m+80	Dec 1, 2008
C.III.3	MUFG CAPITAL	6,904	8,000	perpetual	Tier 1	5.2710%	Jan 25, 2017
C.III.3	ROYAL BANK OF SCOTLAND	3,687	4,000	Sept 22, 2021	Lower Tier 2	4.6250%	Sept 22, 2016
C.III.3	SANPAOLO IMI	5,003	5,110	June 28, 2016	Lower Tier 2	Euribor 3m+30	June 28, 2011
C.III.3	SANPAOLO IMI	477	500	Feb 20, 2018	Lower Tier 2	Euribor 3m+25	Feb 20, 2013
C.III.3	SANTANDER ISSUANCE	7,160	7,500	March 23, 2017	Lower Tier 2	Euribor 3m+25	March 23, 2012
C.III.3	SANTANDER ISSUANCE	20,000	20,000	Oct 24, 2017	Lower Tier 2	5.4350%	Oct 24, 2012
C.III.3	SANTANDER PERPETUAL	8,833	10,000	perpetual	Lower Tier 2	4.3750%	Dec 10, 2014
C.III.3	SL FINANCE	2,770	2,500	July 12, 2022	Lower Tier 2	6.3750%	July 12, 2012
C.III.3	SNS BANK NEDERLAND	2,707	2,500	perpetual	Tier 1	5.7500%	July 22, 2013
C.III.3	SOCIETE GENERALE	871	1,000	perpetual	Tier 1	4.1960%	Jan 26, 2015
C.III.3	SOCIETE GENERALE	3,852	4,000	June 7, 2017	Lower Tier 2	Euribor 3m+17.5	June 7, 2012
C.III.3	SOCIETE GENERALE CAPITAL TRUST III	2,873	3,000	perpetual	Tier 1	5.4190%	Nov 10, 2013
C.III.3	STANDARD CHARTERED	17,498	19,000	Feb 3, 2017	Lower Tier 2	3.6250%	Feb 3, 2012
C.III.3	STANDARD CHARTERED	1,971	2,000	Sept 26, 2017	Lower Tier 2	5.8750%	No
C.III.3	UNICREDITO ITALIANO	4,482	4,500	Sept 26, 2017	Lower Tier 2	5.7500%	No
C.III.3	VITTORIA ASSICURAZIONI	18	17	Jan 1, 2016	Lower Tier 2	5.5000%	Jan 1, 2011
		286,829	303,252				

## Loans

The breakdown of this account is as follows:

(Euro thousand)	31/12/2007	31/12/2006	Change
Loans with collateral	-	-	-
Loans on policies	38,669	42,560	(3,891)
Other loans	7,740	6,815	925
	46,409	49,375	(2,966)

The “Loans on policies” of life insurance decreased by Euro 3,891 thousand compared to 2006 due to the new loans of Euro 8,714 thousand and repayments of Euro 12,605 thousand.

The account “Other loans” is comprised principally of loans to employees against which no guarantees were provided.

## Deposits at credit institutions

They increased by Euro 2 thousand from Euro 478 thousand in 2006 to Euro 480 thousand. The amount includes bank deposits subject to more than 15 days notice period.

Attachment 10 reports changes in year of loans and deposits at credit institutions.

## Other financial investments

The account amounted to Euro 192 thousand (Euro 163 thousand in 2006).

The increase of Euro 29 thousand is principally due to the purchase of options on bond securities.

## Deposits with reinsuring companies

They decreased by Euro 2,378 thousand from Euro 67,970 at December 31, 2006 to Euro 65,592 at December 31, 2007: of this Euro 33,191 thousand refers to the subsidiary Milano Assicurazioni.

During the year, there were no write-downs of deposits in reinsuring companies.

## HEDGING OPERATIONS

In accordance with article 7 point 3 of Isvap measure No. 297 of July 19, 1996, during the year the Company signed derivative financial contracts. This activity was undertaken in accordance with the Board of Directors' resolution of March 23, 2005 in relation to the utilisation of the derivative financial and structured instruments utilising control and monitoring instruments, including preventive instruments, existing within the organisation. These instruments are suitable to verify the alignment between the operations undertaken and the strategies agreed, and the efficiency of the hedging operations in accordance with the limits assumed. In addition for each hedging operation, the relative "Hedging Relationship Documentation" was prepared in accordance with the above-mentioned resolution in compliance with international accounting standards.

### Positions open

The positions open on derivative instruments at the end of the year related to:

- Hedging operations on listed securities through the constitution of a combined option portfolio (put purchase - call sale). The quantity of shares in portfolio subject to hedging amounted to 6,000,000 Generali shares, 13,400,000 Mediobanca shares, 102,000,000 Pirelli & Co. ordinary shares, 14,542,508 Monte dei Paschi di Siena shares and 14,044,000 Unicredit shares. This strategy covered a large part of the latent market gains on the listed equity market, which on expiry settles the difference and the delivery of the underlying security.
- Range Accrual Swap on Euro 10,000,000 notional with Banca Akros with expiry on September 4, 2008; With these contracts, the counterparties received Euribor 3 months with a cap of 10% and pay Euribor 3 months increased by 285 basis points considering the contractual duration and only for the days in which the difference between the Euribor 12 months and Euribor 3 months is positive. In December the first payment was made of Euro 75 thousand. At 31/12/2007, the contract showed a loss of Euro 312 thousand.
- Interest Rate Swap with expiry July 23, 2013 made with Mediobanca for a nominal amount of Euro 200,000,000 to hedge the interest risk on part of the subordinated loan agreed in 2002; with this contract the counterparty receives fixed interest of 3.97% paying Euribor 6 months. The payment in July 2007 was Euro 60 thousand. At December 31, 2007, the contract had a valuation gain of Euro 2,656 thousand of which Euro 450 thousand referring to the positive interest deferral for the period, recorded under investment income.
- Purchase and sale of Forward Variance Swap on the Eurostoxx50 index; purchase of 3,926.7 contracts from JP Morgan strike 18.90 maturity March 20, 2008 and simultaneous sale to Société Generale strike 19.10. The purchase of Forward Variance Swap contracts permits the assumption of upward positions on the underlying volatility. The position is a gain from valuations at December 31, 2007 amounting to Euro 30 thousand.
- Call option sales on shares with maturity March 20, 2008. The premiums received total Euro 1,076 thousand. In detail, the shares subject to the call option sales are as follows: 8.500 Air Liquide, 25.000 Bayer, 540.000 Compass Group, 47.000 Postbank, 82.200 Deutsche Telekom, 350.000 Enel, 100.000 Eni, 62.500 Finmeccanica, 20.000 Muenchener Rueck, 32.000 Siemens, 40.000 Total Fina, 25.000 Veolia Environnement, 7.500 Zurich Financial, 150.000 Philips Electronics. Overall at December 31, 2007, the valuation gains amounted to Euro 243 thousand and the losses amounted to Euro 59 thousand.

- Credit Default Swap on a nominal amount of Euro 31,500,000 with Morgan Stanley and Euro 15,000,000 nominal with JP Morgan; both contracts expire on September 20, 2009 and have the purpose to hedge the issuer risk on Telecom Italia. Credit Default Swap on a nominal amount of Euro 10,000,000 with Royal Bank of Scotland, expiry on December 20, 2012 to hedge the issuer risk of Banco Santander. The first payments and expenses in 2007 amounted to Euro 230 thousand. The C.D.S's on Telecom Italia have a valuation loss at December 31, 2007 amounting to Euro 66 thousand while the C.D.S's on Banco Santander have a gain of Euro 59 thousand.
- The amount at December 31, 2007 of the options related to international equity baskets or indices was Euro 192 thousand (at December 31, 2006 Euro 163 thousand); the increase compared to the previous year is due to the purchases made on the options related to index-linked products. The gains realised in the year on these type of options amounted to Euro 75 thousand - the losses realised amounted to Euro 8 thousand.

On valuation, the principal loss positions open refer to the Range Accrual Swap contracts prudently recorded in the provision for risks and charges for Euro 312 thousand.

### **Operations closed**

During the year, the following operations took place:

- Equity Swap on 70,177,802 Immobiliare Lombarda shares with Scontofin. The contract was closed in advance in May 2007 with a net receipt of Euro 185 thousand recorded under asset and financial income.
- Range Accrual Swap on Euro 10,000,000 notional with JP Morgan, with expiry November 15, 2007, closed in advance in February 2007 with a receipt of Euro 78 thousand recorded under assets and financial income.
- Range Accrual Swap on Euro 10,000,000 notional with Calyon expiry on November 20, 2007, the amount received was Euro 83 thousand recorded under asset and financial income (the cost amounted to Euro 60 thousand recorded under charges).
- Forward Variance Swap on Eurostoxx50 and Dax30 indices. Overall, the contracts closed resulted in income of Euro 885 thousand recorded under assets and financial income.
- Credit Default Swap hedging the issuer risk of Morgan Stanley resulting in premiums paid of Euro 316 thousand recorded under asset and financial charges.
- Put sales on shares, which were exercised and recorded as a decrease of the purchase cost of the underlying security for Euro 64 thousand; those abandoned by the counterparty were recorded under asset and financial income for Euro 480 thousand.
- Call sales on shares, those exercised were recorded as an increase in sales revenues for Euro 487 thousand; those abandoned by the counterparty were recorded under asset and financial income for Euro 711 thousand, while those closed in advance by Fondiaria-SAI resulted in a gain of Euro 402 thousand recorded also under asset and financial income and a loss of Euro 24 thousand recorded under asset and financial charges.

- Among the hedge operations on equity securities (put purchases - call sales) the following positions were closed:
  - RCS Mediagroup ordinary - closure of 3,750,000 options which resulted in a payment of Euro 129 thousand recorded as an increase in the carrying value of the underlying security and a receipt of Euro 252 thousand recorded as a decrease of the carrying value of the underlying security. In this phase, there were no sales of shares. During the year, the negative differentials between receipts and payments was Euro 108 thousand and was recorded as losses realised.
  - A2A (former AEM) - closure of 500,000 options which resulted in the payment of Euro 142 thousand recorded as an increase in the carrying value of the underlying security as the sale of the shares was made subsequently. During the year the positive differentials between receipts and payments amounted to Euro 5 thousand and were recorded under gains realised.
  - Mediabanca - partial closure of 1,500,000 options which resulted in a payment of Euro 353 thousand recorded as an increase in the carrying value of the underlying security and a receipt of Euro 1,845 thousand recorded as a decrease of the carrying value of the underlying security. It was considered appropriate not to sell the underlying shares.  
During the year, the negative differentials between receipts and payments was Euro 2,395 thousand and was recorded as losses realised, while the positive differentials between receipts and payments amounted to Euro 4,195 thousand and were recorded under gains realised.
  - Monte dei Paschi di Siena – partial closure of 4,457,492 options which resulted in the payment of Euro 6,510 thousand at the average strike price (3.08) which was lower than the market price (4.54) and was recorded under asset and financial charges (losses realised). At the same time as the closure of the options, the sale of 8,271,052 shares realising a gain of Euro 12,618 thousand recorded under extraordinary income as the Monte dei Paschi di Siena shares were recorded in the non-current segment. The gains realised referred to hedged shares (4,457,492 shares) amounting to Euro 6,800 thousand.  
During the year, the negative differentials between receipts and payments was Euro 2,857 thousand and was recorded as losses realised, while the positive differentials between receipts and payments amounted to Euro 697 thousand and were recorded under gains realised.
  - Unicredito – partial closure of 23,700,000 options which resulted in the payment of Euro 48,180 thousand at the average strike price (3.99) which was lower than the market price (6.02) and was recorded under asset and financial charges (losses realised). At the same time as the closure of the options, the sale of 41,737,000 shares realising a gain of Euro 88,074 thousand recorded under extraordinary income as the Unicredito shares were recorded in the non-current segment. The gains realised referred to hedged shares (23,700,000 shares) amounting to Euro 50,012 thousand.

During the year, the negative differentials between receipts and payments was Euro 6,686 thousand and was recorded as losses realised while the positive differential between the premiums collected and the premiums paid amounted to Euro 3,639 thousand and were recorded under gains realised.

The hedge options on Pirelli & C remained unchanged from the previous year. In 2007, the positive differentials between the premiums received and the premiums paid of Euro 2,737 thousand were recorded under gains realised.

The hedge options on Generali were agreed in the fourth quarter of 2007, a period in which the positive differentials between the premiums received and premiums paid of Euro 686 thousand were recorded under gains realised.

The income statement impact of the differentials relating to the premiums of the combined call and put options were recorded for the period with a net negative effect of Euro 617 thousand, as account was taken of the receipt or payment during the year (Euro 87 thousand paid) and of net Euro 530 thousand relating to the previous year.

## **Non-current investments**

Isvap measure No. 893 G of June 18, 1998, issued provisions in relation to the classification and valuation of the security portfolio of insurance companies, in particular in relation to the identification of the principal characteristics, in qualitative and quantitative terms, of the current and non current investment segment.

The assets destined, as per article 15 of Legislative Decree 173/97, to be held by the company for stable investments are attributed to the segment “Non-current investments”.

These relate to investments in class B “Intangible assets”, C.1 “Land and buildings” and “Financial Instruments” of class C.II and C.III, these latter within the limits of the “resolution” approved by the Board of Directors on September 24, 1998 and illustrated in the Notes - Part B of the Financial Statements of 1998, as modified by the Board of Directors on September 29, 1999. The Board of Directors’ resolution of March 26, 2004 redefined the guidelines in order to stabilise the structure of the security portfolio to contain the level of fixed assets and risks deriving from their composition in line with the planning of the management of the portfolio and the time period of the commitments assumed with the policyholders.

In particular, the resolution requires that the securities relating to the “non-current investments” are those held in the company for the purposes of “stable investment”, a requisite which must be established on the moment of the allocation of the security to the segment.

A further condition for a non current security is that it must have at least a BBB- rating or equivalent.

The new guidelines were applied to the assignments to the sector after January 1, 2004.

During the year, the Company did not make any transfers within the sector.

The non current assets represented by securities and investments at December 31, 2007 amounted to Euro 8,365,253 thousand, corresponding to 56.08% of the securities portfolio of the company (classes C.II and C.III) divided as follows:

(Euro thousand)	31/12/2007	31/12/2006	Change
Investments and funds	4,887,766	4,415,079	472,687
Fixed-income securities	3,477,487	3,173,311	304,176
	8,365,253	7,588,390	776,863

The comparison between the book value of listed securities included in the non current asset segment and their market value was determined based on the average prices in December 2007 for the investments and the average prices in the last six months for the fixed income securities, showing net gains not recorded of Euro 562,048 thousand, of which Euro 652,035 thousand referring to net gains on investment and Euro 89,987 thousand referring to net losses on fixed income securities.

In particular, included among the non current investments are the following listed companies:

Company	Book value (Euro thousand)	Number of shares
Banca Intermobiliare	18,991	2,683,400
Gemina	82,027	61,336,588
Generali	317,765	12,407,947
Immobiliare Lombarda	325,782	2,057,550,000
Intesa Sanpaolo	181,491	44,184,083
Mediobanca	157,728	26,765,972
Meliiorbanca	29,067	7,700,000
Milano Assicurazioni ord.	948,200	249,393,878
Milano Assicurazioni risp.	2,910	450,000
Monte dei Paschi di Siena	81,253	26,984,198
Pirelli & C.	166,371	231,355,374
Rcs Mediagroup	61,191	16,430,498
Unicredito Italiano (Capitalia share swap)	154,005	34,323,367

Total losses recorded in the income statement of Euro 9,006 thousand entirely related to investments in non listed subsidiaries.

Amounts were also restated of bonds for Euro 25,908 thousand relating entirely to the listed investment in Unicredito (former Capitalia) - a write-back was made against previous write-downs on the share which are no longer justified based on the favourable stock market performance especially following the merger by incorporation of Capitalia into Unicredito.

The change in the year of the non-current investments included in the accounts C.III.1, C.II.2, C.III.3 and C.III.7 are shown in attachments 8 and 9.

The movements of financial instruments in the year were as follows:

Total at 31/12/2006	7,588,390
- mergers and acquisitions	1,065,695
- capital operations	166,336
- discounting	3,454
- sales and mergers	(475,507)
- value adjustments	16,885
Total at 31/12/2007	8,365,253

## SECTION 3

### INVESTMENTS WHERE RISK IS BORNE BY LIFE POLICYHOLDERS AND PENSION FUND MANAGEMENT – (Account D)

They amount to Euro 610,923 thousand and refer for Euro 467,672 thousand to Investments in class D.I. and for Euro 143,251 thousand to Investments in class D.II. (at December 31, 2006 Euro 696,482 thousand, of which Euro 570,622 thousand referring to class D.I.).

In accordance with Isvap circular No. 360/D of January 21, 1999 transfers were made from class D to class C totalling Euro 16,003 thousand due to advanced redemptions and payments on contracts.

During the year transfers were made from Class C to class D for Euro 408 thousand due to the issue of new contracts whose services are already covered by securities already held in portfolio.

Attachment 11 shows, separately for each product type of class D.I., the composition of the investments.

The investments deriving from the management of the open Pension Funds are shown in Attachment 12. The composition by nature and by segment is shown below, while for further details reference should be made to the specific statement attached to the accounts.

### SAI Open Pension Fund

(Euro thousand)	Previ-bond	Previ-gest	Previ-mix	Previ-capital	Previ-europa	Previ-global
<b>Management lines</b>						
Shares and quotas	-	392	10,540	27	544	324
Bonds and fixed-income securities	2,603	4,645	9,757	449	157	108
Other assets	299	409	983	49	177	69
	2,902	5,447	21,279	525	879	501

## Fonditaria Previdente Pension fund

(Euro thousand)	Equity Line	Balanced Line	Bond Line	Cash Line	Cash Guaranteed Line
<b>Management lines</b>					
Shares and quotas	30,259	12,516	-	-	242
Bonds and fixed-income securities	7,168	12,876	10,402	3,017	3,025
Other assets	1,761	1,237	700	233	205
	39,189	26,629	11,102	3,249	3,472

## Conto Previdenza Pension Fund

(Euro thousand)	Equity Line	Balanced Line	Bond Line	Cash Guaranteed Line
<b>Management lines</b>				
Shares and quotas	4,013	5,129	-	558
Bonds and fixed-income securities	981	5,172	4,735	6,206
Other assets	303	287	222	472
	5,296	10,588	4,957	7,236

## SECTION 4

### TECHNICAL RESERVES – REINSURANCE AMOUNT – (Account D bis)

They recorded a total increase of Euro 12,029 thousand, as illustrated in the table below:

(Euro thousand)	31/12/2007	31/12/2006	Change
<b>NON-LIFE DIVISION</b>			
Unearned premium reserve	40,133	41,204	(1,071)
Claims reserve	288,461	279,614	8,847
<b>TOTAL</b>	<b>328,594</b>	<b>320,818</b>	<b>7,776</b>
<b>LIFE DIVISION</b>			
Actuarial reserves	88,039	83,948	4,091
Reserve for sums to pay	3,515	3,354	162
<b>TOTAL</b>	<b>91,554</b>	<b>87,301</b>	<b>4,253</b>
<b>TOTAL GENERAL</b>	<b>420,148</b>	<b>408,119</b>	<b>12,029</b>

The premium reserves of the non life classes of the reinsurers are analysed for option agreements and excess claims, while for the proportional agreements the same criteria is utilised for the determination of the direct business premium reserve.

Other technical reserves of the non life and life classes of reinsurers were not recorded in the accounts.

## SECTION 5

### RECEIVABLES - (Account E)

(Euro thousand)	31/12/2007	31/12/2006	Change
Receivables from direct insurance operations	1,139,273	1,209,592	(70,319)
Receivables from reinsurance operations	60,776	66,316	(5,540)
Other receivables	627,816	666,573	(38,757)
	1,827,865	1,942,481	(114,616)

### Receivables from direct insurance operations

(Euro thousand)	31/12/2007	31/12/2006	Change
Receivables from policyholders for premiums	439,276	443,518	(4,242)
Insurance brokers	511,890	584,716	(72,826)
Insurance company current accounts	145,471	140,901	4,570
Policyholders and others for sums to be recovered	42,636	40,457	2,179
	1,139,273	1,209,592	(70,319)

Against the total gross amount of Euro 483,873 thousand of receivables from policyholders for premiums (of which Euro 435,893 thousand relating to premiums for the year and Euro 47,980 thousand relating to premiums for previous years), total provisions were made of Euro 44,597 thousand (Euro 167 thousand for premiums for the year and Euro 44,430 thousand for premiums from previous years) in the Doubtful Debt Provision or possible non collection from policyholders.

The breakdown of the Doubtful Debt Provision for possible cancellations and non compliance by the policyholders by class is shown below.

The breakdown of the Doubtful Debt Provision for possible cancellations and non compliance by the policyholders by class is shown below.

(Euro thousand)	31/12/2007	31/12/2006	Change
Accidents	1,295	2,174	(879)
Health	7,433	6,920	513
Land vehicles	3,803	2,535	1,268
Aviation	70	70	-
Maritime	394	169	225
Goods in transit	207	307	(100)
Fire	5,283	3,696	1,587
Other property damage	2,827	2,277	550
Motor TPL	6,785	8,097	(1,258)
Aviation TPL	23	19	4
General TPL	5,272	5,003	269
Credit	20	-	20
Bonds	10,948	2,632	8,316
Pecuniary losses	70	48	22
<b>TOTAL NON-LIFE DIVISION</b>	<b>44,430</b>	<b>33,893</b>	<b>10,537</b>
Life insurance	167	167	-
<b>TOTAL LIFE DIVISION</b>	<b>167</b>	<b>167</b>	<b>-</b>
<b>TOTAL</b>	<b>44,597</b>	<b>34,060</b>	<b>10,537</b>

Provisions were made of Euro 26,148 thousand against presumed losses on receivables against possible non compliance of the policyholders and Euro 15,611 was utilised against losses in previous years, already subject to previous provisions.

The receivables from insurance brokers were largely received in January. Against the total gross amount of Euro 522,686 thousand, a prudent provision was made of Euro 10,796 thousand with the brokers and former agents.

The current accounts with insurance companies includes the parts related to coinsurance, the Direct Compensation Convention, the payments of claims on behalf of foreign insurance companies and the Road Victim Fund, as well as the receivables for services.

Against the gross amount of Euro 150,191 thousand, a Doubtful Debt Provision was made of Euro 4,720 thousand.

### Receivables from reinsurance operations

(Euro thousand)	31/12/2007	31/12/2006	Change
Insurance and reinsurance companies	60,670	66,230	(5,560)
Reinsurance brokers	106	86	20
	60,776	66,316	(5,540)

The gross value of the receivables deriving from reinsurance operations, amounting to Euro 69,276 thousand, is adjusted prudently by the amount of Euro 8,500 thousand recorded in the Doubtful Debt Provision against possible losses from some foreign reinsurers.

### Other receivables

The most significant accounts within “Other Receivables” before the relative doubtful debt provision are shown below:

(Euro thousand)	31/12/2007	31/12/2006	Change
Tax receivables	358,265	432,468	(74,203)
Group IRES income tax receivables	127,225	116,199	11,026
Subsidiaries	97,789	79,664	18,125
Other receivables	47,647	38,802	8,845
Customers and rental	10,973	15,093	(4,120)
Doubtful debt provision	(14,082)	(15,653)	1,571
<b>Total</b>	<b>627,817</b>	<b>666,573</b>	<b>(38,756)</b>

The “Other Receivables” amount to Euro 627,817 thousand (Euro 666,573 thousand in 2006) prudently adjusted for an amount of Euro 14,082 thousand for a Doubtful Debt Provision against possible losses deriving from non collectability of some trade amounts due.

“Other Receivables” include receivables from tax authorities for withholding taxes, payments on account on the actuarial reserves paid in accordance with Legislative Decree 209/2002, the payment on account for the insurance taxes pursuant to Legislative Decree 282/2004 and reimbursements requested and related interest totalling Euro 358,265 thousand. Of these, Euro 138,754 thousand relates to Group Ires income tax credit due to the payments on account paid in 2007 and from the excess in the 2006 balance, while Euro 12,955 thousand refers to the receivables from the tax authorities transferred during the year to the Company which, as consolidating companies, will settle and pay the Group income tax, in accordance with the consolidated tax regime as per article. 117 e seguenti del DPR 917/1986.

Also in accordance with the Group tax regime, “Other Receivables” includes amounts from subsidiaries in the Group tax consolidation for Euro 127,225 thousand relating to the income tax for the year of those above-mentioned companies related to the transfer of the assessable income.

The counter-entry of this amount is recorded in tax provisions, net of the payables to consolidations which recorded tax losses in the year and up to the amount of tax savings related to these losses.

Reference should be made to the directors’ report in relation to the consolidated tax regime and we report that the settlement of the above inter-group creditor and debtor positions will take place on the completion of the final tax return for 2007.

It is reported that at the beginning of 2007 a settlement was agreed with the Tuscany Regional Tax Office in order to accelerate the receipts on some of the tax credit reimbursements requested, relating to positions already closed.

The amount recognised amounts to Euro 55,464 thousand and will be received on half yearly instalments of equal amounts by December 31, 2009 without any interest. As a consequence of the agreement, the Company discounted the expected cash flows, adjusting the initial amount of the receivable to Euro 51,759 thousand.

During 2007, the first two instalments were received totalling Euro 18,488 thousand. The residual receivable at the year-end, taking into account the reversal of the profits from discounting, amounted to Euro 36,976 thousand.

The receivables from subsidiaries include the receivable from Milano Assicurazioni relating to the dividend for the period totalling Euro 64,592 thousand, while the residual refers to receivables from Uniservizi relating to the management of the recharge of inter-group costs of Euro 28,445 thousand.

## Details of the receivables recorded in accounts C and D of the assets by maturity and nature.

The table below was prepared in relation to the previous accounts illustrated under assets and in accordance with section 16 of Legislative Decree No. 173 of May 26, 1997.

(Euro thousand)	Receivables from policyholders for premiums	Other receivables from direct insurance operations	Receivables from reinsurance operations	Other receivables and loans	Total
Within 1 year	439,275	561,657	126,368	585,020	1,712,320
Between 2 and 5 years	-	55,330	-	49,495	104,825
Over 5 years	-	83,010	-	39,712	122,722
<b>TOTAL</b>	<b>439,275</b>	<b>699,997</b>	<b>126,368</b>	<b>674,227</b>	<b>1,939,867</b>

The receivables above one year consist of Euro 42,797 thousand of receivables from the tax authority. The remainder refers to interest bearing receivables from agents for premiums and for financing on loans and Life policies and employee loans (both interest bearing).

## SECTION 6

### OTHER ASSETS – (Account F)

The breakdown is as follows:

(Euro thousand)	31/12/2007	31/12/2006	Change
Fixed assets and inventories	13,837	15,819	(1,982)
Cash and cash equivalents	160,021	156,462	3,559
Treasury shares	63,233	182,201	(118,968)
Other assets	311,582	462,620	(151,038)
	<b>548,673</b>	<b>817,102</b>	<b>(268,429)</b>

## Fixed assets and inventories

(Euro thousand)	31/12/2007	31/12/2006	Change
Furniture, EDP and internal transport	8,748	11,772	(3,024)
Tangible assets recorded in public registers	34	27	7
Plant and equipment	948	1,012	(64)
Stocks and other assets	4,107	3,008	1,099
	<b>13,837</b>	<b>15,819</b>	<b>(1,982)</b>

The balance is depreciated as follows:

(values in %)	2007	2006
Furniture, EDP and internal transport	80.78	88.87
Tangible assets recorded in public registers	46.72	80.36
Plant and equipment	94.67	93.98

These amounts are considered non-current and the movements in the year were as follows:

(Euro thousand)	2007	2006
Purchases	1,746	5,898
Sales	(60,819)	(3,653)
Accumulated depreciation	57,091	118
	<b>(1,982)</b>	<b>2,363</b>

The purchases refer to improvements (Euro 1,100 thousand) and furniture for buildings owned in Milan, Piazza della Repubblica for Euro 299 thousand.

The depreciation provision amounts to Euro 53,510 thousand (Euro 110,601 thousand in 2006) and decreased by Euro 57,091 thousand: The depreciation for the year amounted to Euro 1,830 thousand, while the utilisation of the provision for sales and disposals was Euro 58,921 thousand.

In relation to tangible fixed assets, after the completion of the joint venture with EDS Italia in the IT sector, on February 1, 2007 all the hardware of the company was conferred. The operation had no impact on the income statement.

## Cash and cash equivalents

(Euro thousand)	31/12/2007	31/12/2006	Change
Bank and postal deposits	159,922	155,819	4,103
Cheques and cash on hand	99	643	(544)
	<b>160,021</b>	<b>156,462</b>	<b>3,559</b>

The bank and postal deposits include the liquidity available not restricted for a period above 15 days.

In the year, the total amount matured was Euro 11,148 thousand.

Bank deposits amount to Euro 1,976 thousand, relating to 16 current accounts opened at the subsidiary BANCASAI S.p.A.

## Treasury shares

At December 31, 2007 a total of 1,780,000 Fondiaria-SAI S.p.A. ordinary shares were held, all acquired during 2007, for a total amount of Euro 51,887 thousand.

In addition, at December 31, 2007 there were 568,051 saving shares in portfolio, all acquired during 2007, for a total amount of Euro 11,346 thousand.

## Other assets

(Euro thousand)	31/12/2007	31/12/2006	Change
Receivable transitory reinsurance accounts	1,545	3,288	(1,743)
Other activities	310,037	459,332	(149,295)
	<b>311,582</b>	<b>462,620</b>	<b>(151,038)</b>

The transitory asset accounts include the negative income values of a technical nature for the direct business and ceded in reinsurance, as the counter-entry of operations recorded in the accounts with the reinsurance companies, which are recorded in the technical account in the following year, as there is insufficient information necessary to fully determine the relative financial result.

The “Other assets” include the “transit account” between the Life and Non-Life management which has a receivable in the Non-Life management of Euro 19,526 thousand.

The other assets also include “deferred tax assets”, calculated applying to the nominal values of the temporary deductible differences to the income tax rates which will be in force when these temporary differences “reverse”.

The amount recorded at year-end amounted to Euro 132,110 thousand and derives from reversals totalling Euro 76,292 thousand and assets arising in the year of Euro 45,390 thousand.

Among the reversals are Euro 72,617 thousand of higher taxes recorded in the income statement in the year, while Euro 6,675 thousand refers to the prepaid taxes against higher deductions made in the tax assessments compared to those estimated in the accounts at the end of the previous year.

The other assets include the estimated amount of the payment due as taxes on the actuarial reserves of the Life classes as per Legislative Decree 209/2002 equal to Euro 16,877 thousand.

The principal "Other assets" are as follows:

(Euro thousand)	31/12/2007	31/12/2006
Non-Life/Life transit account	19,526	142,652
Deferred tax assets	132,110	163,012
Other accounts	66,727	49,899
Head office/regional offices transit accounts	10,638	3,724
Actuarial reserve tax as per Leg. Decree No. 209/02	16,877	18,849

The other accounts include prevalently recovery of costs for services provided by the Group.

## SECTION 7

### PREPAYMENTS AND ACCRUED INCOME – (Account G)

(Euro thousand)	31/12/2007	31/12/2006	Change
Interest	132,758	131,235	1,523
Rental	1	1	-
Other accruals and deferred income	4,058	2,505	1,553
	<b>136,817</b>	<b>133,741</b>	<b>3,076</b>

The composition of accrued expenses and deferred income are as follows:

(Euro thousand)	Accrued expenses	Deferred income	Total
Interest	132,758	-	132,758
Rental	-	1	1
Other accruals and deferred income	2,591	1,467	4,058
	<b>135,349</b>	<b>1,468</b>	<b>136,817</b>

There are no long term prepayments or accrued income.

The accruals for interest relate entirely to debt securities in portfolio.

# BALANCE SHEET – LIABILITIES & EQUITY

## SECTION 8

### SHAREHOLDERS' EQUITY - (Account A )

(Euro thousand)	31/12/2007	31/12/2006	Change
Share capital	168,534	177,681	(9,147)
Share premium reserve	207,785	207,410	375
Revaluation reserve	200,025	200,025	-
Legal reserve	35,536	34,623	913
Reserves for treasury shares and shares of holding companies	94,068	213,036	(118,968)
Other reserves	1,762,053	1,714,598	47,455
	<b>2,468,001</b>	<b>2,547,373</b>	<b>(79,372)</b>

The share capital, subscribed and fully paid-in, comprises 125,223,296 ordinary shares and 43,310,622 saving shares, of a nominal value of Euro 1 each.

The share capital and the capital reserves are attributed to the two insurance managements in the following manner (in units of Euro):

	Life Division	Non-Life Division	Total
Share Capital (ordinary shares)	41,810,993	83,412,303	125,223,296
Share capital comprising saving shares	16,790,089	26,520,533	43,310,622
<i>Share capital</i>	58,601,082	109,932,836	168,533,918
<i>Capital reserves</i>	776,869,285	1,522,597,643	2,299,466,928
<b>TOTAL</b>	<b>835,470,367</b>	<b>1,632,530,479</b>	<b>2,468,000,846</b>

The net equity of the company decreased by Euro 79,372 thousand.

The share capital compared to December 31, 2006 decreased by Euro 9,147 thousand following the conversion of 1,370,232 2002-2008 ordinary warrants and 6,000 1992-2006 saving warrants totalling Euro 343 thousand for the reduction of the share capital of Euro 9,490 thousand in March in application of the resolution to cancel the treasury shares.

The share premium reserve increased by Euro 375 thousand following the above-mentioned conversion of the warrants, while the increase of the legal reserve of Euro 913 thousand is entirely due to the allocation of the 2006 net profit.

The detail of the revaluation reserve are as follows:

(Euro thousand)	31/12/2007	31/12/2006	Change
Special reserve as per art. 26 Law No. 413/91	96,837	96,837	-
Revaluation reserve on securities	58,029	58,029	-
Revaluation reserve as per Law 19/3/1982 No. 72	38,215	38,215	-
Reserve as per art. 10 Law No. 904/77	6,944	6,944	-
	200,025	200,025	-

The revaluation reserves have not changed in the year.

The revaluation reserve on securities was created on a voluntary basis.

The treasury shares reserve and of the parent company, amounting to Euro 94.1 million, is composed of Euro 63.3 million reserve not available for treasury shares pursuant to article 2357 of the Civil Code, a value representative of the cost of the treasury shares held in portfolio of the Company at December 31, 2007 (Euro 182.2 million in 2006), while the residual amount of Euro 30.8 million is equal to the cost of the shares of the parent company held in portfolio by the Company at the same date (unchanged compared to 2006) and in compliance with article 2359 of the Civil Code, as supplemented by Legislative Decree 315/94.

The unavailable reserve for treasury shares decreased by Euro 119 million for the cancellation of the reserve at December 31, 2006 due to the execution of the resolution of the share capital reduction approved by the extraordinary shareholders' meeting of December 2006 for Euro 182.2 million. The account also decreased for the purchases on treasury shares during the year of Euro 72.7 million and for the alignment recorded at year-end of Euro 9.5 million.

The other reserves are broken down as follows:

(Euro thousand)	31/12/2007	31/12/2006	Change
Extraordinary reserve	682,590	639,902	42,688
Reserve for purchase of treasury shares	21,317	4,821	16,496
Reserve for holding company's shares	2,500	15,000	(12,500)
Share premium reserve for sale of non exercised option rights	4,294	4,294	-
Dividend adjustment reserve	2,852	2,852	-
Merger surplus reserve	422	422	-
Reserve as per Law 742/1986	113,214	113,214	-
Share swap merger surplus	933,686	933,686	-
Shares subscribed on capital increases in progress	1,178	407	771
	1,762,053	1,714,598	47,455

The extraordinary reserve increased by Euro 42,688 thousand following the operations described below:

- increase of Euro 100,427 thousand due to the assignment deliberated by the Shareholders' Meeting of April 30, 2007;
- decrease of Euro 94,000 with transfer to the reserve to purchase treasury shares in accordance with the Shareholders' Meeting resolution of April 30 2007;
- decrease of Euro 2,500 thousand with transfer to the reserve to purchase holding company shares in accordance with the Shareholders' Meeting resolution of April 30 2007;
- At the same time, the reserve was accredited for Euro 19,821 thousand as the same resolution revoked the previous resolution of April 30, 2007;
- Increase of Euro 9,450 thousand due to the alignment of the treasury shares (ordinary and savings), recorded at the year-end.

The reserve for treasury shares to purchase increased by Euro 16,496 thousand following the above-mentioned provision of Euro 94,000 thousand approved on April 30, 2007, and of the simultaneous write-down of the balance of Euro 4,821 thousand and the transfer for purchases of Euro 72,683 thousand to the unavailable reserve for treasury shares. The reserve to purchase shares of the parent company decreased by Euro 12,500 thousand following the above-mentioned provision of Euro 2,500 approved on April 30, 2007 and the simultaneous write-down of the balance of Euro 15,000 thousand.

The merger reserve was generated following the incorporation of La Fondiaria S.p.A. in 2002.

The “reserve for subscription of share capital increase in course” includes the share capital increases not yet completed as the registration at the companies office will take place in January 2008. The details of the account are shown below:

(Euro)	Warrents exercised	Share capital	Share premium	Reserve for shares subscribed on share capital increase in course
Warrant 2002-2008 su az. Ord.	168,376	42,094	45,462	87,556
Stock option su az. Risp.	50,600	50,600	1,039,628	1,090,228
<b>Total</b>		<b>92,694</b>	<b>1,085,090</b>	<b>1,177,784</b>

On January 16, 2008, the new share capital comprising 125,265,390 ordinary shares and 43,361,222 shares of a nominal value of Euro 1 each was filed.

Article 109, letter 4 b of Pres. Decree No. 917/1986 declares that the available reserves recorded in the accounts are well above the total of the negative income components and that, net of the correlated deferred tax liability provision, and including the amounts estimated relating to the year 2007, amount to Euro 24,190 thousand.

Finally it is reported, also in accordance with the provisions of article 2427 of the Civil Code, that the share capital is composed as follows:

<b>Share capital subscribed, paid-in and filed at December 31, 2007</b>	<b>Ordinary shares 125,223,296</b>	<b>Savings shares 43,310,622</b>	<b>Total 168,533,918</b>
Capital approved to service the 02/2008 Warrants	1,090,599		1,090,599
Capital deliberated for stock options plans		15,000,000	15,000,000

This relates to the capital deliberated following the merger in December 2002 between Fondiaria and Sai in which 28,296,857 “Warrant Fondiaria-SAI 2002-2008” were issued. These warrants attribute the right to subscribe to 1 Fondiaria-SAI ordinary share in the ratio of 1 ordinary share for every 4 warrants presented for exercise, at the price of Euro 2.08.

The requests may be presented from June 30, 2005 and until June 30, 2008.

During 2007, 767,248 warrants were converted, therefore at December 31, 2007 there were still 4,194,017 warrants to be exercised.

## Analysis of net equity in accordance with Article 2427, number 7 bis of the Civil Code

(Euro thousand)

Nature/description	Amount	Possibility of utilisation	Quota distributable	Quota available 2006
<b>Share capital</b>	168,534		-	-
<b>Capital reserves:</b>				
Share premium reserve	207,785	A, B, C	207,785	206,497
Revaluation reserve	200,025	A, B, C	200,025	200,025
Share swap merger surplus reserve	933,686	A, B, C	933,686	933,686
Reserve as per Law 742/1986	113,214	A, B, C	113,214	113,214
Merger surplus reserve	422	A, B, C	422	422
Share premium reserve for sale of option rights not exercised	4,294	A, B, C	4,294	4,294
Dividend adjustment reserve	2,852	A, B, C	2,852	2,852
Shares subscribed on capital increases in progress	88	-	-	-
Stock option reserve on capital increases in course	1,090	-	-	-
<b>Profit reserves:</b>				
Legal reserve	35,536	A, B, C	1,829	-
Extraordinary reserve	682,590	A, B, C	682,590	639,902
Reserve for treasury shares	63,233	-	-	-
Reserve for holding company's shares	30,836	-	-	-
Reserve for purchase of treasury shares	21,317	A, B, C	21,317	4,821
Reserve for purchase of holding company's shares	2,500	A, B, C	2,500	15,000
<b>Total</b>	2,468,001		2,170,514	2,120,713
Quota not distributable (1)			14,544	32,585
Quota distributable			2,155,970	2,088,128

### Key:

A: for share capital increase

B: to cover losses

C: for distribution to shareholders

(1): represents the non distributable quota to cover the non amortised charges in accordance with article 16, paragraph 11 of the Legislative Decree 173/1997.

## SUBORDINATED LIABILITIES - (Account B)

This account amounts to Euro 650,000 thousand and is unchanged compared to the previous year.

This account includes the value of the three subordinated loans agreed with Mediobanca, issued respectively in 2002, 2005, and 2006, all with twenty-year maturities. Reference should be made to the directors' report for further detail.

## SECTION 10

### TECHNICAL RESERVES – (Account C)

The account decreased, before the quota of the reinsurers, by Euro 85,334 thousand, of which an increase of Euro 31,510 thousand for the Life classes and a decrease of Euro 116,844 thousand for the Non-Life classes, as shown in the table below:

(Euro thousand)	31/12/2007	31/12/2006	Change
<b>NON-LIFE DIVISION</b>			
- Unearned premium reserve	1,388,467	1,346,849	41,618
- Reserve for profit sharing and reversals	-	-	-
- Claims reserve	4,801,785	4,965,603	(163,818)
- Other technical reserves	10,633	7,602	3,031
- Equalisation reserves	14,512	12,187	2,325
<b>TOTAL</b>	<b>6,215,397</b>	<b>6,332,241</b>	<b>(116,844)</b>
<b>LIFE DIVISION</b>			
- Actuarial reserves	7,566,117	7,537,709	28,408
- Unearned premium reserves for additional insurance	796	870	(74)
- Reserves for sums to be paid	132,772	127,662	5,110
- Reserve for profit sharing and reversals	2,508	3,175	(667)
- Other technical reserves	60,419	61,686	(1,267)
<b>TOTAL</b>	<b>7,762,612</b>	<b>7,731,102</b>	<b>31,510</b>
<b>TOTAL GENERAL</b>	<b>13,978,009</b>	<b>14,063,343</b>	<b>(85,334)</b>

## Non-Life Division

The premium reserve of direct business consists only of the reserve for premium fractions. The favourable performance of the classes, relating to the current generation, did not result in a necessity to record the reserve for risks in course.

In this context two classes of modest impact on the Non-Life portfolio (Aviation and Credit) report negative claims to premium ratio, also impacted by prudent reserves.

It was therefore not considered necessary to make provisions for risks in course due to the size of the amounts and due to the modest impact of the net retention in the Aviation class (claims which are almost entirely reinsured).

The following table shows the breakdown by class of the two components of the premium reserve:

Class (Euro thousand)	Direct business		Total	Indirect business		Total
	Premium fraction	Risks in course		Premium fraction	Risks in course	
Accidents	89,957		89,957			
Health	64,984		64,984			
Land vehicles	171,707		171,707			
Railway						
Aviation	236		236	1		1
Maritime	1,479		1,479	1		1
Goods in transit	2,485		2,485			
Fire and natural elements	132,984		132,984	593		593
Other property damage	96,074		96,074	44		44
Motor TPL	649,162		649,162	11		11
Aviation TPL	107		107			
Maritime TPL	1,279		1,279			
General TPL	111,586		111,586	497		497
Credit	580		580	38		38
Bonds	52,167		52,167	1,140		1,140
Pecuniary losses	3,994		3,994			
Legal expenses	2,285		2,285			
Assistance	5,076		5,076			
<b>Total</b>	<b>1,386,142</b>	<b>-</b>	<b>1,386,142</b>	<b>2,325</b>	<b>-</b>	<b>2,325</b>

In relation to the bond class, the reserve for premium fraction was supplemented in accordance with Isvap Measure No. 1978 of 2001, for a total amount of Euro 25,055 thousand (Euro 23,132 thousand in 2006).

The other technical reserves of the Non-Life classes only include the ageing reserve as per article 37 of Legislative Decree No. 175/98, equal to Euro 10,633 thousand (Euro 7,602 thousand in 2006) and calculated using analytical method on the insurance contracts against the health, whose contractual structure provides for an additional risk insured based on the age of the policyholder.

The equalisation reserves are entirely comprised of the reserve for natural calamity as per Ministerial Decree No. 705 of November 19, 1996.

The provision amounts to Euro 14,512 thousand and is divided as follows among the classes in the accounts.

(Euro thousand)	31/12/2007	31/12/2006	Change
Accidents	256	256	-
Land vehicles	4,012	3,088	924
Aviation	90	85	5
Maritime	277	262	15
Goods in transit	765	732	33
Fire and natural elements	8,421	7,117	1,304
Other property damage	567	537	30
Motor TPL	20	20	-
Aviation TPL	4	4	-
General TPL	13	13	-
Pecuniary losses	87	73	14
<b>Total</b>	<b>14,512</b>	<b>12,187</b>	<b>2,325</b>

No voluntary equalisation reserves were recorded in the accounts.

The claims reserves of the non-life classes include, in addition to the indemnity reserve, also the settlement reserve and the late claim reserves.

The components of the premiums reserve and the claims reserve are illustrated in attachment 13.

## Life Division

The actuarial reserve was determined at December 31, 2007 in accordance with the following most significant base techniques:

- Composed annual interest rate determined based on the different contractual clauses taking into account minimum guaranteed of 4%, 3%, 2.5% and 2% in accordance with the issue period of the cover:
- demographic assumptions principally based on the Italian mortality statistic tables 1951, 1961, 1971, 1981 and 1992, as well as 1971 projected and selected, RG48 and RG48 selected, IPS55 for deferred commitments and IPS55 for immediate commitments.

It also includes the additional reserve on the financial risk equal to Euro 49,018 thousand, as indicated in Isvap Regulation No. 1801-G of February 21, 2001, and already implemented by article 25, paragraph 12 of Legislative Decree 174/95.

The various components of the technical reserve are shown in attachment 14.

The details by class of the “Other technical reserves” are shown below of the Life Division, which completely comprises the provision for future expenses.

(Euro thousand)	2007	2006	Change
Class I	43,136	43,044	92
Class III	5,014	5,330	(316)
Class IV	62	50	13
Class V	12,161	13,221	(1,060)
Class VI	46	41	5
<b>TOTAL</b>	<b>60,419</b>	<b>61,686</b>	<b>(1,267)</b>

## SECTION 11

### CHANGE IN TECHNICAL RESERVES WHERE INVESTMENT RISK BORNE BY POLICYHOLDERS AND FROM PENSION FUND MANAGEMENT - (Account D)

These amount to Euro 610,923 and decreased by Euro 85,487 thousand. They are representative of the commitments deriving from the insurance of the Life Division whose returns are determined based on the investments on which the policyholder bears the risk or based on an index, as well as the commitments deriving from the management of the pension funds.

The breakdown of the reserve by type of product in portfolio:

(Euro thousand)	31/12/2007	31/12/2006	Change
- related to the value of an investment fund	140,586	143,529	(2,943)
- related to the value of an equity index or other benchmark.	327,086	427,021	(99,935)
- open pension funds	143,251	125,860	17,391
<b>TOTAL</b>	<b>610,923</b>	<b>696,410</b>	<b>(85,487)</b>

With regard to the open Pension Funds, the figure above is broken down as follows:

(Euro thousand)	2007	2006	Change
<b>SAP Open Pension Fund:</b>			
- Previ-bond	2,902	2,369	533
- Previ-gest	5,447	4,821	626
- Previ-mix	21,279	19,033	2,246
- Previ-europa	879	373	506
- Previ-global	501	331	170
- Previ-capital	525	184	341
<b>Previdente Open Pension Fund:</b>			
- equity line	39,189	36,356	2,833
- balanced Line	26,629	23,786	2,843
- bond line	11,102	8,240	2,862
- cash line	3,249	2,108	1,141
- guaranteed cash line	3,472	2,359	1,113
<b>Previdenza Open Pension Fund:</b>			
- equity line	5,296	4,621	675
- balanced Line	10,588	10,736	(148)
- bond line	4,957	4,093	864
- guaranteed cash line	7,236	6,450	786
<b>TOTAL</b>	<b>143,251</b>	<b>125,860</b>	<b>17,391</b>

## SECTION 12

### PROVISIONS FOR RISKS AND CHARGES – (Account E)

(Euro thousand)	31/12/2007	31/12/2006	Change
Pensions and similar obligations	2,833	3,072	(239)
Tax provisions	366,396	360,563	5,833
Other provisions	183,849	181,529	2,320
<b>TOTAL</b>	<b>553,078</b>	<b>545,164</b>	<b>7,914</b>

Attachment 15 shows the changes in the year.

The provisions for pensions and similar obligations includes the pensions by the company in previous years as a supplement to the employee leaving indemnity.

The other provisions are broken down as follows:

(Euro thousand)	31/12/2007	31/12/2006	Change
Provision for risks and charges	170,801	168,126	2,675
Provision as per art. 7 Law 738/78	5,154	5,154	-
Service bonus as art. 30 CCNL	2,712	3,444	(732)
Building maintenance provision	5,182	4,805	377
<b>TOTAL</b>	<b>183,849</b>	<b>181,529</b>	<b>(2,320)</b>

#### a) Provision for risks and charges

The accrual increased compared to the previous year by Euro 2,675 thousand consequent of the provisions of Euro 20,469 thousand and utilisation of Euro 17,794 thousand.

The total provision is adequate with respect to the estimated charges consequent of the total legal disputes to which the Parent Company is party. The accrual also includes future employee expenses, such as those related to vacation days matured but not taken.

The provision includes, prudently, the estimated charges, where incurred, against the disputes for the so called “Opa” offer which the Company, together with other parties, is defending due to the actions taken by some shareholders of the incorporated company Fondiaria Assicurazioni. The Company considered it appropriate not to make any provision, as the recent sentences of the Milan Appeals Court and the Florence Court have rejected the claims for damages.

For further information, reference should be made to the section on Litigation in the Directors’ Report.

The Provision also includes the tax saving which originated in the Company following the contribution of the tax losses of some subsidiaries within the national tax consolidation which, prudently were not recorded in the accounts related to the tax advantage due to the limited time period of the recovery of these losses.

On the other hand, a utilisation was made, on the basis of the estimated profitability communicated, which will be transferred by the subsidiary companies, in particular, Immobiliare Lombarda, for effect of the assessable income consequent of the re-absorption, for all or part, of the losses transferred in the previous tax periods.

The balance at the year-end also takes into account the changes in the nominal income tax rates for which, from the next year, any charge related to the transfer of these advantages will be adjusted to the new income tax rate of 27.5%.

The movement in the provision during the year is reported in the appropriate section in the income statement on other income and charges.

#### **b) Service bonus provision pursuant to art. 30 of CCNL**

The provision decreased by Euro 732 thousand due to the provision in the year of Euro 138 thousand, utilisations of Euro 796 thousand for premiums matured in favour of employees and utilisation for Euro 74 thousand following the business conferment to Fondiaria-SAI Servizi Tecnologici.

#### **c) Building maintenance fund**

The increase of Euro 377 thousand is consequent of the provision for the year of Euro 5,182 thousand and utilisation of Euro 4,805 thousand.

### **COMPOSITION OF THE SUB-ACCOUNT – E 2) – “PROVISIONS FOR TAXES”**

The provision for taxes includes the provision for corporation income taxes (Ires income taxes and Irap regional taxes) for the year. The current income taxes are recorded as a provision as the amounts are still not certain and which will be payable to the tax authorities following the individual and consolidated tax declarations to be made.

The provisions for taxes also includes the liability for deferred taxes deriving from the temporary differences arriving in the year and previous years, net of those reversed in the year, the income taxes accrued on the allocation of the merger deficit against the gains, not recognised fiscally, allocated to the buildings and investments and the income taxes accrued against amortisation and adjustments to values only for fiscal purposes.

The composition of the balance is as follows:

(Euro thousand)	31/12/2007	31/12/2006	Change
Provision for current taxation	279,213	240,748	38,465
Provision for deferred tax liabilities	87,183	119,815	(32,632)
<b>TOTAL</b>	<b>366,396</b>	<b>360,563</b>	<b>5,833</b>

The changes in the year were as follows:

(Euro thousand)	2007	2006	Change
<u>Provision for current taxation:</u>			
Utilisation and other decreases	(198,543)	(207,833)	9,290
Provisions	237,008	209,034	27,974
<u>Provision for deferred tax liabilities:</u>			
Utilisation and other decreases	(38,726)	(22,475)	(16,251)
Provisions	6,094	30,907	(24,813)
<b>TOTAL</b>	<b>5,833</b>	<b>9,633</b>	<b>(3,800)</b>

In relation to the provision for current income taxes, the decrease refers for Euro 167,307 thousand for the utilisation of the Group income tax provision for the year 2006 and Euro 21,700 thousand for the Irap regional tax utilisation due by the Company for the same year.

In addition to the above-mentioned utilisations, the provision decreased for Euro 6,268 thousand for adjustments in 2006 for the Ires income tax of the consolidated companies and the actual income tax paid in the consolidated income tax declaration for these companies.

The residual decrease, amounting to Euro 3,268 thousand, refers to the utilisation of the current taxes, relating to the Parent Company, (Ires income taxes and Irap regional taxes) accrued in excess of the previous year against changes in the amount paid in the declaration compared to the estimates made. These changes gave rise to reversals in the deferred tax liabilities.

The utilisations for payments of the income tax of the subsidiaries which, together with the consolidating Fondiaria-SAI, opted for the Group taxation, is recorded as a counter-entry in the amounts of the consolidated companies paid to the Company, net of the receivables and payments on account transferred to the Group or already paid in the same tax period, in line with that indicated in the income tax declaration and in the Group declaration for the same tax period.

The increase in the provision is due for Euro 110,000 thousand to the estimate of the Ires income tax and Irap regional tax of the Company for the current year to which is added Euro 127,008 thousand relating to Ires income tax of the other companies of the Group related to transfers of the respective assessable amounts, both positive and negative, to the Group.

The total amount of the Group Ires income tax accrued for 2007 was Euro 213,008 thousand.

In relation to the deferred tax, the change compared to the beginning of the year is due to the increase in the income taxes arising in the year of Euro 6,094 thousand.

These changes together with the decrease for the taxes reversed of Euro 38,318 thousand and the deferred taxes referring to the previous years of Euro 407 thousand are commented upon in the account "Income taxes" and the account "Extraordinary charges and income" to which reference should be made.

## DEPOSITS RECEIVED FROM REINSURERS – (Account F)

The account amounted to Euro 144,956 thousand and decreased by Euro 5,787 thousand (Euro 150,743 thousand in 2006).

## SECTION 13

### PAYABLES AND OTHER LIABILITIES – (Account G)

The breakdown is as follows:

(Euro thousand)	31/12/2007	31/12/2006	Change
Payables from direct insurance operations	39,812	57,228	(17,416)
Payables from reinsurance operations	39,934	42,953	(3,019)
Various loans and other financial payables	393,776	350,000	43,776
Employee leaving indemnities provision	50,823	56,830	(6,007)
Other payables	458,639	367,006	91,633
Other liabilities	247,166	398,479	(151,313)
<b>TOTAL</b>	<b>1,230,150</b>	<b>1,272,496</b>	<b>(42,346)</b>

#### Payables from direct insurance operations

(Euro thousand)	31/12/2007	31/12/2006	Change
Insurance brokers	29,285	44,880	(15,595)
Insurance company current accounts	10,270	12,074	(1,804)
Policyholders for deposits and premiums	74	107	(33)
Policyholder guarantee provisions	183	167	16
<b>TOTAL</b>	<b>39,812</b>	<b>57,228</b>	<b>(17,416)</b>

The guarantee provisions include Euro 162 thousand of payables to the Victims Fund and Euro 21 thousand to the Homes Solidarity Provision.

#### Payables from reinsurance operations

(Euro thousand)	31/12/2007	31/12/2006	Change
Insurance and reinsurance companies	39,117	42,136	(3,019)
Reinsurance brokers	817	817	-
<b>TOTAL</b>	<b>39,934</b>	<b>42,953</b>	<b>(3,019)</b>

## Various loans and other financial payables

The account amounts to Euro 393,776 thousand (Euro 350,000 in 2006) and is broken down as follows:

(in Euro millions)	Amount	Maturity	Payment method	Interest rate
SAIFIN SAIFINANZIARIA S.p.A.	100.0	31/12/2008	One payment or single tranches with notice of at least 7 days compared to the value date	Media EURIBOR at 3 months + spread of 1.20%
SAIFIN SAIFINANZIARIA S.p.A.	60.0	31/12/2008	One payment or single tranches with notice of at least 7 days compared to the value date	Media EURIBOR at 3 months + spread of 1.20%
SAINTERNATIONAL S.A.	180.4	Five working days at Rome before September 29, 2010	One single expiry, with conversions of the convertible bonds issued by Sainternational	5.90% annual
SIM ETOILE S.A.	15.0	31/12/2007	One payment or single tranches with notice of at least 3 working days before the value date	Media EURIBOR at 3 months + spread of 1.05%
FONDIARIA NEDERLAND B.V.	19.0	31/12/2007	One payment or single tranche	Media EURIBOR at 3 months + spread of 1.05%
SAI HOLDING ITALIA S.p.A.	15.0	31/12/2007	One payment or single tranches with notice of at least 7 days compared to the value date	Media EURIBOR at 3 months + spread of 1.05%
SAI HOLDING ITALIA S.p.A.	3.3	31/12/2007	One payment or single tranches with notice of at least 7 days compared to the value date	Media EURIBOR at 3 months + spread of 1.20%

It is recalled that the financial payables listed above with maturity at December 31, 2007 were renewed up to December 31, 2008 and the interest rate spread was increased to 1.20%.

The residual amount of the account “Other loans and other financial payables” of Euro 1,076 thousand relates to premiums on call options sold on shares of an insignificant amount.

## Employee leaving indemnities provision

The account amounted to Euro 50,823 thousand (Euro 56,830 in 2006).

The decrease in the provision, amounting to Euro 6,007 thousand, is due to the entry into force of Legislative Decree No. 252/2005 which enacted from January 1, 2007 the complementary pension reforms, and to the conferment of the business unit to Fondiaria-SAI Servizi Tecnologici for Euro 1,458 thousand.

Compared to the previous year there were no changes in provisions and the increases amounted to Euro 10,938 thousand (Euro 10,060 in 2006), while the utilisation of the provision, of Euro 16,945 thousand (Euro 10,629 thousand in 2006), reflected the allocation of the quota matured in 2007 to the INPS fund or the Complementary Pension Fund.

## Other payables

(Euro thousand)	31/12/2007	31/12/2006	Change
Policyholders' tax due	66,225	68,769	(2,544)
Other taxes due	47,481	44,617	2,864
Social security and welfare institutions	11,583	4,516	7,067
Other payables	333,350	249,104	84,247
<b>TOTAL</b>	<b>458,639</b>	<b>367,006</b>	<b>91,633</b>

The "Policyholder" tax due" includes Euro 19,078 thousand for Social Security Contributions.

The other tax payables include Euro 16,877 thousand relating to the payment on account of the life actuarial reserve pursuant to article 1, paragraph 2 and 2 bis of Legislative Decree 209/2002 (converted by Law 262/2002).

Various payables include, among others, the following accounts:

(Euro thousand)	31/12/2007	31/12/2006	Change
Payables for tax credits transferred to the Group	109,742	113,286	(3,544)
Other payables to subsidiaries	46,982	61,637	(14,655)
Loans on securities	103,160	-	103,160
Associated companies and other holdings	-	22,835	(22,835)
Suppliers	45,626	19,863	25,763
Settlements not collected by policyholders	10,478	19,413	(8,935)
Employees	507	1,990	(1,483)
Guarantee deposits	4,116	4,194	(78)

The payables for tax credits transferred to the Group includes the amount of the payables to the tax authorities for withholdings, payments on account, excess and other receivables transferred by the consolidated companies to the consolidating due to the Group tax regime as per article 117 and subsequent of Pres. Decree No. 917/1986.

The "loans on securities" comprises the payable to Banca Imi and JP Morgan against the collateral received for the security loan on 26,942,508 Monte dei Paschi di Siena shares.

The payables to Group companies were eliminated following the settlement of the payable to the company Consortium Srl for the forward purchase of Generali and Mediobanca shares.

The payable for settlements not collected by policyholders refers to claims in the year 2007 paid at the beginning of 2008.

## The details of the payables by maturity and nature are as follows

The table below was prepared in relation to the previous accounts illustrated under liabilities and in accordance with section 16 of Legislative Decree No. 173 of May 26, 1997.

(Euro thousand)	Payables from direct insurance operations and reinsurance	Payables with collateral	Various loans and other financial payables	Employee Leaving Indemnity and other payables	Total
Within 1 year	224,702	-	213,375	509,462	947,539
Between 2 and 5 years	-	-	180,400	-	180,400
Over 5 years	-	-	-	-	-
<b>Total</b>	<b>224,702</b>	<b>-</b>	<b>393,775</b>	<b>509,462</b>	<b>1,127,939</b>

## Other liabilities

(Euro thousand)	31/12/2007	31/12/2006	Change
Payable transitory reinsurance accounts	361	366	(5)
Commissions on premium collection	63,610	69,937	(6,327)
Other liabilities	183,195	328,176	(144,981)
	<b>247,166</b>	<b>398,479</b>	<b>(151,313)</b>

The transitory liability accounts from reinsurance include the positive income values of a technical nature for the indirect business, as the counter-entry of operations recorded in the accounts with the reinsurance companies, which are recorded in the technical account in the following year, as there is insufficient information necessary to fully determine the relative financial result.

The breakdown of the principal “other liabilities” is shown below:

(Euro thousand)	31/12/2007	31/12/2006
Non-Life/Life transit account	19,526	142,652
Other accruals	80,287	94,505
Brokers	-	16,286
Head office/regional offices transit accounts	5,198	13,169
Payables to reinsurers	11,039	11,536

## SECTION 14

### ACCRUALS AND DEFERRED INCOME – (Account H)

(Euro thousand)	31/12/2007	31/12/2006	Change
Interest	18,263	17,158	1,105
Rental	56	70	(14)
Other accruals and deferred income	42	42	-
	<b>18,361</b>	<b>17,270</b>	<b>1,091</b>

Relating to the year 2007, the breakdown of the accruals and deferred income is as follows:

(Euro thousand)	Accrued expenses	Accrued income	Total
Interest	18,263	-	18,263
Rental	-	56	56
Other accruals and deferred income	13	29	42
	<b>18,276</b>	<b>85</b>	<b>18,361</b>

The deferred income for interest refers for Euro 2,741 thousand to the quota allocated for the year of the explicit financial charge on the loan provided by Sainternational S.A. to Fondiaria-SAI in September 2004 and for Euro 15,522 thousand to three subordinated loans from Mediobanca.

## SECTION 17

### Guarantees, Commitments and other Memorandum Accounts

The account amounts to Euro 15,028,160 thousand (Euro 15,408,075 in 2006).

(Euro thousand)	31/12/2007	31/12/2006	Change
Guarantees given	8,365	8,227	138
Guarantees received	135,109	133,920	1,189
Guarantees provided by third parties on behalf of the company	74,132	30,864	43,268
Commitments	336,135	318,470	17,665
Third party assets	9,893	9,899	(6)
Securities deposited with third parties	14,165,807	14,616,218	(450,411)
Other memorandum accounts	298,719	290,477	8,242
	<b>15,028,160</b>	<b>15,408,075</b>	<b>(379,915)</b>

The guarantees given include:

(Euro thousand)	31/12/2007	31/12/2006	Change
Other non secured guarantees	1,018	160	858
Secured guarantees	7,347	8,067	(720)
	<b>8,365</b>	<b>8,227</b>	<b>138</b>

The secured guarantees refer to assets constituted as guarantees in deposit of inward reinsurance operations prevalently in foreign currencies.

The guarantees received include:

(Euro thousand)	31/12/2007	31/12/2006	Change
Sureties	81,024	82,665	(1,641)
Other non secured guarantees	1,185	1,255	(70)
Secured guarantees	52,900	50,000	2,900
	<b>135,109</b>	<b>133,920</b>	<b>1,189</b>

Among the guarantees received are sureties of Euro 72,235 thousand from policies guaranteeing commitments undertaken with agents.

The sureties given amount to Euro 2,968 thousand, while those received from third parties amounted to Euro 3,202 thousand, unchanged from December 31, 2006.

The other non-secured guarantees comprise comfort letters given by the reinsurers.

Included among the guarantees are securitisation policies provided as pledges amounting to Euro 50 million covering any damage relating to previous management, which Fondiaria-SAI may sustain due to the effect of the purchase of Liguria Assicurazioni. There are also guarantees from the previous shareholder of Liguria Assicurazioni, on the outcome of the revision process of the price of the Company acquired.

In addition, during the year a voluntary mortgage was given of Euro 2,900 thousand on some buildings, by third parties, to guarantee operations related to the construction sector.

The guarantees given by third parties amounted to Euro 74,132 thousand and those created by the new surety based on the Convention between Insurers for the Direct Compensation (CARD) amounted to Euro 45,332 thousand, to which Fondiaria-SAI subscribed on November 27, 2006 and for Euro 22,666 thousand sureties in favour of the Direct Indemnity Consortium.

The commitments principally include Euro 180,400 thousand recorded against Intesa SanPaolo equity securities, forward sold to Saintinternational S.A. for the convertible bond loan (Mandatory). Against hedging operations on equity securities made through combined options (put purchase - call sales), they include Euro 16,973 referring to the cash settlement to be paid relating to the valuations made at the year-end; the exposures were therefore off-set by latent gains, which were generated on the underlying securities from the moment in which the hedge operation was signed.

Against derivative finance operations, there are Euro 33,435 thousand referring to the notional underlying value of sale options on equities.

In addition, there are commitments of Euro 103,160 thousand deriving from the collateral received (margin based on the underlying market value) to guarantee a loan operation on securities of 26,942,508 Monte dei Paschi shares, of which 19,542,508 shares were loaned to Banca IMI and 7,400,000 shares were loaned to JP Morgan. On the expiry of the loans on securities, the counterparties will return the shares and Fondiaria-SAI will return the collateral received, which in the meantime will have incurred further adjustments following the market changes on the shares of Monte dei Paschi di Siena.

Third party assets include deposits for maximum coverage, on claims, as well as the Fondiaria-SAI ordinary and saving shares owned by employees (these latter held by the Company).

The securities deposited at third parties include the carrying value of the securities owned by the company. The principal depositaries are credit institutions for Euro 12,683,685 thousand, subsidiary companies for Euro 1,126,855 thousand, associated companies for Euro 48,712 thousand, other investments for Euro 23,071 thousand and other depositary entities for Euro 283,484 thousand.

The Other Memorandum Accounts which amount to Euro 298,719 thousand principally relates to the underlying notional derivative financial operations and specifically: Euro 46,500 thousand referring to Credit Default Swap contracts on the issuer risk of Telecom Italia, Euro 10,000 referring to Credit Default Swap contracts on the issuer risk of Banco Santander, Euro 200,000 referring to Interest Rate Swap contracts with Mediobanca, Euro 10,000 referring to Range Accrual Swap contracts with Banca Akros. Finally Euro 29,386 thousand refers to the cash settlements to be received against hedging operations on equity securities, made through combined options (put purchases - call sales).

## INCOME STATEMENT

The income statement for the year compared to the previous years accounts are commented upon below.

Where the accounts for the previous year are not compatible with those of the current year the necessary adjustments were made. Where not comparable, any adjustments or the impossibility to make adjustments are in any case included in the comments to the individual accounts.

## SECTION 18

### INFORMATION CONCERNING THE NON-LIFE TECHNICAL ACCOUNT

#### EARNED PREMIUMS NET OF REINSURANCE – (ACCOUNT I.1)

(Euro thousand)	2007	2006	Change
Direct premiums	3,845,853	3,887,115	(41,262)
Indirect premiums	8,295	9,236	(941)
Gross premiums written	3,854,148	3,896,351	(42,203)
Premiums ceded to reinsurers	(138,315)	(138,681)	366
Change in gross amount of premium reserve	(41,597)	(4,341)	(37,256)
Change in reinsurers reserve	(700)	5,701	(6,401)
<b>Total Non-Life premiums written</b>	<b>3,673,536</b>	<b>3,759,030</b>	<b>(85,494)</b>

The account “gross premiums written”, in accordance with ISVAP regulation No. 735 of 01/12/1998 does not include the cancellation of securities issued in previous years, which were recorded in the account “Other technical charges”.

The account “changes in the gross amount of premium reserve” includes Euro 41,597 thousand relating to the negative change in the reserve for premium fractions which were commented upon under Liabilities of the Balance Sheet.

#### QUOTA OF THE INVESTMENT INCOME TRANSFERRED FROM THE NON TECHNICAL ACCOUNT – (ACCOUNT I.2)

The amount transferred amounted to Euro 157,757 thousand and was calculated in accordance with Isvap measure No. 1140-G.

## OTHER TECHNICAL INCOME, NET OF REINSURANCE – (ACCOUNT I.3)

(Euro thousand)	2007	2006	Change
Other technical income before reinsurance	39,530	39,861	(331)
Other technical income ceded	3,802	3,437	365
	<b>43,332</b>	<b>43,298</b>	<b>34</b>

The other technical income amounts to Euro 43,332 thousand and includes Euro 3,370 thousand of Card management rights, Euro 13,892 thousand of commission recoveries on the cancellation of premiums issued in previous years and Euro 15,611 thousand relating to the utilisation of the doubtful debt provision for premiums.

## CLAIMS INCURRED NET OF RECOVERIES AND REINSURANCE – (ACCOUNT I.4)

(Euro thousand)	2007	2006	Change
Gross amounts paid	(2,833,311)	(2,807,091)	(26,220)
Reinsurers' share	59,379	71,231	(11,852)
Change in gross recoveries	47,233	38,048	9,185
Reinsurers' share	-	128	(128)
Change in outstanding claims reserve	144,333	127,204	17,129
Reinsurers' share	23,247	(10,352)	33,599
	<b>(2,559,119)</b>	<b>(2,580,832)</b>	<b>21,713</b>

The gross amounts paid include:

(Euro thousand)	2007	2006	Change
Claims paid on current year policies	(937,110)	(910,318)	(26,792)
Claims paid on previous year policies	(1,599,522)	(1,595,750)	(3,772)
Contribution to the Road Victims' Fund	(50,833)	(52,917)	2,084
Direct and settlement expenses	(245,846)	(248,106)	2,260
	<b>(2,833,311)</b>	<b>(2,807,091)</b>	<b>(26,220)</b>

The change of the gross recoveries includes Euro 10,134 thousand of recoveries in the year and Euro 37,099 thousand for reconciliation on previous years.

The changes in the gross amount of the claims reserve are as follows:

(Euro thousand)	2007	2006	Change
Reserve at beginning of the year	4,965,603	5,094,202	(128,599)
Exchange rate effect	(4,370)	(4,232)	(138)
Reserve for the year	(1,619,050)	(1,650,144)	31,094
Reserve for previous years	(3,182,734)	(3,315,459)	132,725
Movements in portfolio	(15,116)	2,837	(17,953)
	<b>144,333</b>	<b>127,204</b>	<b>17,129</b>

In relation to the direct business, the reserve at the beginning of the year, recorded a positive reversal, in line with the previous year, of approx. Euro 35 million, as shown in the table below:

	2007	2006
Existing claims reserve at beginning of year	4,801,573	4,904,523
Indemnities paid during the year, net of recoveries	1,712,061	1,714,401
Claims reserve at the end of the year	3,054,514	3,152,134
<b>Change</b>	<b>34,998</b>	<b>37,988</b>

Within the reconciliation of the claims of previous years there is a single significant deficiency relating to the Health Class (Euro 10,382 thousand), although improved by about 20% on the previous year.

### **CHANGE IN OTHER TECHNICAL RESERVES NET OF REINSURANCE – (ACCOUNT I.5)**

(Euro thousand)	2007	2006	Change
Reserve for old age	3,030	(225)	3,255

The change, amounting to Euro 3,255 thousand, is attributable to the ageing reserve as per article 37 of Legislative Decree 209/05, determined in accordance with the analytical criteria contained in paragraph 8 of this article.

### **OPERATING EXPENSES – (ACCOUNT I.7)**

(Euro thousand)	2007	2006	Change
Acquisition commissions	(573,327)	(605,245)	31,918
Other acquisition expenses	(88,395)	(86,172)	(2,223)
Change in commissions and other acq. Expenses to amort.	-	-	-
Collection commissions	(26,683)	(12,624)	(14,059)
Other administration expenses	(166,998)	(142,971)	(24,027)
Commissions and profit participation received from reinsurers	24,305	28,151	(3,846)
	<b>(831,098)</b>	<b>(818,861)</b>	<b>(12,237)</b>

The acquisition commissions include acquisition charges on long-term contracts of Euro 61,999 thousand entirely expensed in a prudent manner in the income statement.

Acquisitions commissions include the sales agency costs in accordance with article 51 of Legislative Decree 173/97.

The other acquisition expenses are largely due to the operating structures in place in the country.

The other administration expenses, of a residual nature, include the amounts as per article 53 of Legislative Decree 173/97. These amounts include depreciation on tangible fixed assets of Euro 694 thousand (Euro 3,060 thousand in 2006).

## OTHER TECHNICAL CHARGES NET OF REINSURANCE – (ACCOUNT I.8)

(Euro thousand)	2007	2006	Change
Other gross technical charges	138,965	159,645	(20,680)
Other technical charges ceded to reinsurers	1,086	(210)	1,296
	<b>140,051</b>	<b>159,435</b>	<b>(19,384)</b>

The account amounts to Euro 140,051 thousand and includes Euro 15,611 thousand of cancellations of premiums as non-collectible and Euro 90,404 thousand of cancellations of premiums for technical errors. The account includes provisions for write-downs of premiums in course of Euro 26,148 thousand.

## EQUALISATION RESERVES – PROVISIONS AND WITHDRAWALS – (ACCOUNT I.9)

The net change amounts to Euro 2,325 thousand.

The breakdown by class is shown below:

(Euro thousand)	2007	2006
<b>Reserve for natural disaster risks (direct business)</b>		
Accidents	-	-
Land vehicles	924	799
Aviation	4	4
Maritime	15	13
Goods in transit	33	38
Fire	1,305	1,270
Other damage to property	30	27
Motor TPL	-	-
Aviation TPL	-	-
General TPL	-	-
Pecuniary losses	14	15
	<b>2,325</b>	<b>2,166</b>
<b>Reserve off-set with credit class</b>		<b>(24)</b>
	<b>2,325</b>	<b>2,142</b>

Attachment 19 shows a summary by class of the technical account in the Non-Life Division.

## SECTION 19

### INFORMATION CONCERNING THE LIFE TECHNICAL ACCOUNT

#### PREMIUMS WRITTEN NET OF REINSURANCE – (ACCOUNT II.1)

(Euro thousand)	2007	2006	Change
Direct premiums	1,208,290	1,343,993	(135,703)
Indirect premiums	9,758	21,619	(11,861)
<b>Gross premiums written</b>	<b>1,218,048</b>	<b>1,365,612</b>	<b>(147,564)</b>
Premiums ceded to reinsurers	(15,428)	(19,485)	4,057
<b>Premiums written in year, net of reinsurance</b>	<b>1,202,620</b>	<b>1,346,127</b>	<b>(143,507)</b>

The breakdown of the direct and indirect premiums together with the reinsurance balance is shown in attachment 20.

The account “gross premiums written” does not include, in accordance with Isvap regulation No. 735 of 1/12/1997, the technical cancellation of first annuity premiums and single premiums issued in previous years, which were recorded in the account “Other technical charges”.

#### INVESTMENT INCOME – (ACCOUNT II.2)

In accordance with article 54 of Legislative Decree 173/97, all the financial asset income and charges related with investments in the Life division are recorded in the relative technical account.

(Euro thousand)	2007	2006	Change
Income from shares	22,118	25,348	(3,230)
Income from other investments	382,245	301,701	80,544
Write-backs on investment values	4,038	1,652	2,386
Profit realised on investments	77,043	83,865	(6,822)
	<b>485,444</b>	<b>412,566</b>	<b>72,878</b>

The account “Profits realised on the investments” includes gains of Euro 30,873 thousand realised on non-current securities allocated in accordance with the assignment of the assets to the separated management.

This operation permits the correct determination of the technical account result.

The income from shares and holdings comprises Euro 4,037 thousand relating to dividends issued by the subsidiary Milano Assicurazioni.

The breakdown of the income from investments is shown in attachment 21, which also reports the corresponding data of the non-technical accounts related to the investments in the Non-Life classes.

## INCOME AND GAINS NOT REALISED RELATING TO INVESTMENTS WHERE THE RISK IS BORNE BY THE POLICYHOLDER AND FROM THE MANAGEMENT OF PENSION FUNDS - (ACCOUNT II.3)

### *Income from class D I*

(Euro thousand)	2007	2006	Change
Gross income	27,349	20,303	7,046
Profits realised on investments	782	751	31
Unrealised gains	4,091	20,406	(16,315)
<b>TOTAL</b>	<b>32,222</b>	<b>41,460</b>	<b>(9,238)</b>

The non-realised gains refer for Euro 1,996 thousand to Unit-linked policies and for Euro 2,095 thousand to Index-Linked products. Among these gains are Euro 578 thousand relating to the Fondilink Azionario product and Euro 676 thousand to the Index Cambio product.

### *Income from class D II*

(Euro thousand)	2007	2006	Change
Gross income	4,132	3,003	1,129
Profits realised on investments	2,781	1,151	1,630
Unrealised gains	1,548	7,049	(5,501)
<b>TOTAL</b>	<b>8,461</b>	<b>11,203</b>	<b>(2,742)</b>

The class D.II. income refers to the “Fondo Pensione Aperto SAI”, the “Fondo Pensione Aperto Fondiaria Previdente” and the “Fondo Pensione Aperto Conto Previdenza”.  
The details of the income from class D is shown in attachment 22.

## OTHER TECHNICAL INCOME NET OF REINSURANCE - (ACCOUNT II.4)

(Euro thousand)	2007	2006	Change
Other technical income before reinsurance	1,076	1,344	(268)
<b>TOTAL</b>	<b>1,076</b>	<b>1,344</b>	<b>(268)</b>

The account includes management commission on Linked products for Euro 596 thousand.

## CLAIMS INCURRED NET OF REINSURANCE – (ACCOUNT II.5)

(Euro thousand)	2007	2006	Change
Gross sum paid	(1,435,908)	(1,098,762)	(337,146)
Reinsurers' share	10,245	11,595	(1,350)
Gross change in reserve for sums to be paid	(5,133)	(41,562)	36,429
Reinsurers' share	199	1,525	(1,326)
<b>TOTAL</b>	<b>(1,430,597)</b>	<b>(1,127,204)</b>	<b>(303,393)</b>

The gross sums paid are as follows:

(Euro thousand)	2007	2006	Change
- for claims	25,031	25,337	(306)
- for matured policies	611,218	530,351	80,867
- for redemptions	788,478	435,282	353,196
- for life annuities	4,316	4,692	(376)
- for reinsured risks	6,865	103,100	(96,235)
<b>TOTAL</b>	<b>1,435,908</b>	<b>1,098,762</b>	<b>337,146</b>

## CHANGES IN THE ACTUARIAL AND OTHER TECHNICAL PROVISIONS NET OF REINSURANCE – (ACCOUNT II.6)

(Euro thousand)	2007	2006	Change
Change in the gross amount of the actuarial reserve	(57,776)	(492,790)	435,014
Reinsurers' share	3,956	5,991	(2,035)
Change in the gross amount of the additional premium reserve	74	83	(9)
Reinsurers' share	-	-	-
Change in the gross amount of the technical reserves	1,935	1,750	185
Reinsurers' share	-	-	-
Change in the gross amount of the class D technical reserves	85,486	32,824	52,662
Reinsurers' share	-	-	-
<b>TOTAL</b>	<b>33,676</b>	<b>(452,143)</b>	<b>485,819</b>

The change in the Life Reserve is due to the charges relating to claims and decreases in premiums written.

## PROFIT SHARING AND REVERSALS RECOGNISED TO POLICYHOLDERS OR OTHER BENEFICIARIES – (ACCOUNT 11.7)

They are made up as follows:

(Euro thousand)	2007	2006	Change
- Net rebates	-	(28)	(28)
- Profit sharing net of reinsurance	-	-	-
<b>TOTAL</b>	<b>-</b>	<b>(28)</b>	<b>(28)</b>

There were no reversals relating to coinsurance policies.

## OPERATING EXPENSES – (ACCOUNT II.8)

(Euro thousand)	2007	2006	Change
Acquisition commissions	(18,504)	(14,580)	(3,924)
Other acquisition expenses	(19,369)	(17,470)	(1,899)
Change in commissions and expenses to be amortised	(769)	(1,058)	289
Collection commissions	(6,660)	(8,212)	1,552
Other administration expenses	(28,465)	(29,326)	861
Commissions and profit part. from reinsurers	1,231	1,731	(500)
<b>TOTAL</b>	<b>(72,536)</b>	<b>(68,915)</b>	<b>(3,621)</b>

The acquisition commissions include acquisition charges on long-term contracts of Euro 2,034 thousand (Euro 2,907 thousand in 2006). The change in commissions and acquisition expenses to be amortised is due to the expensing in the income statement of the prepaid commissions relating to contracts signed by the former La Fondiaria S.p.A.

The other acquisition expenses include, in addition to the expenses relating to the general structure of the Commercial Department, the costs relating to the Market and Marketing Department and the IT expenses attributable to the new contracts acquired. The other administration expenses are of a residual nature and include management costs not directly attributable to the acquisition structure.

## ASSET AND FINANCIAL CHARGES – (ACCOUNT II.9)

(Euro thousand)	2007	2006	Change
Management expenses on investments and interest expense	(73,544)	(30,677)	(42,867)
Write-downs on investment values	(86,508)	(56,003)	(30,505)
Losses realised on sale of investments	(22,350)	(17,792)	(4,558)
<b>TOTAL</b>	<b>(182,402)</b>	<b>(104,472)</b>	<b>(77,930)</b>

Attachment 23 reports the composition of asset and financial charges of Life management.

The increase in management charges compared to 2006 is attributable to the higher issued discounts recorded on some financial structures in portfolio, however set off by the related higher yields in income.

The investment management charges include income taxes of Euro 308 thousand, of which Euro 261 thousand due on Property Taxes.

The adjustment to investment values includes depreciation on tangible fixed assets of Euro 476 thousand, alignment of investments and investment funds for Euro 22,449 thousand and debt securities of Euro 63,560 thousand.

The “Losses realised on investments” include losses of Euro 494 thousand realised on non-current securities allocated in accordance with the assignment of the assets in the separated management.

## **ASSET AND FINANCIAL CHARGES AND LOSSES NOT REALISED RELATING TO INVESTMENTS WHERE THE RISK IS BORNE BY THE POLICYHOLDER AND FROM THE MANAGEMENT OF PENSION FUNDS - (ACCOUNT II.10)**

### *Class D I charges*

(Euro thousand)	2007	2006	Change
Investment management charges	(7,564)	(3,524)	(4,040)
Losses realised on sale of investments	(766)	(310)	(456)
Losses not realised	(20,318)	(8,786)	(11,532)
<b>TOTAL</b>	<b>(28,648)</b>	<b>(12,620)</b>	<b>(16,028)</b>

The amount of the losses not realised refers for Euro 3,329 thousand to Unit-Linked products, Euro 16,989 thousand to Index-Linked products and other products as per article 30 of Legislative Decree 174/95.

### *Class D II charges*

(Euro thousand)	2007	2006	Change
Investment management charges	(444)	(882)	438
Losses realised on sale of investments	(1,858)	(1,181)	(677)
Losses not realised	(2,671)	(1,036)	(1,635)
<b>TOTAL</b>	<b>(4,973)</b>	<b>(3,099)</b>	<b>(1,874)</b>

The class D.II. charges refers to the “Fondo Pensione Aperto SAI”, the “Fondo Pensione Fondiaria Previdente” and the “Fondo Pensione Conto Previdenza”.

Attachment 24 shows a breakdown of these charges.

## OTHER TECHNICAL CHARGES NET OF REINSURANCE – (ACCOUNT II.11)

(Euro thousand)	2007	2006	Change
Other gross technical charges	(17,566)	(13,008)	(4,558)
Other technical charges ceded to reinsurers	-	-	-
<b>TOTAL</b>	<b>(17,566)</b>	<b>(13,008)</b>	<b>(4,558)</b>

The other technical charges prevalently refer to losses on receivables for first year annuity premiums and single premiums of Euro 11,213 thousand.

## QUOTA OF INVESTMENT INCOME TRANSFERRED TO THE NON TECHNICAL ACCOUNT (ACCOUNT II.12)

The amount transferred amounts to Euro 3,114 thousand.

In accordance with Isvap measure No. 1140-G article 6, the portion of the investment profits must not be lower than the amount of the investment profits contractually recognised to the policyholders in the year. Therefore, the quota was aligned with this lower value.

## SECTION 20

### DEVELOPMENT OF THE CLASS TECHNICAL ACCOUNTS

Attachment 25 provides a summary of technical accounts by each Non-Life class of the Italian portfolio. Attachment 27 provides a summary of technical accounts by each Life class of the Italian portfolio.

In the Non-Life classes the common amounts to several classes are represented by management expenses and by the quota of the profit of the investments transferred from the non technical account; in the Life classes, the common accounts to several classes are represented by the management expenses and the income from investments net of the quota transferred to the non technical account.

The following criteria for the breakdown of these common accounts are as follows:

- Other acquisition expenses: The account includes the costs of the Commercial Networks and of the Assistance Unit which are allocated directly based on the relative centre cost; the remaining expenses include the costs for the relative IT structures, for the management of the acquisition of the contracts. They are assigned through division keys which utilise statistics made on a sample of sales personnel;
- Claims expenses: They relate to expense cost centres of the settlement network as well as the Claims Management and the cost for the IT claims procedures. The allocation of the expenses not directly attributable to the individual classes is made based on the average number and amount of the claims settled by the personnel.

- Other administration expenses: All the other costs not included in the two previous categories comprise the other administration expenses and relate to overhead costs. The criteria utilised for the division is based on, in the majority of the cases, premiums appropriately adjusted, while for some entities a different criteria was utilised due to the specifics of the activity undertaken.
- For the portion of the profits of the investments, reference should be made to Isvap Measure No. 1140-G.

Further claims information on the technical accounts of the Non-Life and Life classes, with reference to the Italian and foreign portfolios, are shown in attachments 26, 28 and 29.

## SECTION 21

### INFORMATION CONCERNING THE TECHNICAL ACCOUNT

#### INCOME FROM INVESTMENTS FOR THE NON-LIFE DIVISION – (ACCOUNT III.3)

(Euro thousand)	2007	2006	Change
Income from shares	193,653	200,177	(6,524)
Income from other investments	139,580	162,299	(22,719)
Write-backs on investment values	27,320	6,055	21,265
Profit realised on investments	41,082	19,726	21,356
<b>TOTAL</b>	<b>401,635</b>	<b>388,257</b>	<b>13,378</b>

Attachment 21 shows, together with the income from Life management, the details of investment income. The income from shares and quotas include Euro 60,554 thousand relating to dividends from the subsidiary Milano Assicurazioni.

#### QUOTA OF INVESTMENT INCOME TRANSFERRED FROM THE LIFE DIVISION TECHNICAL ACCOUNT (ACCOUNT III.4)

Reference should be made to the comments in the related section of the Life class technical account.

#### ASSET AND FINANCE CHARGES FOR NON-LIFE INSURANCE BUSINESS – (ACCOUNT III.5)

(Euro thousand)	2007	2006	Change
Management expenses on investments and interest expense	(34,171)	(60,187)	26,016
Write-downs on investment values	(28,755)	(40,244)	11,489
Losses realised on sale of investments	(118,029)	(53,772)	(64,257)
<b>TOTAL</b>	<b>(180,955)</b>	<b>(154,203)</b>	<b>(26,752)</b>

The investment management charges comprise income taxes of Euro 4,026 thousand - of these Euro 3,794 thousand is attributable to Property Taxes.

The losses on the realisation of investments include Euro 66,736 thousand relating to charges incurred on the realisation of options against the closure of some hedges on capital securities. However, these charges are offset by gains to be realised on the underlying securities for Euro 56,812 thousand.

The decrease of the management charges on investments and interest charges, amounting to Euro 26 million, is largely due to the lower amount of charges relating to the bond component.

The adjustments to investment values include depreciation on tangible fixed assets of Euro 10,159 thousand, as well as alignment of investments and investment funds of Euro 15,743 thousand and debt securities of Euro 2,852 thousand.

Among the write-down on investments are Euro 9,006 thousand relating to subsidiaries.

Attachment 23 shows the asset and financial charges also in relation to Life management.

## **QUOTA OF INVESTMENT INCOME TRANSFERRED TO THE NON-LIFE TECHNICAL ACCOUNT (ACCOUNT III.6)**

The amount transferred amounted to Euro 157,757 thousand and was calculated in accordance with Isvap measure No. 1140-G.

## **OTHER INCOME (ACCOUNT III.7)**

The account amounts to Euro 160,769 thousand (Euro 157,287 in 2006) and is broken down as follows:

(Euro thousand)	2007	2006	Change
Recovery of expenses and administrative cost	74,919	80,273	(5,354)
Interest on restricted bank current accounts	11,050	7,172	3,878
Interest on insurance company accounts	704	672	32
Interest on other receivables	17,475	19,139	(1,664)
Utilisation of doubtful debt provision	12,206	11,190	1,016
Utilisation of provision for risks and charges	23,634	20,364	3,270
Other income	16,101	13,806	2,295
Exchange differences	4,680	4,671	9
<b>TOTAL</b>	<b>160,769</b>	<b>157,287</b>	<b>3,482</b>

The recovery of third party expenses and administration charges, which are offset against other charges, principally relate to the recharges to companies of the Group against the division, based on standard criteria, of the general functional costs at Group level.

The interests on non restricted bank accounts includes interest matured for Euro 1,976 thousand on bank accounts held at the subsidiary Banca Sai, interest for Euro 4,016 thousand on current accounts at other banks and Euro 5,058 thousand relating to interest on time deposit operations.

The interest from other receivables principally relates to notional interest on the non life/life account in favour of the life division for Euro 8,384 thousand, interest for the management of the Road Victims' Provision claims for Euro 2,288 thousand and interest from agents of Euro 6,175 thousand.

The utilisation of the doubtful debt provision is due to the losses recorded in the year relating to amounts which were provisioned and to other estimates not collectible other than those from policyholders for premiums.

The utilisation of the provisions for risks and charges includes the buildings maintenance provision for Euro 4,805 thousand, the employee service bonds provision as per article 30 of the CCNL of Euro 796 thousand and Euro 239 thousand from the commitments deriving from the agreement of April 14, 1972 for the integration of the pensions pursuant to law.

There were also utilisations of Euro 17,794 thousand from the provision for risks and charges principally against charges incurred, already accrued in previous years, in relation to employees for vacation days not taken and for the restitution of tax advantages following the national consolidated tax regime.

Other income, amounting to Euro 16,101 thousand (Euro 13,806 thousand at December 31, 2006) principally refers to services made to companies of the Group. These amounts are in addition to those of a mere recovery of costs and relate to the recovery from third parties of expenses and administration charges.

The other income includes Euro 485 thousand relating to tax credit on realisation and the valuation of the securities investment fund units.

## OTHER CHARGES (ACCOUNT III.8)

The account amounts to Euro 277,072 thousand (Euro 303,901 thousand in 2006) and includes:

(Euro thousand)	2007	2006	Change
Administrative costs/expenses borne for third parties	(74,919)	(80,273)	5,354
Interest expense on insurance company accounts	(1,431)	(1,044)	(387)
Other receivables from credit institutions	(55)	(92)	37
Interest on other payables	(9,242)	(13,618)	4,376
Provision for doubtful debts	(11,592)	(11,883)	291
Provision for risks and charges	(25,789)	(47,575)	21,786
Losses on receivables	(10,584)	(6,334)	(4,250)
Amortisation on other intangible assets	(21,462)	(31,905)	10,443
Goodwill amortisation	(48,657)	(48,657)	-
Interest on loans	(21,280)	(16,482)	(4,798)
Interest on sub-ordinated liabilities	(38,710)	(27,797)	(10,913)
Exchange differences	(7,511)	(5,140)	(2,371)
Other	(5,840)	(13,101)	7,261
<b>TOTAL</b>	<b>(277,072)</b>	<b>(303,901)</b>	<b>26,829</b>

The administration charges and expenses on behalf of other administrations, which are also recorded under other income, principally relate to the recharge to companies of the Group against the division, based on standard criteria, of the general Group overhead costs.

The interests on other payables principally include notional interest on the non-life/life account in favour of the Life Division of Euro 8,384 thousand.

The provision for doubtful debts relates to the provision made on receivables from agencies, brokers and other intermediaries due to co-insurance companies and other debtors, other than those deriving from the issue of premiums considered doubtful.

The provision for risks and charges refers for Euro 20,469 thousand to provisions for future risks and charges. Of these Euro 2,310 thousand refers to the amounts provisioned against the risk of restitution of tax savings attributable to the company and relating to tax losses from the consolidation by some subsidiary companies. The provision in the year takes into account adjustments from losses (and the related tax saving) estimated at the end of the previous year and those effectively realised on the preparation of the tax declarations.

The provision also includes charges that the company must incur towards employees for the renewal of the collective work contract and for other costs, of a certain nature and amount, for which the date of payment is still uncertain.

The residual refers for Euro 5,182 thousand to the provision of the building maintenance fund and for Euro 138 thousand to provisions for service premium fund as per article 31 of the CCNL.

In relation to the amortisation of goodwill in the year, reference should be made to the account Intangible Assets.

The amortisation of the other intangible assets, amounting to Euro 21,462 thousand, relate for Euro 618 thousand to software, for Euro 11,957 thousand to study and research expenses, for Euro 1,213 thousand to costs capitalised in the year relating to the loans granted by the subsidiary Sainternational S.A. and Euro 4,818 thousand for the placement of the subordinated loans. Finally, Euro 2,850 thousand refers for to the residual amortisation on the merger costs, Euro 4 thousand to leasehold improvements and Euro 2 thousand to trademarks.

The interest on loans includes Euro 9,205 thousand relating to the loans granted by the subsidiary Sainternational.

The interest on subordinated liabilities refers entirely to three subordinated loans from Mediobanca.

The residual charges principally refer to other taxes (advertising taxes, registration tax, stamp duty and rights) for Euro 414 thousand, rental expenses of Euro 195 thousand, and amounts due to Finitalia on financing for receivables granted to counterparties of insurance policies for Euro 4,628 thousand.

## EXTRAORDINARY INCOME – (ACCOUNT III.10)

The account amounts to Euro 143,355 thousand (Euro 48,337 thousand at December 31, 2006) and is composed as follows:

(Euro thousand)	2007	2006	Change
Gain on property sales	-	2,650	(2,650)
Gain from sale of investments in non-current securities	136,575	6,971	129,604
other extraordinary income	6,780	38,716	(31,936)
<b>TOTAL</b>	<b>143,355</b>	<b>48,337</b>	<b>95,018</b>

The account “gain from the sale of investments in non-current securities” includes income to be realised of Euro 164 thousand relating to bonds, while Euro 136,411 thousand refers to the equity segment.

The other extraordinary income includes prior year income for Euro 6,770 thousand.

## EXTRAORDINARY CHARGES – (ACCOUNT III.11)

The account amounts to Euro 27,680 thousand (Euro 33,186 thousand at December 31, 2006) and is composed as follows:

(Euro thousand)	2007	2006	Change
Expenses relating to the sale of buildings	-	(165)	165
Losses on property sales	-	(317)	317
Losses from sale of investments in non-current securities	(765)	(939)	174
Other extraordinary charges	(26,915)	(31,765)	4,850
<b>TOTAL</b>	<b>(27,680)</b>	<b>(33,186)</b>	<b>5,506</b>

The losses from the sale of investments in non-current securities relate for Euro 129 thousand to bonds and Euro 636 thousand to equities.

The other extraordinary charges include prior year charges of Euro 16,407 thousand, of which Euro 8,286 thousand due to sanctions from the Supervision Authority. The account also includes trading expenses on treasury shares of Euro 72 thousand, charges deriving from the sale of fixed assets of Euro 30 thousand and charges for repayment to policyholders against premiums paid in excess compared to the amount due following pronouncements by the Antitrust Authority for Euro 956 thousand and valuation losses on treasury shares for Euro 9,450 thousand.

## INCOME TAXES - (ACCOUNT III.14)

The account amounts to Euro 105,003 thousand (Euro 103,010 in 2006) and is broken down as follows:

(Euro thousand)	2007	2006	Change
<b>Current income tax</b>			
Ires income taxes	(86,000)	(70,000)	(16,000)
Irap regional tax	(24,000)	(24,000)	-
<b>Total current income taxes</b>	<b>(110,000)</b>	<b>(94,000)</b>	<b>(16,000)</b>
<b>Deferred tax charges</b>			
Ires income taxes	4,213	(9,583)	13,796
Irap regional tax	784	573	211
<b>Total net deferred taxes</b>	<b>4,997</b>	<b>(9,010)</b>	<b>14,007</b>
<b>TOTAL</b>	<b>(105,003)</b>	<b>(103,010)</b>	<b>(1,993)</b>

The current income taxes refer to the estimated Ires income taxes and Irap regional taxes for the current year, calculated in accordance with the current tax regulations and applied on the respective assessable basis for the nominal amounts of 33% of Ires income taxes and 5.25% for Irap regional taxes. The application of the nominal Irap regional tax rate of 5.25%, compared to 4.25% applied in the previous year, takes into account the higher rate, now widespread following its approval by the majority of Italian Regions, for the taxes payable on a regional basis.

In relation to the Ires income tax, for the year 2007 the Group taxation regime was renewed for the three year period 2007-2009 pursuant to article 117 of the Pres. Decree No. 917/1986 (so-called national tax consolidation) in which the Company, as consolidating company, settles and pays the Ires income tax on behalf of the subsidiary companies within the tax consolidation.

However, the Ires income tax in the income statement only refers to the amount attributable to the Company based on its assessable income and taking into account positive and negative tax items deriving from the consolidation adjustments.

On the other hand, the deferred taxes include the entire tax charge estimated on the Group.

The current tax is recorded as a provision and not as a tax payable, as at the year-end the income tax declaration of the company was not yet prepared.

The current taxes are broken down as follows:

(Euro thousand)	2007	2006	Change
Ires income taxes before changes from tax consolidation	(84,846)	(76,339)	(8,507)
Estimated income/(charge) from tax consolidation	(1,154)	6,339	(7,493)
Irap regional tax	(24,000)	(24,000)	-
<b>TOTAL</b>	<b>(110,000)</b>	<b>(94,000)</b>	<b>(16,000)</b>

The increase in the current income tax is principally due to the increase in the pre-tax result in 2007 compared to the previous year while in percentage terms it is substantially in line with the previous year.

In particular, the effect of the above-mentioned tax consolidation for the year 2007 amounts to Euro - 1,154 thousand, as the combined effect of the advantages deriving from the losses of some consolidated companies and the additional non taxation of 5% of inter-group dividends from these companies adhering to the tax consolidation for approx. Euro 3,565 thousand and charges of Euro 4,719 thousand, related to the restitution of tax savings to the subsidiaries which reported fiscal profits which reabsorbed, in full or in part, the losses attributed in previous years to the consolidating company.

This charge is recorded as the utilisation of a similar amount from the provision for risks and charges made in previous years against the restitution risk of the fiscal saving.

In relation to the Irap regional tax, the estimated amount for the year is in line with the previous year. This is due to the different calculation for the assessable amount of this tax which is largely related to income components not of an extraordinary nature and to the lower impact of the respective nominal rates on the Irap assessable amount.

In addition the increase in the rate due to the already reported regional increases, is partially offset by greater reductions estimated on the assessable base following the extension, in accordance with Legislative Decree No. 81/2007, of the so-called “fiscal amnesty” introduced by article 1, paragraph 266, of Law 296 of December 23, 2006 (2007 Finance Act).

The movements in deferred taxes are as follows:

(Euro thousand)	2007	2006	Change
Deferred tax charges arising	(6,094)	(16,129)	10,035
Deferred tax charges cancelled	38,318	22,475	15,843
Deferred tax income arising	45,390	54,331	(8,941)
Deferred tax income cancelled	(72,617)	(69,687)	(2,930)
<b>TOTAL</b>	<b>4,997</b>	<b>(9,010)</b>	<b>14,007</b>

In accordance with article 2427 of the Civil Code, point 14, the following table shows the temporary differences giving rise to the deferred tax assets and liabilities. This was calculated applying to these temporary differences the nominal rates in force when the amounts will reverse, already approved at the date of the preparation of the present accounts, in accordance with national accounting standard No. 15, issued by O.I.C.

Therefore, account is taken of the changes made by Law 244 of December 24, 2007 (2008 Finance Act) which established the Ires income tax rate as 27.5% and the Irap regional tax rate as 3.90% from 2008. In relation to Irap, where applicable, account was also taken of the higher rates applied by some Regions.

(Euro thousand)	2007		2006	
Deferred tax asset	Temp Diff	Tax Def	Temp Diff	Tax Def
Long-term Non-Life commissions payable	41,333	13,392	57,137	21,284
Write-down receivables from policyholders for premiums	48,767	13,411	57,268	18,898
Write-down of other receivables	13,462	3,702	10,992	3,628
Property maintenance provision	5,148	1,416	4,805	1,586
Losses not realised on shares	34,209	11,084	3,537	1,318
Provision for risks and charges	7,978	2,286	18,455	6,090
Other temporary changes	309	99	4,125	1,527
<b>TOTAL</b>	<b>151,206</b>	<b>45,390</b>	<b>156,320</b>	<b>54,331</b>

Deferred tax liabilities	Changes Temp.	Imp. Changes	Changes Temp.	Imp. Changes
Deferred gains	539	148	9,984	3,433
Gains not realised on shares	1,071	347	506	189
Depreciation and fiscal adjustments	17,282	5,599	19,882	7,406
Other temporary changes	-	-	15,457	5,101
<b>TOTAL</b>	<b>18,892</b>	<b>6,094</b>	<b>45,829</b>	<b>16,129</b>

There were no temporary differences in the year giving rise to deferred tax assets or liabilities on equity.

With reference to the temporary differences arising in the year, the recording of the deferred tax asset totalling Euro 45,390 thousand is principally due to the deduction over three years of the acquisition commissions on insurance contracts in the non-life classes and to the deduction over nine years of the write-downs made on receivables from policyholders for premiums exceeding the quota deductible as per article 106, paragraph 3, of Pres. Decree No. 917/1986.

The contained decrease of the deferred tax assets arising in 2007 compared to the previous year is almost fully attributable to the effect of the reduction of the nominal Ires income tax rate (from 33% to 27.5%) while in relation to the temporary differences from which they originated and which will be deducted in future years, compared to previous year, there was a greater losses from valuation of shares of Euro 30,672 thousand against lower provision for risks and charges made in the year and lower long term commissions in the Non-Life classes.

On the other hand, the reversal of the deferred tax assets recorded in previous years generated a tax charge of Euro 72,617 thousand.

These reversals are principally related for Euro 21,334 thousand to the long term commissions deductible in future years and for Euro 18,357 thousand to the reversal of the deduction of the write-downs on non-current investments pursuant to article 1 of Legislative Decree 209/2002 and for Euro 7,019 thousand to the reversal of the write-downs made on receivables from policyholders.

To the above is added the reversal totalling Euro 4,741 thousand of the deferred tax asset related to the utilisations made in the year on the provision for risks and charges and the building maintenance provision.

In addition the changes to the nominal tax rates, which will be applied from the next year, resulted in the reversal of excess deferred tax liabilities recorded in previous years net of the reversals in the current year, totalling Euro 14,970 thousand.

In relation to the movements under deferred tax liabilities the most significant items related to the estimated deductions in the income tax declaration to be presented, of depreciation on buildings and goodwill made exclusively in application of tax law as per article 109, paragraph 4, letter b, of the Pres. Decree No. 917/1986. Similar to that of the previous year, the depreciation does not take account of the land cost component where the buildings are located.

In 2007, the charge related to the deferred tax liability reduced significantly. This is related to the fact of the lower gains taxed in future years as per article 86, paragraph 4, of D.P.R. 917/1986 and to the fact, in the previous year, deferred tax assets were prudently accrued (Euro 5,101 thousand) against share capital reductions approved, or expected, through the cancellation of treasury shares already held or to be acquired.

In relation to the reversal of the deferred tax liabilities in the previous year they amount to Euro 38,318 thousand.

Of these, Euro 11,856 thousand refers to the taxation in 2006 of the portion of gains from previous years, Euro 3,132 thousand referring to the taxes reversed on the above-mentioned share capital reduction which took place in the year, while Euro 1,925 thousand refers to the deferred tax liabilities cancelled due to the reversal of the recovery of non-current securities made in 2004 recorded only in the statutory financial statements.

In addition, the reversal of the deferred tax liabilities include Euro 13,754 thousand relating to the excess provisions made in previous years, net of the reversals in the year, following the changes in the nominal tax rates in addition to Euro 7,235 thousand relating to the utilisation of the deferred tax liability provision on gains, fiscally not recorded, recorded following the incorporation of Fondiaria Assicurazioni due to changes made to the 2008 Finance Act.

Among the accounts excluded from the deferred tax are the provisions for risks and charges against those estimates for which it is considered appropriate, prudently, not to record deferred tax assets in consideration of the uncertainty on the timing and on the variability of the estimates made.

Similarly the write-downs and the related write-backs on investments held in accordance with article 87 of Pres. Decree No. 917/1986 were excluded which, although technically reversible for the part of the gain which becomes taxable following the changes to the Pex law, they may not currently be recorded for a correct valuation.

The table below shows the reconciliation between the effective tax charge and theoretical tax charge calculated on the nominal Ires income tax rate of 33%.

For a better understanding no account was taken of the Irap regional tax as the assessable base is substantially different, and therefore not comparable.

(Euro thousand)	2007	2006	Change
Profit before taxes	428,073	375,084	52,989
Taxes on theoretical income (excluding regional tax)	141,264	123,778	17,486
Tax effect from changes in permanent differences	(62,607)	(48,777)	(13,830)
Other differences	3,130	4,582	(1,452)
<b>Taxes on income (excluding regional tax)</b>	<b>81,787</b>	<b>79,583</b>	<b>2,204</b>
Irap regional tax	23,216	23,427	(211)
<b>Total taxes for the year</b>	<b>105,003</b>	<b>103,010</b>	<b>1,993</b>
Tax rate (%)	25	27	(2)

The decrease of the tax charge compared to the previous year is principally related, on the one hand, to the greater impact, in 2007, of the gains realised, and from valuations, relating to non-current investments which benefit from partial exemption as per article 87 of the Consolidated Finance Act and, on the other hand, the above-mentioned utilisation of the deferred tax liability on the allocation of the merger from the incorporation of Fondiaria Assicurazioni.

On the other hand, the year 2007 recorded a negative impact deriving from the comparison between charges and benefits from the tax consolidation added to a negative net effect related to the reversal of deferred tax assets and liabilities due to the already commented upon changes in income tax rates of Euro 1,216 thousand.

The other differences refer to the net effect of higher charges from temporary changes arising in the year, which include a higher current tax compared to the deferred tax assets and liabilities accrued due to the reduction in the rates of Euro 6,839 thousand, higher charges for the reversal of deferred tax assets and liabilities accrued in previous years of 1,216 thousand and the income related to the above-mentioned utilisation of deferred tax liabilities accrued following the merger of Euro 7,235 thousand and, finally, to fiscal disadvantages related to the transfer of net losses ceded of Euro 2,310 thousand.

## SECTION 22

### OTHER INFORMATION ON THE INCOME STATEMENT

Attachment 30 shows the transactions with group companies and attachment 31 shows the direct premiums written.

The table of costs relating to personnel, directors, and statutory auditors are reported in attachment 12.

### EXCHANGE RATES

The exchange rates of the principal currencies utilised for the conversion of the balance sheet accounts are as follows:

	2007	2006
US Dollar	1.4721	1.317
UK Sterling	0.73335	0.6715
Japanese Yen	164.93	156.93
Swiss Franc	1.6547	1.6069

Pursuant to article 78 of Consob Resolution No. 11971 of May 14, 1999 and in accordance with the criteria of attachment 3C, the remuneration of directors, statutory auditors and general managers, of whatever nature and form, also from subsidiary companies, is shown below:

NAME	OFFICE HELD			REMUNERATION				
							Other remuneration (3)	
	Office held (1)	Period of office	Expiry of office	Emoluments	Non-monetary benefits (2)	Bonuses and other incentives	Emoluments for offices held in subsidiary companies	Other
Ligresti Jonella	Chairman – Director - EC	1/1-31/12/2007	AGM 2008 Accounts	* 2,351,912	2,394	2,000,000	150,197	
Ligresti Giulia Maria	Vice Chairman - Director - EC	1/1-31/12/2007	AGM 2008 Accounts	261,912	2,394	1,000,000	555,304	
Pini Massimo	Vice Chairman - Director - EC	1/1-31/12/2007	AGM 2008 Accounts	283,001	28,803	500,000	115,970	
Talarico Antonio	Vice Chairman - Director - EC	1/1-31/12/2007	AGM 2008 Accounts	276,755	20,981		2,550,860	
Marchionni Fausto	Chief Executive Officer - General Manager – Director - EC CR	1/1-31/12/2007 27/3-31/12/2007	AGM 2008 Accounts AGM 2008 Accounts	* 1,600,000 7,671	5,767	1,500,000	997,305	(a) 3,076,100
Broggini Andrea	Director	1/1-31/12/2007	AGM 2008 Accounts	50,000			0	
Cerutti Mariella	Director	1/1-31/12/2007	AGM 2008 Accounts	50,000			0	
Comoli Maurizio	Director	1/1-31/12/2007	AGM 2008 Accounts	50,000			0	(b)
Corsi Francesco	Director	1/1-31/12/2007	AGM 2008 Accounts	50,000			0	(c)
D'Urso Carlo	Director	1/1-31/12/2007	AGM 2008 Accounts	50,000			15,000	(d)
La Russa Vincenzo	Director - EC	1/1-31/12/2007	AGM 2008 Accounts	100,000			10,000	(e)
Ligresti Gioacchino Paolo	Director EC	1/1-31/12/2007	AGM 2008 Accounts	100,000		1,000,000	3,390,930	
Lo Vecchio Lia	Director	1/1-31/12/2007	AGM 2008 Accounts	50,000			15,100	
Mei Enzo	Director I.C.C. RC	1/1-31/12/2007 27/3-31/12/2007	AGM 2008 Accounts	60,000 7,671			0	
Morbidelli Giuseppe	Director	1/1-31/12/2007	AGM 2008 Accounts	50,000			0	(f)
Rucellai Cosimo	Director	1/1-31/12/2007	AGM 2008 Accounts	50,000			75,000	
Spiniello Salvatore	Director - I.C.C.	1/1-31/12/2007	AGM 2008 Accounts	60,000			43,570	(g)
Toselli Ezio	Director I.C.C.	1/1-31/12/2007	AGM 2008 Accounts	60,000			0	
Zannoni Oscar	Director RC	1/1-31/12/2007 27/3-31/12/2007	AGM 2008 Accounts	50,000 7,671			0	
Marino Benito Giovanni	Chairman Board of Statutory Auditors	1/1-31/12/2007	AGM 2008 Accounts	137,500			42,135	

Mantovani Giancarlo	Statutory Auditor	1/1-31/12/2007	AGM 2008 Accounts	92,000	65,500
Spadacini Marco	Statutory Auditor	1/1-31/12/2007	AGM 2008 Accounts	92,000	0
Malerba Alessandro	Alternate Auditor	1/1-31/12/2007	AGM 2008 Accounts	0	0
Mosconi Maria Luisa	Alternate Auditor	1/1-31/12/2007	AGM 2008 Accounts	0	75,400
EXECUTIVE WITH STRATEGIC RESPONSIBILITY (h)					(a)
		1/1-31/12/2007		12,329	4,155,983

(1) The letters “EC” indicate members of the Executive Committee, the letters “I.C.C.” indicate members of the Internal Control Committee and the letters “RC” indicate members of the Remuneration Committee.

(2) Estimated value.

\* The remunerations for the offices held of the Chairman Ms. Jonella Ligresti and of the Chief Executive Officer Mr. Fausto Marchionni include the remuneration for the offices of Director and Member of the Executive Committee, as approved by the Board of Directors of Fondiaria-SAI on June 20, 2007.

- (a) Remuneration as employee, including extraordinary bonus for 40 years of service.
- (b) Professional services provided by Studio Comoli Battuello & Associati to Fondiaria-SAI S.p.A.: Euro 25,619.54 - Professional services provided to subsidiary companies: Euro 28,877.13.
- (c) Professional services provided by the Studio leg.Associato Corsi-Iozzelli-D'Angelo-Gori to Fondiaria-SAI S.p.A.: Euro 177,121.18.
- (d) Professional services provided by Studio Associato D'Urso Gatti & Associati to Fondiaria-SAI: Euro 1,218,457.00 - Professional services provided to subsidiary companies: Euro 654,296.00.
- (e) Professional services provided to Fondiaria-SAI S.p.A.: Euro 292,654.50 - Professional services provided to subsidiary companies: Euro 124,048.50.
- (f) Professional services provided by Studio Legale Associato Morbidelli Bruni Righi Traina to Fondiaria-SAI: Euro 22,056.25.
- (g) Professional services provided to Fondiaria-SAI S.p.A.: Euro 135,000.00 - Professional services provided to subsidiary companies: Euro 115,000.00.
- (h) The emoluments relate to key management personnel at an aggregate level.

## Obligation to publish the audit fees and other services provided by audit firm

The Consolidated Finance Act reform contained in law No. 262 of December 28, 2005, supplemented by Legislative Decree No. 303 of December 29, 2006 modified the regulations on the incompatibility of the audit firm and introduced new provisions in relation to the disclosure of audit fees pursuant to article 160, paragraph 1-bis.

Article 149 of the Consob Issuers' regulations implemented article 160, paragraph 1-bis of the Consolidated Finance Act and establishes the format for the disclosure of the audit remuneration which the audit company and parties belonging to its network received, separately, for audit or other services and indicating the type or category or service.

The fees received for the various services by the audit firm Deloitte & Touche S.p.A. from Fondiaria-SAI S.p.A. are listed below:

Type of service	Party providing the service	Company	Remuneration (in Euro thousands)
a) audit	Deloitte & Touche S.p.A.	Fondiaria-Sai	695.1
	Deloitte & Touche S.p.A.	Group Fondiaria-Sai	338.1
b) certification work	Deloitte & Touche S.p.A.	Fondiaria-Sai	527.4
	Deloitte & Touche S.p.A.	Group Fondiaria-Sai	54.6
c) tax services			
d) other services	Deloitte & Touche S.p.A.	Fondiaria-Sai	180.0
Total for the year			1,795.2

*excluding VAT*

*d) advisory fees for the issue of a comfort letter on a sub-ordinated loan.*

The fees for the various services by the audit firm Deloitte & Touche S.p.A. paid by the Fondiaria-SAI Group are listed below:

Type of service	Party providing the service	Company	Remuneration (in Euro thousands)
a) audit	Deloitte & Touche S.p.A.	Subsidiary companies	1,582.3
b) certification work	Deloitte & Touche S.p.A.	Subsidiary companies	228.0
c) tax services	Deloitte & Touche S.p.A.	Subsidiary companies	26.9
d) other services	Deloitte & Touche S.p.A.	Subsidiary companies	
Total for the year			1,837.2

*excluding VAT*

## **Part C**

### **Other information**

## CASH FLOW STATEMENT AS AT 31/12/2007

(Euro thousand)	31/12/2007	31/12/2006
<b>Profit before taxes</b>	<b>428,073</b>	<b>375,084</b>
<b>Non-cash adjustments</b>	<b>149,296</b>	<b>462,701</b>
Change in non-life unearned premium reserve	42,688	(623)
Change in claims reserve and other non-life technical reserves	(167,308)	(107,246)
Change in actuarial reserves and other life technical reserves	(58,229)	336,006
Change in deferred acquisition costs	769	1,058
Change in provisions	2,320	27,012
Non-cash income/charges from financial instruments, property investments and holdings	17,703	22,399
Other changes (Gains, Losses, Release on provisions, bad debts, provisions, amortisation, extraordinary tax income/charge, transfer reserves to income statement)	311,353	184,095
<b>Change in payables and receivables from operating activities</b>	<b>217,093</b>	<b>144,547</b>
Change in payables and receivables from direct insurance operations and reinsurance	(58,936)	(103,390)
Change in other payables and receivables	276,029	247,937
<b>Income tax paid</b>	<b>(120,153)</b>	<b>(137,039)</b>
<b>Net liquidity generated/absorbed from cash items relating to investing and financing activities</b>	<b>53,282</b>	<b>51,962</b>
Investments where risk is borne by Life policyholders and pension fund management	53,282	51,962
<b>TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<b>727,591</b>	<b>897,255</b>
Net liquidity generated/absorbed from property investments	(30,841)	(64,257)
Net cash generated/absorbed from investments in subsidiaries, associates and joint ventures	(699,124)	(212,955)
Net cash generated/absorbed from loans and receivables	3,189	284,729
Net cash generated/absorbed from investments in debt, equity and unit funds	286,930	(861,789)
Net cash generated/absorbed from intangible and tangible fixed assets	55,519	(8,545)
Net cash generated/absorbed from other investing activities	(29)	774)
<b>TOTAL NET CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>(384,354)</b>	<b>(862,043)</b>
Net cash generated/absorbed from Group equity instruments	1,489	14,736
Net cash generated/absorbed from treasury shares	(72,683)	(44,121)
Dividends distributed	(170,734)	(162,037)
Net cash generated/absorbed from minority interest capital and reserves	0	0
Net cash generated/absorbed from sub-ordinated liabilities and financial instruments in holdings	0	150,000
Net cash generated/absorbed from other financial liabilities	(97,080)	(68,044)
<b>TOTAL NET CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>(339,008)</b>	<b>(109,466)</b>
<b>Exchange difference effect on cash and cash equivalents</b>	<b>0</b>	<b>0</b>
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	156,272	230,526
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,229	(74,254)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	160,501	156,272

## **SOLVENCY MARGIN AND CONSTITUTING ELEMENTS**

An attachment to the financial statements shows the solvency margin, as determined by Isvap measure No. 2322 of December 6, 2004. The amount of the margin is Euro 332 million for the Life division and Euro 611 million for the Non-Life division, against constituting elements of respectively Euro 846 million and Euro 1,799 million.

## **TECHNICAL RESERVES AT YEAR END AND ASSETS COVERED**

The schedules of the assets assigned to cover the technical reserves of the Life classes and of the Non-Life classes, in accordance with the provisions of the Supervision Authority, are attached to the financial statements. The covering reserves, totalling Euro 8,316 million for the Life division (Euro 7,705 million relating to the class C reserves and Euro 611 million relating to the class D reserves) and Euro 6,084 million for the Non-Life division, are undertaken by activity permitted by law.

*Milan, March 26, 2008*

*For the Board of Directors  
The Chairperson*

Jonella Ligresti

**Declaration of the Financial Statements as per Article 81-ter of Consob Regulation No. 11971 of May 14, 1999 and subsequent modifications and integrations**

The undersigned Fausto Marchionni (as Chief Executive Officer of Fondiaria-SAI) and Pier Giorgio Bedogni (as Executive responsible for the preparation of the corporate accounting documents of Fondiaria-SAI SpA) affirm, and also in consideration of article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of 24 February, 1998:

- the accuracy of the information on company operations and
  - the effective application,
- of the administrative and accounting procedures for the compilation of the financial statements for 2007.

The valuation of the adequacy of the accounting and administrative procedures for the preparation of the financial statements at December 31, 2007 is based on a Model defined by Fondiaria-SAI Spa in accordance with the “Internal Control – Integrated Framework” and “Cobit” which represent benchmarks for internal control systems generally accepted at international level.

In addition, we declare that the financial statements at December 31, 2007:

- corresponds to the underlying accounting documents and records;
- were prepared in conformity with law, making reference to the principles issued by the Italian Accounting Board for interpretative purposes and to our knowledge, provide a true and correct representation of the economic, balance sheet and financial situation of the issuer.

*Milan, March 26, 2008*

*The Chief Executive Officer*

Fausto Marchionni

*The Executive Responsible for  
the preparation of the corporate accounting documents*

F.to Pier Giorgio Bedogni

## **Report and resolutions of the independent boards**



## **Statutory Auditors' Report**

Dear Shareholders,

during 2007 our control activities were undertaken in accordance with those required of the Board of Statutory Auditors pursuant to Legislative Decree No. 58 of February 24, 1998 and article 2403 of the Civil Code, taking into account new provisions of law concerning the insurance sector and regulations issued by the supervision authority.

We refer to the implementation of the regulations contained in the Private Insurance Code (Legislative Decree 209/05), and to the market liberalisation provisions (Law 248/06 and Law 40/07) in relation to the insurance sector and, finally, to the regulations in relation to direct compensation within the Motor TPL class. In particular, in relation to this last aspect, considering the significant impact which the new provisions have on the Parent Company and on the principal insurance subsidiaries operating in the Non-Life sector, the Board constantly monitored the operational-technical and IT changes undertaken by the Company to implement the new regulations efficiently.

The financial statements at December 31, 2007, prepared in accordance with the format and provisions contained in Legislative Decree No. 173 of May 26, 1997 and together with the Directors' Report, report a net profit of Euro 323,071 thousand, as described in detail in the Directors' Report.

We verified that the accounting principles adopted, described in the notes to the financial statements, are adequate in relation to the activities and operations undertaken by the Company and we also verified the correspondence of the financial statements to the facts and information which we obtained during our participation at the meetings of the Board of Directors: this permitted us to acquire adequate information on the most important economic, financial and equity operations undertaken by the Company. Consequently, we examined the reliability of the accounting-administrative system to correctly represent the operational facts and ensure the safeguarding of the company's assets and in the timely identification of errors and irregularities, as well as on the level of reliability of the internal control system to meet with the operational needs.

We examined and reviewed, within our responsibilities, on the adequacy of the organisational structure of the Company and on compliance with the various norms, through direct observation, obtaining information from department managers and meetings with the Audit Firm, the Internal Control Committee, the Supervision Board and the Executive Responsible for the preparation of the corporate accounting documents, each in relation to their responsibilities, in order for a reciprocal exchange of significant data and information.

In relation to the organisational structure of the Company, which is adequate for the size and nature of the business activities, we examined in particular the separation of responsibilities in the duties and in the functions, as well as a clear definition of the powers delegated to each function.

In particular, following the meetings with the Audit Firm, no data, facts or information arose which should be reported in the present report or to the external supervision authorities.

During 2007, we met 18 times and:

- we verified that the preparation of the financial statements and the directors' reports were in compliance with law, through direct verifications and the information obtained from the Audit Firm, as well as from the various departments. In addition, the Audit Firm Deloitte & Touche S.p.A., on April 4, 2008, issued its report without any exceptions. We also report no matters arose in relation to the independence of the above-mentioned Audit Firm;
- we reviewed compliance with correct administrative principles, verifying the operational correctness for the criteria of economic rationality, without however examining the managerial choices taken, reserved to the directors;

- we reviewed the adequacy, also in relation to the timeliness, of the instructions given by the Company to the Subsidiary Companies, pursuant to article 114, paragraph 2, of Legislative Decree No. 58/98, in relation to the obligatory communications required by law and in accordance with article 2497 of the Civil Code. In particular, taking into account that the Company exercises direction and coordination activity pursuant to article 2497 of the Civil Code in relation to the majority of its subsidiaries, we verified compliance with the conduct regulations issued by the Company, in order to ensure the undertaking of the duties of coordination and control, and to guarantee compliance with the obligations of transparency and disclosure to the markets required by current regulations;
- we verified compliance with the provisions for money laundering in accordance with law No. 197/91;
- we verified compliance with the regulatory provisions in relation to the utilisation of derivative financial instruments;
- we verified compliance of the provisions in relation to the classification and valuation of the securities portfolio and the assignment of the financial instruments to the non-current and current sector, in line with the guidelines established by the specific resolutions of the Board of Directors;
- we monitored the activities of the audit function and we participated at 7 meetings held by the Internal Control Committee. In particular, in relation to the provisions of Isvap circular No. 577/D, we constantly monitored the internal control model adopted by the Company, including through meetings and exchange of information with the persons appointed and participation at the meetings of the above-mentioned Internal Control Committee. Specifically, with reference to the Boards of Statutory Auditors and exchange of information within the Group, although in the presence of professionals which undertake this role in several companies of the group, we undertook, during 2007, a series of joint meetings in order to exchange data and information;
- we examined the correctness and the regular flow of information within the insurance records and registers;
- we verified compliance of the regulations which govern the covering of the technical reserves with particular reference, in relation to the investments, to their full ownership and availability, to the inexistence of restrictions, to the compliance of the requisites of admission and of the other limits required by the investment criteria, as well as the regulations on their appropriateness. In this context we periodically reviewed the appropriateness of the administrative-accounting procedures adopted by the company for the management of the process of recording the assets to cover the technical reserves, of their recording in the specific register, of the attachments to the financial statements and of the quarterly communications to Isvap;
- we verified the correctness of the register of claims in accordance with the provisions of the Supervision Authority with circular No. 518/D;
- we verified both the individual and Group level constituting elements of the solvency margin;
- we verified the correctness of the register of parties having access to confidential information, pursuant to article 115 of Legislative Decree No. 58/98, and already set up in 2006.

We point out also that the Board of Directors approved specific conduct principles for the undertaking of significant operations and with related parties, which are continually monitored and updated.

In particular for this latter, the Board also verified that these operations responded to the criteria of substantial and procedural correctness and they were not in contrast with the interests of the Company, including, as adequately illustrated in the Directors' Report and in the attachments to the Notes to the Financial Statements, the transactions of a financial, insurance and service nature with the Companies of the Group.

These operations made in the interest of the Company, and supported, where necessary, by fairness and legal opinions, were regulated at market prices and did not give rise to conflicts of interest or even potential conflicts. We attended all the meetings of the Board of Directors and the Executive Committee, amounting respectively in 2007 to 10 meetings and 4 meetings and we systematically received information from the directors on the activities performed and on the most important economic, financial and equity operations made by the Company and its Subsidiaries.

We can assure you that the operations approved by the Board of Directors or by the Executive Committee were undertaken in compliance with legislative, statutory and regulatory provisions and that no acts of imprudence, unduly risky, atypical and/or unusual, in conflict of interest with the Company, in contrast with resolutions of the Shareholders' Meeting or such as to compromise the company's assets took place.

The Board of Directors on September 12, 2007 provided us with a copy of the first half-year report, in accordance with article 2428 of the Civil Code, 3<sup>rd</sup> paragraph, which was filed on time at the registered office of the Company. This Report did not result in particular observations by us. The Half-year report and the Quarterly reports were published in accordance with the terms prescribed by law and regulations, while the Report on the management of the Pension Funds are in line with the provisions issued by the Supervision Commission and with the underlying investment lines.

In addition, in accordance with Consob communication of April 6, 2001, supplementing comments in other parts of the report, We inform you that:

- the Company has an adequate and efficient control system;
- the Board of Statutory Auditors did not receive petitions or notifications in 2007 from shareholders in accordance with article 2408 of the Civil Code;
- the Company assigned, during the year, to Deloitte & Touche S.p.A., the Audit Company appointed for the audit of the statutory and consolidated financial statements, a further assignment of a professional nature relating to the audit connected to the provision of comfort letters on the issue of hybrid debt instruments for a cost of Euro 180 thousand excluding VAT expenses.

We also communicate that during the year 2007 Your Company did not assign to parties related to Deloitte & Touche S.p.A. other assignments of a professional nature;

- we verified the correct application of the assessment criteria and procedures adopted by the Board of Directors to evaluate the independence of its members;
- during the year we gave opinions required in accordance with law, pursuant to article 2389, paragraph 3 of the Civil Code, as well as on the appointment of the Executive Responsible for the preparation of corporate accounting documents, pursuant to article 154 of the Consolidated Finance Act.

We recall that Your Company applies the "national tax consolidation", on the basis of specific agreements which regulates the economic and financial relations with the subsidiaries within the tax consolidation and the reciprocal responsibility with the Tax Authorities.

The income tax recorded in the income statement refers solely to that attributable to the Company, while the Tax Provision includes the entire tax charge estimated of the Group, with receivable and payable balances with the subsidiary companies.

In conclusion of our report, we express our favourable approval of the financial statements for the year ended December 31, 2007, as prepared by the directors and on the resolution on the allocation of the profit for the year, including the dividends, as proposed by Your Board of Directors, in accordance with article 16 of Legislative Decree 173/1997, and on the allocation of 3% of the profit for the year available to the Board of Directors, on which Your Directors have provided detailed information.

You are also called to deliberate on the other matters on the agenda and specifically:

A) – In ordinary session:

- *appointment of an Alternate Auditor*
- *resolutions in relation to treasury shares in accordance with article 2357 and 2357-ter of the Civil Code.*

We inform you that on March 26, 2008 Your Company held 2,580,000 treasury shares equal to 1.53% of the entire share capital. On April 30, 2008, the twelve-month period fixed by the Shareholders' Meeting for the purchase and sale of treasury shares expired.

For the purchase and sales which will be made subsequently, if this resolution is approved, the company must comply with article 144 of Consob Regulation No. 11971/1999 and article 132 of Law 58/98.

- *resolution on the shares of Premafin Finanziaria S.p.A., pursuant to article 2359-bis of the Civil Code.*

We inform you that on March 26, 2008, Your Company held 18,340,027 shares of the parent company Premafin Finanziaria S.p.A., equal to 4.47% of the entire share capital. On April 30, 2008, the twelve-month period fixed by the Shareholders' Meeting for the purchase and sale of holding company shares expired.

For the purchase and sales which will be made, if this resolution is approved, the Company must comply with article 144 of Consob Regulation No. 11971/1999 and article 132 of Law 58/98.

B) – In extraordinary session:

- *Reduction of the share capital through cancellation of all 2,580,000 ordinary treasury saving shares of a nominal value of Euro 1 each.*

This resolution has the purpose, as illustrated by Your Directors, to optimise the capital structure of the Company. The resolution altered article 5 of the Company By-Laws;

- *Proposal of changes to articles 3 and 24 of the Company By-Laws with reference, respectively, to the introduction to the reference to the Insurance Group as per Legislative Decree No. 209/2005 and to the statutory limit on the accumulation of offices by the members of the Board of Statutory Auditors.*

Following the entry into force of this regulation, it is necessary to amend the Company By-Laws in accordance with the specific regulation. Therefore, We invite you to approve the proposal made by Your Board of Directors.

Turin, April 7, 2008

*The Board of Statutory Auditors*  
Benito MARINO  
Giancarlo MANTOVANI  
Marco SPADACINI



## **Auditors' Report**

**RELAZIONE DELLA SOCIETÀ DI REVISIONE AI SENSI DELL'ART. 156  
DEL D.LGS. 24/02/1998, N. 58 E DELL'ART. 102 DEL D.LGS. 07/09/2005, N. 209**

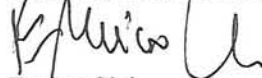
**Agli Azionisti di  
FONDIARIA - SAI S.p.A.**

1. Abbiamo svolto la revisione contabile del bilancio d'esercizio di FONDIARIA - SAI S.p.A. chiuso al 31 dicembre 2007. La responsabilità della redazione del bilancio compete agli Amministratori di FONDIARIA - SAI S.p.A.. E' nostra la responsabilità del giudizio professionale espresso sul bilancio e basato sulla revisione contabile.
2. Il nostro esame è stato condotto secondo i principi e i criteri per la revisione contabile raccomandati dalla CONSOB. In conformità ai predetti principi e criteri, la revisione è stata pianificata e svolta al fine di acquisire ogni elemento necessario per accertare se il bilancio d'esercizio sia viziato da errori significativi e se risultati, nel suo complesso, attendibile. Il procedimento di revisione comprende l'esame, sulla base di verifiche a campione, degli elementi probativi a supporto dei saldi e delle informazioni contenuti nel bilancio, nonché la valutazione dell'adeguatezza e della correttezza dei criteri contabili utilizzati e della ragionevolezza delle stime effettuate dagli Amministratori. Relativamente all'esame delle voci di bilancio riguardanti le riserve tecniche iscritte nel passivo dello stato patrimoniale ci siamo avvalsi, ai sensi dell'art. 102 del D.Lgs. n. 209/2005, della relazione rilasciataci da un attuario abilitato, qui allegata. Riteniamo che il lavoro svolto fornisca una ragionevole base per l'espressione del nostro giudizio professionale.

Per il giudizio relativo al bilancio dell'esercizio precedente, i cui dati sono presentati ai fini comparativi secondo quanto richiesto dalla legge, si fa riferimento alla relazione da noi emessa in data 11 aprile 2007.

3. A nostro giudizio, il bilancio d'esercizio di FONDIARIA - SAI S.p.A. al 31 dicembre 2007 è conforme alle norme che ne disciplinano i criteri di redazione; esso pertanto è redatto con chiarezza e rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria e il risultato economico della Società.

DELOITTE & TOUCHE S.p.A.



Enrico Ciai  
Socio

Torino, 4 aprile 2008

*Spett.le Società di Revisione  
Deloitte & Touche S.p.A.  
Galleria San Federico, 54  
10121 Torino*

**SOCIETA' MULTIRAMO**

Ai sensi degli art. 102 e 103 del Decreto Legislativo 7 settembre 2005,  
n 209 "Codice delle assicurazioni private"

**Oggetto:** Società Fondiaria – SAI S.p.A.  
Bilancio dell'esercizio 2007

1. In esecuzione dell'incarico conferitomi, ho sottoposto a revisione attuariale le voci relative alle riserve tecniche iscritte nel passivo dello stato patrimoniale del bilancio di esercizio della Società Fondiaria - SAI S.p.A., chiuso al 31 dicembre 2007, al fine di esprimere il mio giudizio in merito alla sufficienza delle suddette riserve tecniche in conformità alle vigenti disposizioni di leggi e regolamentari e a corrette tecniche attuariali nel rispetto dei principi di cui all'art.2 del Provvedimento ISVAP n.845 in data 1 aprile 1998.
2. A mio giudizio, nel loro complesso le riserve tecniche - gestione danni - della Società Fondiaria - SAI S.p.A., al 31 dicembre 2007, sono sufficienti in conformità alle vigenti disposizioni di leggi e regolamentari e a corrette tecniche attuariali nel rispetto dei principi di cui all'art.2 del citato provvedimento ISVAP.
3. A mio giudizio, nel loro complesso le riserve tecniche - gestione vita - della Società Fondiaria - SAI S.p.A., al 31 dicembre 2007, sono sufficienti in conformità alle vigenti disposizioni di leggi e regolamentari e a corrette tecniche attuariali nel rispetto dei principi di cui all'art.2 del citato provvedimento ISVAP.

Roma, 31 marzo 2008

In fede  
Dott. Luigi Francavilla





## **Attachments**

## **Attachments to the Financial Statements**

## **Attachments to the notes to the financial statements**

### **Others attachments**

- **List of direct and indirect investments of more than 10% in non-listed companies**
- **Statement of change in shareholders' equity**
  - **Table in accordance with article 10 of Law 19/8/83 No. 72**
  - **Buildings owned**

## List of direct and indirect investments of non-listed companies above 10% of the share capital at 31/12/2007

(In accordance with article 125-126 of the CONSOB Resolution No. 11971 of 14/05/1999)

### FONDIARIA-SAI S.P.A. IS THE OWNER AS AT 31/12/2007 OF THE FOLLOWING SHARES/QUOTAS WITH VOTING RIGHTS

Name of the Company Registered offices	Company holding	Voting shares held	% Holding %	% Total
AGRISAI SRL ITALY	SAIAGRICOLA SPA SAIFIN SAIFINANZIARIA SPA	60,390 610	99.000 1.000	100.000
AUTO PRESTO & BENE SRL ITALY	FONDIARIA-SAI SPA SAIFIN SAIFINANZIARIA SPA.	50,490 510	99.000 1.000	100.00
A7 SRL ITALY	IMMOBILIARE LOMBARDA SPA	40,000	20.000	20.000
BANCA GESFID SA SWITZERLAND	FONDIARIA-SAI SPA	10,000	100.000	100.000
BANCA SAI SPA ITALY	FONDIARIA-SAI SPA	1,166,771,610	100.000	100.000
BIM VITA SPA ITALY	FONDIARIA-SAI SPA	3,750,000	50.000	50.000
BIPIEMME VITA SPA ITALY	MILANO ASSICURAZIONI SPA	7,497,000	51.000	51.000
BORSETTO SRL ITALY	IMMOBILIARE LOMBARDA SPA	564,002	44.929	44.929
POPOLARE VITA SPA ITALY	FONDIARIA-SAI SPA	8,760,001	50.000	50.000
BRAMANTE SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000
CAMPO CARLO MAGNO SPA ITALY	MILANO ASSICURAZIONI SPA	7,299,000	100.000	100.000
CAPITALIA ASSICURAZIONI SPA ITALY	FONDIARIA-SAI SPA	2,652,000	51.000	51.000
CARPACCIO SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000
CASA di CURA VILLA DONATELLO SPA - ITALY	FONDIARIA-SAI SPA	70,000	100.000	100.000
CASA di CURA VILLANOVA SRL ITALY	FONDIARIA-SAI SPA	350,000	100.000	100.000
CASCINE TRENNO SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000
CHRYSALIS SPA ITALY	IMMOBILIARE LOMBARDA SPA	40,000	20.000	20.000
CITYLIFE SRL ITALY	IMMOBILIARE LOMBARDA SPA	39,997	26.665	26.665

<b>Name – Registered offices</b>	<b>Company holding</b>	<b>Voting shares held</b>	<b>% Holding</b>	<b>% Total</b>
COLPETRONE SRL ITALY	SAIAGRICOLA SPA	10,000	100.000	100.000
COMPAGNIA TIRRENA DI ASSICURAZIONI SPA voluntary liquidation ITALY	MILANO ASSICURAZIONI SPA	3,900,000	11.143	11.143
COMPANIA DE SEGUROS Y REASEGUROS KAIROS SA in liq. SPAIN	EUROSAI FINANZIARIA DI PARTECIPAZIONI SRL	48,815	11.486	11.486
CASTELLO CONSORTIUM ITALY	NUOVE INIZIATIVE TOSCANE SRL	99,660	99.660	99.660
CONSULENZA AZIENDALE PER L'INFORMATICA - SCAI SPA ITALY	FONDIARIA-SAI SPA	601,400	30.070	30.070
COS.ED SPA in liquidation ITALY	IMMOBILIARE LOMBARDA SPA	120,000	100.000	100.000
CRIVELLI SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000
DELTAPRIME SRL ITALY	CONSULENZA AZIENDALE PER L'INFORMATICA - SCAI SPA	12,500	51.020	51.020
DIALOGO ASSICURAZIONI SPA ITALY	MILANO ASSICURAZIONI SPA	8,818,363	99.848	99.848
DIANOS SPA ITALY	CONSULENZA AZIENDALE PER L'INFORMATICA - SCAI SPA	443,000	100.000	100.000
DOMINION INSURANCE HOLDING LTD – UNITED KINGDOM	FINSAI INTERNATIONAL SA.	50,780,305	100.000	100.000
EFFE FINANZIARIA SPA ITALY	THE LAWRENCE RE IRELAND LTD	10,000	100.000	100.000
EFFE VITA COMPAGNIA DI ASSICURAZIONI SULLA VITA SPA ITALY	FONDIARIA-SAI SPA	12,000,000	100.000	100.000
EUROPA TUTELA GIUDIZIARIA SPA ITALY	FONDIARIA-SAI SPA	2,000,000	100.000	100.000
EUROSAI FINANZIARIA DI PARTECIPAZIONI SRL ITALY	SAIFIN SAIFINANZIARIA SPA	1,305,600	100.000	100.000
EX VAR SCS LUXEMBOURG	FONDIARIA-SAI SPA IMMOBILIARE LOMBARDA SPA	55,382 30,770	17.999 10.000	27.999
FINADIN SPA FINANZIARIA DI INVESTIMENTI ITALY	SAIFIN SAIFINANZIARIA SPA	40,000,000	40.000	40.000
FINITALIA SPA ITALY	BANCA SAI SPA	15,376,285	100.000	100.000

<b>Name – Registered offices</b>	<b>Company holding</b>	<b>Voting shares held</b>	<b>% Holding</b>	<b>% Total</b>
FIN.PRIV. SRL ITALY	FONDIARIA-SAI SPA	5,714	28.571	28.571
FINSAI INTERNATIONAL SA LUXEMBOURG	FONDIARIA-SAI SPA SAILUX SA SAINTERNATIONAL SA	80,000 145,183 176,383	19.922 36.154 43.924	100.000
FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE SRL – ITALY	CASA DI CURA VILLANOVA SRL	10,400	100.000	100.000
FONDIARIA NEDERLAND BV HOLLAND	FONDIARIA-SAI SPA	1,907	100.000	100.000
FONDIARIA-SAI SERVIZI TECNOLOGICI SRL ITALY	FONDIARIA-SAI SPA	61,200	51.000	51.000
FONDIPREV Compagnia di Assicurazioni sulla Vita SPA - ITALY	FONDIARIA-SAI SPA MILANO ASSICURAZIONI SPA	4,800,000 7,200,000	40.000 60.000	100.000
GARIBALDI SCS LUXEMBOURG	MILANO ASSICURAZIONI SPA	480	47.952	47.952
GLOBAL CARD SERVICE SRL ITALY	LIGURIA SPA LIGURIA VITA SPA	43,472 50,388	44.000 51.000	95.000
IFB INTERNATIONAL FUR BROKERS SPA in liquidation - ITALY	FONDIARIA – SAI SPA	60,000	60.000	60.000
IGLI SPA ITALY	IMMOBILIARE LOMBARDA SPA	8,040,000	33.333	33.333
IMMOBILIARE LITORELLA SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,329	100.000	100.000
INFOMEDIA ITALIA IMI SRL ITALY	CONSULENZA AZIENDALE PER L'INFORMATICA – SCAI SPA	10,400	20.000	20.000
INIZIATIVE VALORIZZAZIONI EDILI – IN V.ED.SRL -ITALIA	IMMOBILIARE LOMBARDA SPA	10,329	100.000	100.000
INSEDIAMENTI AVANZATI NEL TERRITORIO I.A.T. SPA ITALY	IMMOBILIARE LOMBARDA SPA	500,000	100.000	100.000
ISTITUTO EUROPEO DI ONCOLOGIA SRL ITALY	FONDIARIA-SAI SPA MILANO ASSICURAZIONI SPA	10,186,526 1,394,536	12.883 1.764	14.646
I.T. EURO CONSULTING SRL ITALY	CONSULENZA AZIENDALE PER L'INFORMATICA – SCAI SPA	379,000	50.533	50.533
ITAL IBERIA INVERSIONES FINANCIERAS SL SPAIN	FONDIARIA-SAI. SPA	92,104,202	100.000	100.000
LIGURIA DIREZIONE SRL in liquidation – ITALY	LIGURIA SPA	36,400	100.000	100.000
LIGURIA SOCIETA' DI ASSICURAZIONI SPA ITALY	FONDIARIA-SAI SPA	22,992,121	99.966	99.966
LIGURIA VITA SPA ITALY	LIGURIA SPA	1,200,000	100.000	100.000
MANTEGNA SRL ITALY	FONDIARIA-SAI SPA	10,000	100.000	100.000
MARINA DI LOANO ITALY	IMMOBILIARE LOMBARDA SPA	5,536,000	100.000	100.000
MASACCIO SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000

Name – Registered offices	Company holding	Voting shares held	% Holding	% Total
MB VENTURE CAPITAL FUND I PARTECIP. COMPANY D NV HOLLAND	FONDIARIA-SAI SPA	15,000	30.000	30.000
MERIDIANO AURORA SRL ITALY	FONDIARIA - SAI SPA	10,000	100.000	100.000
MERIDIANO BELLARMINO SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000
MERIDIANO BRUZZANO SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000
MERIDIANO EUR SRL ITALY	MILANO ASSICURAZIONI SPA	10,000	100.000	100.000
MERIDIANO ORIZZONTI SRL ITALY	MILANO ASSICURAZIONI SPA	10,000	100.000	100.000
MERIDIANO PRIMO SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000
MERIDIANO QUARTO SRL ITALY	SAI HOLDING ITALIA SPA	10,000	100.000	100.000
MERIDIANO QUINTO SRL ITALY	FONDIARIA – SAI SPA	800,000	100.000	100.000
MERIDIANO RISPARMIO SRL ITALY	FONDIARIA-SAI SPA	10,000	100.000	100.000
MERIDIANO SECONDO SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000
MERIDIANO TERZO SRL ITALY	SAI HOLDING ITALIA SPA	10,000	100.000	100.000
METROPOLIS SPA ITALY	IMMOBILIARE LOMBARDA SPA	35,676	29.730	29.730
MIZAR SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,329	100.000	100.000
NEXT SOLUTION SRL ITALY	CONSULENZA AZIENDALE PER L'INFORMATICA – SCAI SPA	37,800	63.000	63.000
NOVARA VITA SPA ITALY	SAI HOLDING ITALIA SPA	33,000,000	50.000	50.000
NUOVA IMPRESA EDIFICATRICE MODERNA SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,329	100.000	100.000
NUOVE INIZIATIVE TOSCANI SRL ITALY	FONDIARIA-SAI SPA MILANO ASSICURAZIONI SPA	48,440,000 1,560,000	96.880 3.120	100.000
PENTA DOMUS SPA ITALY	IMMOBILIARE LOMBARDA SPA	24,000	20.000	20.000
PO VITA Compagnia di Assicurazioni SPA ITALY	SAI HOLDING ITALIA SPA	62,100,000	50.000	50.000
PORTOFINO VETTA SRL ITALY	FONDIARIA-SAI SPA	20,000	100.000	100.000
PROGETTO ALFIERE SPA ITALY	IMMOBILIARE LOMBARDA SPA	22,800	19.000	19.000
PROGETTO BICOCCA LA PIAZZA SRL ITALY	IMMOBILIARE LOMBARDA SPA	2,332,332	74.000	74.000
PRONTO ASSISTANCE SERVIZI SPA ITALY	PRONTO ASSISTANCE SPA SAIFIN SAIFINANZIARIA SPA	309,600 206,400	60.000 40.000	100.000

Name – Registered offices	Company holding	Voting shares held	% Holding	% Total
PRONTO ASSISTANCE SPA ITALY	FONDIARIA-SAI SPA	2,500,000	100.000	100.000
QUINTOGEST SPA ITALY	FONDIARIA-SAI SPA	980,000	49.000	49.000
RISTRUTTURAZIONI EDILI MODERNE – R.EDIL.MO. SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,329	100.000	100.000
SAI ASSET MANAGEMENT SGR SPA ITALY	FONDIARIA-SAI SPA	500,000	100.000	100.000
SAI HOLDING ITALIA SPA ITALY	FONDIARIA-SAI SPA	143,100,000	100.000	100.000
SAI INVESTIMENTI SGR SPA ITALY	FONDIARIA- SAI SPA MILANO ASSICURAZIONI SPA	1,995,930 1,134,940	51.000 29.000	80.000
SAI MERCATI MOBILIARI – SOC.- DI INTERMEDIAZIONE MOBILIARE SPA ITALY	FONDIARIA-SAI SPA	20,000,000	100.000	100.000
SAIAGRICOLA SPA- Società Agricola ITALY	FONDIARIA-SAI SPA MILANO ASSICURAZIONI SPA PRONTO ASSISTANCE SPA	46,002,093 3,402,001 595,906	92.004 6.804 1.192	100.000
SAIFIN SAIFINANZIARIA SPA ITALY	FONDIARIA-SAI SPA	102,258,000	100.000	100.000
SAILUX SA LUXEMBOURG	FINSAI INTERNATIONAL SA SAIFIN SAIFINANZIARIA SPA	10 9,387,800	0.000 99.999	100.000
SAINTERNATIONAL SA LUXEMBOURG	FONDIARIA-SAI SPA	15,399,997	99.999	99.999
SALEVOX SRL ITALY	STARVOX SPA	50,000	100.000	100.000
SANTA MARIA DEL FICO SRL ITALY	SAIAGRICOLA SPA	78,000	100.000	100.000
SASA Assicurazioni Riassicurazioni SPA ITALY	FONDIARIA-SAI SPA	51,999,988	99.999	99.999
SASA VITA SPA ITALY	FONDIARIA-SAI SPA SASA SPA	8,250,000 8,250,000	50.000 50.000	100.000
SCONTOFIN SA LUXEMBOURG	SAILUX SA	950	19.000	19.000
SERVICE GRUPPO FONDIARIA – SAI SRL ITALY	FONDIARIA-SAI SPA MILANO ASSICURAZIONI SPA	140,000 60,000	70.000 30.000	100.000
SERVIZI IMM. MARTINELLI SPA ITALY	IMMOBILIARE LOMBARDA SPA	200	20.000	20.000
SIAT - SOC. ITALIANA ASSICURAZIONI E RIASSIC. SPA - ITALIA	SAI HOLDING ITALIA SPA	35,797,580	94.204	94.204
SIM ETOILE SAS FRANCE	FONDIARAI-SAI SPA	199,999	99.999	99.999
SINTESI SECONDA SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,400	100.000	100.000
SISTEMI SANITARI SPA ITALY	FONDIARIA-SAI SPA MILANO ASSICURAZIONI SPA	811,283 925,415	22.536 25.706	48.242
SOAIMPIANTI-ORGANISMI DI ATTESTAZIONE SPA - ITALIA	FONDIARIA-SAI SPA	127,419	21.637	21.637
SOCIETA' EDILIZIA IMMOBILIARE SARDA – S.E.I.S. SPA – ITALY	IMMOBILIARE LOMBARDA SPA	387,500	51.667	51.667

Name – Registered offices	Company holding	Voting shares held	% Holding	% Total
SOCIETA' FINANZIARIA PER LE GEST.ASS.VE SRL in liq. ITALY	FONDIARIA-SAI SPA MILANO ASSICURAZIONI SPA	13,931,807 7,012,859	14.907 7.504	22.410
SOCIETA' FUNIVIE DEL PICCOLO S. BERNARDO SPA - ITALIA	IMMOBILIARE LOMBARDA SPA	1,441,691	27.384	27.384
SOFINPA SPA ITALY	SAIFIN SAIFINANZIARIA SPA	2,400,000	30.000	30.000
SOGEINT SRL ITALY	MILANO ASSICURAZIONI SPA	100,000	100.000	100.000
SRP ASSET MANAGEMENT SA SWITZERLAND	SAINTERNATIONAL SA	1,000	100.000	100.000
STARVOX SPA ITALY	FONDIARIA-SAI SPA	258,000	100.000	100.000
STIMMA SRL ITALY	FONDIARIA-SAI SPA	10,000	100.000	100.000
SVILUPPO CENTRO EST SRL ITALY	IMMOBILIARE LOMBARDA SPA	4,000	40.000	40.000
SYSTEMA COMPAGNIA DI ASSICURAZIONI SPA ITALY	MILANO ASSICURAZIONI SPA	10,000	100.000	100.000
TELVOX SRL ITALY	CONSULENZA AZIENDALE PER L'INFORMATICA – SCAI SPA	90,000	100.000	100.000
THE LAWRENCE LIFE ASSURANCE COMPANY LTD IRELAND	FONDIARIA NEDERLAND BV	802,886	100.000	100.000
THE LAWRENCE RE IRELAND LTD IRELAND	FONDIARIA NEDERLAND BV	635,000	100.000	100.000
TRENNO OVEST SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000
UFFICIO CENTRALE ITALIANO SCARL ITALY	DIALOGO ASSICURAZIONI SPA FONDIARIA-SAI SPA LIGURIA SOCIETA' DI ASS.NI SPA MILANO ASSICURAZIONI SPA SASA SPA SIAT SPA SYSTEMA SPA	1 141,358 3,093 109,751 1 948 2	0.000 14.136 0.309 10.975 0.000 0.095 0.000	25.516

Name – Registered offices	Company holding	Voting shares held	% Holding	% Total
UNISERVIZI GRUPPO FONDIARIA SCRL ITALY	BANCA SAI SPA	2,000	0.020	99.960
	CAPITALIA SPA	2,000	0.020	
	DIALOGO ASSICURAZIONI SPA	20,000	0.200	
	EFFE VITA SPA	2,000	0.020	
	EUROPA TUTELA GIUDIZIARIA SPA	2,000	0.020	
	FINITALIA SPA	2,000	0.020	
	FONDIARIA – SAI SPA	6,337,000	63.370	
	FONDIPREV SPA	2,000	0.020	
	IMMOBILIARE LOMBARDA SPA	2,000	0.020	
	MILANO ASSICURAZIONI SPA	2,800,000	28.000	
	PRONTO ASSISTANCE SPA	90,000	0.900	
	SAI ASSET MANAGEMENT	2,000	0.020	
	SAI INVESTIMENTI SGR SPA	2,000	0.020	
	SAI MERCATI MOBILIARI SPA	2,000	0.020	
	SAIAGRICOLA SPA	2,000	0.020	
	SASA SPA	585,000	5.850	
	SASA VITA SPA	34,000	0.340	
	SERVICE GRUPPO FONDIARIA – SAI SRL	2,000	0.020	
	SIAT SPA	84,000	0.840	
	STARVOX SPA	2,000	0.020	
	SYSTEMA SPA	18,000	0.180	
	THE LAWRENCE RE IRELAND LTD	2,000	0.020	
VILLA RAGIONIERI SRL ITALY	FONDIARIA-SAI SPA	150,000	100.000	100.000
WAVE TECHNOLOGIES SRL ITALY	FONDIARIA-SAI SPA	14,925	15.000	15.000

## Schedule of movements in shareholders' equity in the year

(Euro thousand)	Share capital	Legal reserve	Share premium reserve	Share premium reserve for disposal of option rights not exercised	Extraordinary reserve	Merger reserves	Revaluation reserve on securities	Reserve as per article 10 Law 904/77	Revaluation reserve Law 72/83
BALANCE AT December 31, 2006	177,681	34,623	207,410	4,294	639,902	422	58,029	6,944	38,215
<b>allocation of 2006 profits as approved by AGM:</b>									
Legal reserve	0	913							
Extraordinary reserve					100,426				
Board of directors									
Executive Committee									
Dividends									
<b>Changes from share capital increases:</b>									
Share capital	150								
Share premium reserve			162						
Legal reserve									
Sav. shares subscribed on capital increases in progress									
<b>Other changes:</b>									
Cancellation treasury shares	(9,490)				9,490				
Transfer to class D	0								
Reserve Leg Decree 124/93									
T/f from acquis. reserve on capital increase in course to share cap	194								
T/f from acquis. reserve on capital increase in course to share prem res			214						
T/f from acquis on holding company Leg Decree 315/94					0				
T/f from extra res to treasury shares to be purchased					(89,179)				
T/f from non avail res for treasury shares to extra res					9,450				
T/f from extra res to holding company shares to be purchased					15,000				
T/f from non treasury shares to be purchased to non avail res for treasury shares									
T/f from holding company shares to be purchased to non avail res for holding company									
T/f from extra res to holding company shares					(2,500)				
<b>Net profit for year 2007</b>									
<b>BALANCE AT DECEMBER 31, 2007</b>	<b>168,534</b>	<b>35,536</b>	<b>207,785</b>	<b>4,294</b>	<b>682,590</b>	<b>422</b>	<b>58,029</b>	<b>6,944</b>	<b>38,215</b>

(Euro thousand)	Reserve as per article 26 Law 413/91	Dividend adjustmen t reserve	Non distributable reserve	Reserve non avail. holding company shares leg. Decree 315/94	Reserve for purchase of treasury shares	Reserve for purchase of holding company's shares	Reserve Law 42/1986	Shares subscribed on capital increases in progress	Stock option reserve on capital increases in course	Merger surplus	Net profit for the year
BALANCE AT DECEMBER 31, 2006	96,838	2,853	182,201	30,836	4,821	15,000	113,214	407	0	933,686	272,074
<b>Allocation of 2006 profits as approved by AGM:</b>											
Legal reserve											(913)
Extraordinary reserve											(100,426)
Board of directors											
Executive Committee											
Dividends											(170,734)
<b>Changes from share capital increases:</b>											
Share capital											
Share premium reserve											
Legal reserve											
Sav. shares subscribed on capital increases in progress								88	1,090		
<b>Other changes:</b>											
Cancellation treasury shares			(182,201)								
Transfer to class D											
Reserve Leg Decree 124/93											
T/f from acquis. reserve on capital increase in course to share cap								(194)			
T/f from acquis. reserve on capital increase in course to share prem res								(214)			
T/f from acquis on holding company Leg Decree 315/94				0							
T/f from extra res to treasury shares to be purchased					89,179						
T/f from non avail res for treasury shares to extra res			(9,450)	0							
T/f from extra res to holding company shares to be purchased						(15,000)					
T/f from non treasury shares to be purchased to non avail res for treasury shares			72,683		(72,683)						
T/f from holding company shares to be purchased to non avail res for holding company				0		0					
T/f from extra res to holding company shares						2,500					
<b>Net profit for year 2007</b>											323,071
<b>BALANCE AT DECEMBER 31, 2007</b>	<b>96,838</b>	<b>2,853</b>	<b>63,233</b>	<b>30,836</b>	<b>21,317</b>	<b>2,500</b>	<b>113,214</b>	<b>88</b>	<b>1,090</b>	<b>933,686</b>	<b>323,071</b>

**Schedule of property held for which monetary revaluations were made in accordance with Article 2425, paragraph 3 of the civil code supplemented by Legislative Decree 127/91 (in accordance with article 10 of law 72 of March 19, 1983) are shown below.**

	At 31/12/07 Book value of property held revalued	Revaluations made			
		Monetary Revaluations	Economic revaluations	Law No. 413 of 30/12/91	TOTAL
Property used for business activities	132,895,355	3,995,731	16,401,254	8,977,371	29,374,355
Property used by third parties	584,111,680	13,323,085	86,660,279	30,152,483	130,135,847
Agricultural holdings	3,226,924			83,026	83,026
Shareholdings in Italian companies and entities: - listed	1,432,336,378	2,949,774	177,926,917		180,876,691
Shareholdings in Italian companies and entities: - non-listed	200,155,978		92,500,000		92,500,000
Shareholdings in Foreign companies and entities: - non-listed	156,311,722	5,813,909	4,472,254		10,286,163
	2,509,038,036	26,082,499	377,960,703	39,212,880	443,256,081

## Buildings owned at 31/12/2007 – Changes in the year

		As at 31/12/2007						
		As at 31/12/2006	Purchases and incremental expenses	Sales and decreases	Total	Property used for business activities	Property used by third parties	Residential
PROPERTY								
BARI	Via De Rossi / Via Fomari							
CALENZANO	Via Degli Olmi, 7	15,949,140	716		15,949,856		15,949,856	
CASTEL MAGGIORE	Località Saliceto	1,609,665	2		1,609,667		1,609,667	
FERRARA	Corso Ercole 1°, 6/A	1,382,704	134		1,382,838		1,382,838	
FLORENCE	Piazza della Libertà, 6	70,772,397	244,930		71,017,327	68,357,268	2,660,059	
	Piazza della Libertà, 13	12,554,693	15,956		12,570,649		11,544,364	1,026,286
	Piazza della Libertà, 1N/1-2R	1,920,457	165		1,920,622		247,652	1,672,971
	Piazza della Libertà, 2 - Via S. Gallo, 123	10,708,064	49,657		10,757,721	2,366,030	3,315,061	5,076,631
	Piazza della Libertà, 9/11	9,582,371	134		9,582,506		9,582,506	
	Piazza della Repubblica, 6	56,453,424	5,221,226		61,674,651		60,559,959	1,114,692
	Via Baracca, 18	1,907,394	1		1,907,395		1,907,395	
	Via Benivieni, 1/3	4,580,356	165		4,580,521		992,382	3,588,138
	Via Campo D'Arrigo, 134	2,962,145			2,962,145		1,637,857	1,324,288
	Via Cavour, 82/84	9,918,997	403		9,919,401		9,919,401	
	Via L. il Magnifico, 2/4/6	8,509,004	269		8,509,273		8,509,273	
	Via Landini / Via Catalani	3,284,042			3,284,042		2,945,261	338,781
	Via Leone X, 3	2,583,625			2,583,625		2,583,625	
	Via Monaco, 6 – Via delle Ghiacciaie, 3	3,402,933	469		3,403,402	2,894,804	83,946	424,652
	Via Palchetti, 1-3-5	4,819,861	2,257		4,822,118		1,270,497	3,551,621
	Via Pian Dei Giullari, 69/71	3,136,261			3,136,261			3,136,261
	Via Pier Capponi, 99	701,236			701,236		492,373	208,863
	Via Ricasoli, 48	2,166,813	42,518		2,209,331		2,209,331	
	Via S. Reparata, 97	3,570,840	136		3,570,977		3,570,977	
	Via S.Leonardo, 32-34-36A	3,638,403	5,347		3,643,750			3,643,750
	Via S.Leonardo, 44	2,267,000			2,267,000			2,267,000
	Via S.Leonardo, 46-48-6R	3,332,169			3,332,169			3,332,169
	Via Vannucci, 23	1,565,082	382		1,565,463		186,218	1,379,245
	Via Vittorio Emanuele, 26	1,766,186			1,766,186			1,766,186
	Viale Gramsci, 63	4,148,699			374	4,148,325	1,048,595	3,099,731
	Viale Lavagnini, 3/5	1,252,543	184,693			1,437,235		1,437,235
	Viale Matteotti, 14/16/18	14,380,783	3,132,333			17,513,116	13,091,605	4,421,511
	Viale Matteotti, 44 - Via Valori, 1	10,109,560	309			10,109,869	492,782	9,617,087
	Viale Matteotti, 50	3,144,741	165			3,144,906	732,217	2,412,689
	Viale Matteotti, 52	4,811,659	124,425			4,936,084	3,172,595	1,763,488
	Viale Matteotti, 54	3,929,582	162			3,929,744	817,140	3,112,604
	Viale Matteotti, 56	2,324,539	10,983			2,335,522		2,335,522
	Viale Matteotti, 60	9,439,763	437,112			9,876,876	6,858,834	3,018,042
	Viale Matteotti, 64	4,312,122	9,517			4,321,640	1,158,731	3,162,908
	Viale S.Lavagnini, 7	4,414,153	980			4,415,133	17,800	4,397,333

		As at 31/12/2007						
		As at 31/12/2006	Purchases and incremental expenses	Sales and decreases	Total	Property used for business activities	Property used by third parties	Residential
PROPERTY								
GENOA	Piazza Ferrari, 1	32,554,969			32,554,969		32,554,969	
GIARDINI TAORMINA	Complesso Alberghiero Naxos	43,906,122	7,022,946		50,929,068		50,929,068	
IVREA	Viale Monte Stella, 6	558,186			558,186		435,780	122,406
MILAN	Area Madonnina	11,707,258	101,481		11,808,740		5,132,897	6,675,842
	Area Sesto San Giovanni	42,272,584	53,442		42,326,025		42,326,025	
	Piazza Velasca, 5	84,244,411	243,203		84,487,614		50,237,781	34,249,833
	Via Filzi, 25/B	22,044,047	5,938		22,049,985		22,049,985	
	Via Oldofredi, 51	993,214			993,214		17,933	975,282
	Via Perotti, 2	2,594,442			2,594,442		2,594,442	
	Via Piccinni, 5	13,198,151	277		13,198,428		1,665,158	11,533,270
	Via Senigallia, 18/2 (Fabbricato A,E,F,G -1-5-6-7)	41,680,204	2,521,942		44,202,146		44,202,146	
	Via Senigallia, 18/2 (Fabbricato B -2)	33,309,853	2,501,304		35,811,157		35,811,157	
	Via Senigallia, 18/2 (Fabbricato D -4)	35,831,311	2,547,620		38,378,931	25,833,243	12,545,689	
	Via Treccani degli Alfieri, 16/26	18,160,998	143,282		18,304,280		574,543	17,729,737
	Viale Monza, 139	18,676,913	702,714		19,379,627		19,379,627	
	Via Monti, 21	9,386,288	484,694		9,870,982		4,154,459	5,716,523
MONCALIERI	Str. Ferrero di Cambiano, 20	6,690,722	404,693		7,095,415	5,888,193		1,207,222
	Via Postiglione-Via Vittime Vajont	5,532,929	33		5,532,962	4,726,665	806,297	
NAPLES	Via Arcoleo, 52-Via Tommaseo, 4	3,163,486	325,012		3,488,499	2,460,014	530,375	498,110
ORIGGIO	Viale Italia, 6	684,710			684,710		684,710	
PIEVE EMANUELE	Via delle Rose, 6	7,495,338	658		7,495,997		170,889	7,325,108
PINO TORINESE	Via delle Viole, 5	965,376			965,376			965,376
PRATO	Via Simintendi, 20	5,250,018	174,028		5,424,046		5,424,046	
ROME	Via Carlo Emanuele I, 7	484,935			484,935		484,935	
	Via Govoni, 24/43	44,324,623	609,274		44,933,896			44,933,896
	Viale Liegi, 17 (EX IN.G.IM.)	1,485,419			1,485,419		1,485,419	
	Castelgiubileo – V. Camerata P.-Apiro	36,098,864	501,259		36,600,124		8,466,653	28,133,471

		As at 31/12/2007						
		As at 31/12/2006	Purchases and incremental expenses	Sales and decreases	Total	Property used for business activities	Property used by third parties	Residential
PROPERTY								
SELARGIUS (CA)	Via Peretti	1,619,734			1,619,734	1,564,929	54,805	
TURIN	Corso Dante, 119	3,213,099	172,696		3,385,795		1,047,289	2,338,506
	Corso Galileo Galilei, 12/14	20,371,013	210,502		20,581,514	18,050,851	2,530,664	
	Corso Matteotti, 51-Via S. Antonio da Padova, 2	4,966,134	23,737		4,989,872		2,818,932	2,170,939
	C.V. Emanuele II, 48	23,339,800	15,165		23,354,965		23,354,965	
	Lungo Dora Firenze, 71	29,081,238	8,835		29,090,073	24,354,632	4,735,441	
	Piazza Castello, 153-Via Garibaldi, 1	1,667,302	287		1,667,589		1,667,589	
	Piazza Guala, 143	10,152,349	24,165		10,176,513		10,176,513	
	Via Arsenale, 5	10,560,701			10,560,701		10,560,701	
	Via Berthollet, 46	4,708,478	446		4,708,924	175,303	4,533,620	
	Via Gobetti-Via Cavour-Via Lagrange-Via Lovera	6,598,887	15,570		6,614,457	1,098,744	5,515,713	
	Via Gobetti-Via Gramsci-Via Lagrange-Via Soleri	4,797,778	161,156		4,958,934		1,705,149	3,253,786
	Via Gobetti-Via Lovera-Via Lagrange-Via Soleri	40,614,429	1,242,277		41,856,706		41,856,706	
	Via Grossi, 29-Via Da Vinci, 21-Via Cellini, 6	6,592,835	146,927		6,739,761		159,631	6,580,130
	Via Marengo, 15-Via Correggio, 21	9,163,564	33,729		9,197,293	3,837,214	5,360,079	
	TRIESTE	Via Carducci, 29	5,155,427	18,743		5,174,170		3,725,540
Viale XX Settembre, 89		2,516,091	143		2,516,235		2,516,235	
VENEZIA	Bacino Orseolo, 1754	1,957,305	9,813		1,967,118		306,121	1,660,997
VIAREGGIO	V.le Manin, 12	1,820,926	110,600		1,931,526		1,931,526	
CONDOMINIUMS		132,506,706	816,662		133,323,367	4,632,878	94,525,597	34,164,892
		1.152.012.575	30,840,801		1,182,853,002	166,240,768	732,298,596	284,313,638
LAND:								
FLORENCE	Via S.Leonardo, 38-40-42	1,374,055			1,374,055		1,374,055	
MODENA	Via Buonarroti	20,312			20,312		20,312	
ROME	Tor Carbone	7,747			7,747		7,747	
SANREMO	(EX MONTEBIGNONE)	22,159			22,159		22,159	
TURIN	C.so Giulio Cesare	31,571			31,571		31,571	
AGRICULTURAL HOLDINGS								
MONTEPULCIANO (SI)	Fattoria del Cerro	3,226,228	696		3,226,924		3,226,924	
OTHER PROPERTY RIGHTS								
FLORENCE	Posti Auto Parterre	2,279,472	350,081		2,629,553		2,629,553	
ASSETS IN PROGRESS AND ADVANCES		2,618,363	14,493		2,632,856		2,632,856	
TOTAL		1,161,592,482	31,206,071	374	1,192,798,179	166,240,768	742,243,773	284,313,638

## Buildings owned at 31/12/2007

		As at 31/12/2007				
		Total gross	Accumulated depreciation	Net value	Current value	Change
PROPERTY						
CALENZANO	Via degli Olmi, 7	15,949,856	1,971,227	13,978,630	15,400,000	1,421,370
CASTEL MAGGIORE	Località Saliceto	1,609,667		1,609,667	6,651,460	5,041,793
FERRARA	Corso Ercole, 1', 6/A	1,382,838	23,441	1,359,427	1,670,000	310,573
FLORENCE	Piazza della Libertà, 6	71,017,327	24,725,607	46,291,720	70,000,000	23,708,280
	Piazza della Libertà, 13	12,570,649	1,034,331	11,536,318	14,060,000	2,523,682
	Piazza della Libertà, 1N/1-2R	1,920,622	33,438	1,887,185	2,705,000	817,815
	Piazza Libertà, 2-S.Gallo, 123	10,757,721	774,213	9,983,508	13,850,000	3,866,492
	Piazza della Libertà, 9/11	9,582,506	455,054	9,127,452	10,880,000	1,752,548
	Piazza della Repubblica, 6	61,674,651	613,979	61,060,671	65,100,000	4,039,329
	Via Baracca, 18	1,907,395	27,251	1,880,143	2,355,000	474,857
	Via Benivieni, 1/3	4,580,521	5,847	4,574,674	6,320,000	1,745,326
	Via Campo D'Arrigo, 134	2,962,145	15,426	2,946,719	3,770,000	823,281
	Via Cavour, 82/84	9,919,401	85,815	9,833,586	11,400,000	1,566,414
	Via L. Il Magnifico, 2/4/6	8,509,273	1,256,937	7,252,336	8,600,000	1,347,664
	Via Landini /Via Catalani	3,284,042	326,944	2,957,098	3,550,000	592,902
	Via Leone X, 3	2,583,625	34,933	2,548,692	2,850,000	301,308
	Via Monaco, 6-Via Delle Ghiacciaie, 3	3,403,402	1,334,793	2,068,609	10,098,350	8,029,741
	Via Palchetti, 1/3/5	4,822,118	8,642	4,813,476	7,809,000	2,995,524
	Via Pian Dei Giullari, 69/71	3,136,261		3,136,261	7,670,000	4,533,739
	Via Pier Capponi, 99	701,236	4,236	697,000	1,066,000	369,000
	Via Ricasoli, 48	2,209,331	10,666	2,198,665	2,300,000	101,335
	Via S. Reparata, 97	3,570,977	17,066	3,553,911	4,400,000	846,089
	Via S.Leonardo, 32/34/36A	3,643,750	1,298	3,642,452	4,950,000	1,307,548
	Via S.Leonardo, 44	2,267,000		2,267,000	3,590,000	1,323,000
	Via S.Leonardo, 46/48/6R	3,332,169		3,332,169	5,480,000	2,147,831
	Via Vannucci, 23	1,565,463	11,664	1,553,799	1,992,000	438,201
	Via Vittorio Emanuele, 26	1,766,186	168	1,766,018	2,311,000	544,982
	Viale Gramsci, 63	4,148,325	107,087	4,041,239	5,160,000	1,118,761
	Viale Lavagnini, 3/5	1,437,235	43,117	1,394,118	1,408,000	13,882
	Via Matteotti, 14/16/18	17,513,116	228,616	17,284,500	16,533,200	(731,300)
	Via Matteotti, 44/Via Valori, 1	10,109,869	61,657	10,048,212	13,558,000	3,509,788
	Viale Matteotti, 50	3,144,906	8,068	3,136,837	4,253,000	1,116,163
	Viale Matteotti, 52	4,936,084	20,926	4,915,158	6,090,000	1,174,842
	Viale Matteotti, 54	3,929,744	8,914	3,920,830	5,666,000	1,745,170
	Viale Matteotti, 56	2,335,522		2,335,522	3,130,000	794,478
	Viale Matteotti, 60	9,876,876	75,033	9,801,843	11,520,000	1,718,157
	Viale Matteotti, 64	4,321,640	10,873	4,310,767	5,769,000	1,458,233
	Viale S.Lavagnini, 7	4,415,133	2,406	4,412,727	6,057,000	1,644,273
GENOA	Piazza Ferrari, 1	32,554,969	6,589,343	25,965,626	29,900,000	3,934,374
GIARDINI TAORMINA	Complesso Alberghiero Naxos	50,929,068	35,903	50,893,165	51,635,100	741,935
IVREA	Viale Monte Stella, 6	558,186		558,186	729,700	171,514
MILAN	Area Madonnina	11,808,740	47,301	11,761,439	17,611,000	5,849,561
	Area Sesto San Giovanni	42,326,025	618,161	41,707,865	45,150,000	3,442,135
	Piazza Velasca, 5	84,487,614	3,055,802	81,431,813	104,938,300	23,506,487
	Via Filzi, 25/B	22,049,985	17,619	22,032,366	40,200,000	18,167,634
	Via Oldofredi, 51	993,214	59,864	933,350	3,665,930	2,732,580
	Via Perotti, 2	2,594,442	31,269	2,563,173	3,200,000	636,827

		As at 31/12/2007				
		Total gross	Accumulated depreciation	Net value	Current value	Change
	Via Piccinni, 5	13,198,428	1,461,560	11,736,868	17,359,440	5,622,572
	Via Senigallia, 18/2 (Fabbricato A,E,F,G -1/5/6/7)	44,202,146	12,905,587	31,296,559	39,415,010	8,118,451
	Via Senigallia, 18/2 (Fabbricato B-2)	35,811,157	7,222,302	28,588,855	33,283,500	4,694,645
	Via Senigallia, 18/2 (Fabbricato D-4)	38,378,931	14,897,841	23,481,090	33,530,750	10,049,660
	Via Treccani degli Alfieri, 16/26	18,304,280	682	18,303,598	22,039,420	3,735,822
	Viale Monza, 139	19,379,627		19,379,627	26,387,210	7,007,583
	Via Monti, 21	9,870,982	1,041,291	8,829,691	14,136,130	5,306,439
MONCALIERI	Str. Ferrero di Cambiano, 20	7,095,415	295,115	6,800,300	5,900,000	(900,300)
	Via Postiglione-Via Vittime Vajont	5,532,962	2,519,454	3,013,508	10,576,140	7,562,632
NAPLES	Via Arcoleo, 52-Via Tommaseo, 4	3,488,499	1,057,929	2,430,570	11,492,490	9,061,920
ORIGGIO	Viale Italia, 6	684,710		684,710	2,849,100	2,164,390
PIEVE EMANUELE	Via delle Rose, 6	7,495,997	11	7,495,986	12,605,790	5,109,804
PINO TORINESE	Via delle Viole, 5	965,376	115,845	849,531	950,000	100,469
PRATO	Via Simintendi, 20	5,424,046	78,565	5,345,481	6,000,000	654,519
ROME	Via Carlo Emanuele I, 7	484,935		484,935	915,840	430,905
	Via Covoni, 24/43	44,933,896		44,933,896	53,000,000	8,066,104
	Viale Liegi, 17 (EX.IN.G.IM.)	1,485,419	511,345	974,074	4,029,400	3,055,326
	Castelgiubileo-Via Camerata P. - Apiro	36,600,124	789,953	35,810,171	52,836,580	17,026,409
SELARGIUS (CA)	V.Peretti	1,619,734	537,952	1,081,782	1,411,910	330,128
TURIN	Corso Dante, 119	3,385,795	33,413	3,352,381	10,174,090	6,821,709
	Corso Galileo Galilei, 12/14	20,581,514	9,103,380	11,478,134	56,969,500	45,491,366
	Corso Matteotti, 51					
	Via S.Antonio da Padova, 2	4,989,872	597,554	4,392,318	15,744,760	11,352,442
	C.so V. Emanuele II, 48	23,354,965		23,354,965	23,905,540	550,575
	Lungo Dora Firenze, 71	29,090,073	4,579,940	24,510,133	29,169,800	4,659,667
	Piazza Castello, 153-Via Garibaldi, 1	1,667,589		1,667,589	6,126,580	4,458,991
	Piazza Guala, 143	10,176,513	1,025,055	9,151,458	10,880,000	1,728,542
	Via Arsenale, 5	10,560,701	663,941	9,896,760	10,597,800	701,040
	Via Berthollet, 46	4,708,924	374,388	4,334,536	10,738,510	6,403,974
	Via Gobetti-Via Cavour-Via Lagrange-Via Lovera	6,614,457	546,853	6,067,604	24,825,210	18,757,606
	Via Gobetti-Via Gramsci-Via Lagrange-Via Soleri	4,958,934	12,406	4,946,528	23,428,310	18,481,782
	Via Gobetti-Via Lovera-Via Lagrange-Via Soleri	41,856,706	2,474,134	39,382,572	42,000,000	2,617,428
	Via Grossi, 29-Via Da Vinci, 21-Via Cellini, 6	6,739,761	119	6,739,643	21,640,630	14,900,987
	Via Marengo, 15-Via Correggio, 21	9,197,293	3,515,600	5,681,693	21,560,200	15,878,507
TRIESTE	Via Carducci, 29	5,174,170		5,174,170	6,746,380	1,572,210
	Viale XX Settembre, 89	2,516,235	189,423	2,326,811	2,547,000	220,189
VENEZIA	Bacino Orseolo, 1754	1,967,118	44,384	1,922,734	2,775,000	852,266
VIAREGGIO	Viale Manin, 12	1,931,526	21,211	1,910,315	1,960,000	49,685
CONDOMINIUM		133,323,367	8,863,619	124,459,748	213,316,650	88,856,902
		1,182,853,002	119,275,756	1,063,577,246	1,550,846,710	487,269,464
<b>OTHER PROPERTY AND LAND</b>						
FLORENCE	Via San Leonardo, 38/40/42	1,374,055		1,374,055	2,660,000	1,285,945
MODENA	Via Buonarroti	20,312		20,312	20,400	88
ROME	Tor Carbone	7,747		7,747	17,300	9,553
SANREMO	(Ex Montebignone)	22,159		22,159	33,000	10,841
TURIN	C.so Giulio Cesare	31,571		31,571	164,060	132,489
<b>AGRICULTURAL HOLDINGS</b>						
MONTEPULCIANO (SI)	Fattoria del Cerro	3,226,924	3,661	3,223,263	27,715,950	24,492,687
<b>OTHER PROPERTY RIGHTS</b>						
FLORENCE	Parking	2,629,553	350,081	2,279,472	3,150,000	870,528
<b>ASSETS IN PROGRESS AND ADVANCES</b>		2,632,856		2,632,856	2,632,856	
TOTAL		1,192,798,179	119,629,498	1,073,168,681	1,587,220,276	514,051,595