
FIRST QUARTER REPORT FINANCIAL YEAR 2007



FONDIARIA-SAI S.p.A.

FONDIARIA-SAI S.p.A. – HEAD OFFICE IN FLORENCE – PIAZZA DELLA LIBERTA 6 – HEAD OFFICE IN TURIN – CORSO G. GALILEI 12 – SHARE CAPITAL € 168,482,219 FULLY PAID UP – TAX CODE, VAT REGISTRATION NUMBER IN THE COMPANIES REGISTER OF FLORENCE, 00818570012 – AUTHORISED TO OPERATE AS AN INSURANCE COMPANY BY ARTICLE 65 OF THE ROYAL DECREE LAW NO. 966 OF 29 APRIL 1923, CONVERTED INTO L AW NO. 473 OF 17 APRIL 1925.

BOARD OF DIRECTORS

Salvatore Ligresti	<i>Honorary Chairman</i>
Jonella Ligresti *	<i>Chairman</i>
Giulia Maria Ligresti *	<i>Vice Chairman</i>
Massimo Pini *	<i>Vice Chairman</i>
Antonio Talarico *	<i>Vice Chairman</i>
Fausto Marchionni *	<i>Managing Director and Chief Executive Officer</i>
Andre Broggin	
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	<i>Secretary to the Board and the Executive Committee</i>

BOARD OF AUDITORS

Benito Giovanni Marino	<i>Chairman</i>
Giancarlo Mantovani	<i>Auditor</i>
Marco Spadacini	<i>Auditor</i>
Alessandro Malerba	<i>Alternate Auditor</i>
Maria Luisa Mosconi	<i>Alternate Auditor</i>
Pierino Rosati	<i>Alternate Auditor</i>

INDEPENDENT AUDITORS

DELOITTE & TOUCHE S.p.A.

REPRESENTATIVE OF THE SAVINGS SHAREHOLDERS

Sandro Quagliotti

GENERAL MANAGEMENT

Fausto Marchionni

**Members of the Executive Committee*

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

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

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

The Board of Directors was appointed by the meeting on 28 April 2006. The Board's term will end at the same time as that of the Board of Statutory Auditors, with the meeting to approve the accounts for 2008.

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This report has 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.

Translated by SEL, the translation company owned by the University of Salford, Manchester, UK

INTRODUCTION

The quarterly report as at 31/03/2007, drawn up on a consolidated basis, is in accordance with the provisions of regulation no. 11971 of 14/05/1999, as amended and supplemented by CONSOB Resolution no. 14990 of 14/04/2005.

In particular:

- this quarterly report has been drawn up in line with the IAS/IFRS international accounting standards, issued by the IASB (International Accounting Standard Board) and now endorsed by the European Union, already used in the consolidated accounts closed on 31/12/2006;
- the information provided is as laid down in annex 3D of the aforementioned regulation no. 11971;
- in the preparation of the tables in the profit and loss account and of the net financial position, the instructions for compiling the consolidated accounts as laid down by ISVAP in Instruction 2404 of 22/12/2005 were taken into consideration;
- all the data and accounts statements have been prepared on a consolidated basis. The economic data is compared with the data for the same period in the previous year; the asset and financial data with the situation which existed at the closure of the previous financial year. In order to facilitate comparisons the valuation criteria used to draw up the last consolidated accounts have been applied, to which you are referred, in accordance with the IAS/IFRS international accounting standards issued by the IASB, now endorsed by the EU and on their current interpretation by the official bodies.

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

All the values set out are expressed in millions of or thousands of Euro with the normal roundings.

MACROECONOMIC AND INSURANCE MARKET SCENARIO

The international economic situation

2007 was a year of moderate economic growth: it is expected that the slowdown which began in the United States during the second half of 2006 will extend to other parts of the world in the early months of the new year. According to estimates by the international organisations, during the course of the year there should be a slowdown of around half a percentage point of the gross world product, which was over 5% at the end of 2006, returning to similar values to those at the end of 2005. Although it has slowed down, world growth should remain well-supported however, with a low probability of a sharp downturn.

In fact, the signs of decline in the cycle of the mature economies, which occurred in the last part of 2006 due to both a correction in property prices and a reduction in domestic demand, while affecting 2007 with a slight slowdown in the progress of the global GDP (+4.9% according to the estimate by the International Monetary Fund in the World Economic Outlook), do not appear to have had significant effects on the international economic cycle. It should be emphasised that for the International Monetary Fund, the economic growth of the "old continent" of Europe is now close to that of the United States.

Table 1 - Percent change in the GDP compared with the previous quarter

COUNTRIES	1st QRTR. 2006	2nd QRTR. 2006	3rd QRTR. 2006	4th QRTR. 2006	1st QRTR. 2007 (*)	2nd QRTR. 2007 (**)	CURRENT (***)	PREVIOUS ESTIMATE (****)
United States	1.4	0.6	0.5	0.6	0.5	0.6	3.3	3.3
Japan	0.7	0.3	0.1	1.3	0.5	0.5	2.2	2.8
Euro Area	0.9	1.0	0.6	0.9	0.6	0.6	2.8	2.6
Germany	0.8	1.2	0.8	0.9	0.6	0.4	2.9	2.6
France	0.5	1.1	0.0	0.6	0.5	0.5	2.0	2.1
Italy	0.8	0.6	0.3	1.1	0.4	0.5	2.0	1.8
Great Britain	0.7	0.7	0.7	0.8	0.6	0.7	2.7	2.6
Canada	0.9	0.5	0.5	0.4	1.0	0.9	2.7	2.8
G 7	1.0	0.7	0.4	0.8	0.5	0.6	2.8	2.9

Source: *Il Sole24Ore*

(*) preliminary estimates

(**) forecasts on the economies analysed

(***) annual % change at the end of 2006

(****) data in November 2006

With reference to Japan, for 2007 there are expectations of a slight slowdown in the cycle which should affect the growth in GDP on sustainable values (a little above 2%), as confirmed by the data recorded at the end of 2006 (with performance equal to 2.2%, compared with an expected value of 2.8%).

Amongst the Emerging Countries, the driving force of China, India, Russia and Brazil is becoming increasingly more evident, through the development of commercial and financial links with the other mature economies.

The medium-term prospects for economic activity remain favourable. There are the conditions for sustained growth in the Euro zone, considering the fact that economic expansion has become more balanced between the different regions of the world, and while it shows a certain amount of moderation, it also remains vigorously supported by the fall in oil prices. The conditions relating to the context outside the Euro area also favour exports.

For the coming months, demand within the area should also retain its relatively lively impetus, due to still dynamic investments, and to the benefits of a prolonged period of favourable financial conditions. Finally, consumption should be strengthened over time, in line with the trends of real disposable income and better employment prospects.

These aspects are therefore seen in the macroeconomic projections drawn up by the European Central Bank. As regards the GDP in real terms, an average annual growth rate is expected of between 2.1% and 2.9% at the end of 2007 and between 1.9% and 2.9% at the end of 2008. Compared with the previous projections produced last year, the intervals have been reviewed upwards, reflecting the strength in the growth of the GDP during the course of the second half of 2006 and the decrease in energy prices which happened at the same time.

With reference to the current monetary policies, after a restrictive phase which began in June 2004, the cyclical slowdown of the US economy led the Federal Reserve to interrupt the action to reduce the cost of money, fuelling expectations of stability in rates (anchored at 5.25% since August 2006) up to at least the first half of 2007.

At the time of writing, although the European Central Bank is closely monitoring the situation, to deal with any inflationary pressures on price stability it has left the reference rates unchanged which, after the increase of 25 base points in March, confirms an adaptable monetary policy, in order to avoid sudden changes in exchange rates which would affect sustainable economic growth in the Euro area.

With regard to the trend in consumer prices, despite the large increase in employment internationally, the inflationary pressures have remained contained and substantially linked to the trends in the oil market.

Eurostat confirms the preliminary estimates with inflation in March showing a slight rise (+1.9% annually) compared with February (+1.8%). The annual average for 2006 was 2.2%, which is stable compared with 2005. The fluctuations in oil products are reflected on the retail price lists; fuels and other energy products represent the most volatile components. In the medium term, the Governing Council of the European Central Bank considers that the prospects for progress in prices remain subject to risks of a rise, related essentially to the possibility of further rises in oil products, and to a more lively salary dynamic compared with current expectations.

In Italy, inflation is a little higher than the European average for March (+2.1%) but is in line with the annual average for 2006 of the harmonised index (+2.2%). The expectations of an rise in consumer prices in Italy turned out to be a fall (around 2.2% annually compared with 2.4% for the harmonised price index in the previous quarterly report), which goes against the results of past studies, due mainly to the low expectations of a change in exchange rates.

The Italian market

As regards Italy, the International Monetary Fund has reviewed growth upwards to 1.8%, compared with the 1.4% estimated last year. The updated figure represents an improvement on the indications of September and as for the Deficit/GDP and Debt/GDP ratio the estimates for 2007 are, respectively, a halving to 2.2% and a fall to 106%. Italy ended 2006 with a Deficit/GDP ratio of 4.4% and a public debt of 106.8%, which is better than indicated in December in the stability Programme, and than the figures of last November in the EU Commission Autumn Forecasts.

The particularly positive data on the performance of the GDP in the last quarter of 2006 brought the average annual growth to more than 2%, invigorating the country's economy after a prolonged period of stagnation. This is the best result since 2000, and significantly higher than the brightest expectations.

Table 2 – Forecasts on the Italian economy

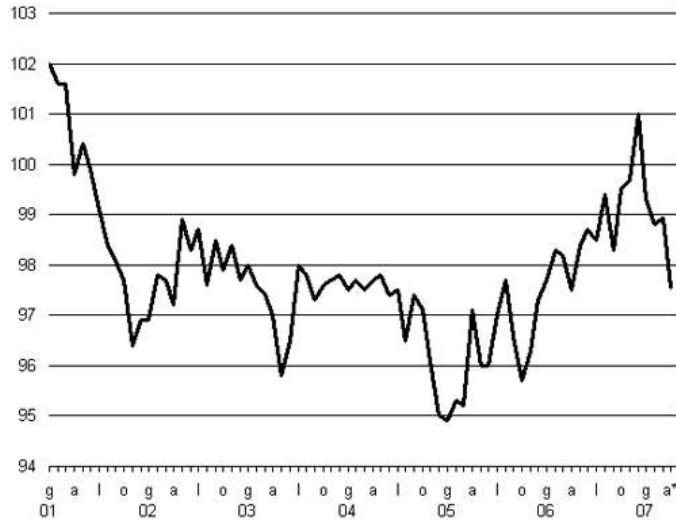
<i>Data expressed in %</i>	2007	2008
GDP	1.8	1.7
Deficit/GDP	(2.2)	(2.4)
Debt/GDP	106	105.3
Inflation	2.1	2
Unemployment rate	6.8	6.8

Source: International Monetary Fund

The reliable indicators of the industrial firms showed historically high levels at the beginning of 2007, showing a consolidation of the favourable production levels obtained. The reliable climate of Italian families has continued to show a tendency to rise for several months, confirming the process of recovery begun in 2004 after the marked downturns of recent years.

After the jump in December 2006, industrial production showed some signs of weakness in April 2007 (- 1.4%), after an increase in the first quarter of 2.3% in terms of trends. The preliminary estimates of the electricity indicator, drawn up on the basis of the electrical energy data input into the network during March, and the first 14 days of April, shows a fall, but average daily production remains substantially stable at April 2006 levels (with a small reduction of 0.3%).

Fig. 1 – Industrial production March-April 2007 on seasonally adjusted ISTAT data



Source: forecasts of the REF (Ricerche per l'Economia e la Finanza – Economic and Financial Research) on Terna data (89% of national electricity consumption)

In this context, the progress of production for the coming two-year period will above all take advantage of the positive contribution of domestic demand, both in the consumer component and in the investments component.

In private consumption, estimated to be up both for this year (+1.6%) and for 2008 (+1.4%), the favourable developments in disposable income should have an effect which should, over two years, reflect the good progress of the labour market (with the continued fall in the unemployment rate which would be 6% in mid 2008) and the increase in payments pro-capita (with increases of 2.1% in 2007 and 2.7% at the end of 2008).

As regards investments, after the acceleration at the end of 2006 the dynamic should be maintained in a positive sense, due to the persistent requirements to restructure companies, the favourable economic climate and the improvement in company profitability.

Non-Life insurance sector

In 2006 total income in Italy was € 107bn, 2.9% less than 2005. The incidence of premium income on the Gross Domestic Product is around 7.2%.

Income in the Non-Life sector increased last year by 2.4%, affected by the non-Motor component. The premiums in the Motor sector should not rise in real terms, because of the competitive pressures on tariffs and a certain saturation of the market. In the other areas the increase in premiums could reach 5% due above all to the demand for cover by companies and in the General PL sector. Overall the rating prospects for the sector therefore remain stable.

Table 3 – Premiums from direct Italian business 2006-2005

(€ million)	2006	2005	Change %
Motor TPL	18,416	18,198	1.2
Land vehicles - hulls	3,205	3,154	1.6
Total Motor	21,621	21,352	1.3
Total Other Non-Life business	15,564	14,957	4.1
TOTAL NON-LIFE BUSINESS	37,185	36,309	2.4
TOTAL LIFE BUSINESS	69,377	73,471	(5.6)
GRAND TOTAL	106,562	109,780	(2.9)

Source: ANIA.

As for reinsurance, the absence of large losses due to catastrophes during 2006 and the reinsurers' good level of profitability have resulted in a general fall in the prices of reinsurance policies renewed in January. In Western Europe, after sustained increases in the past year, because of the tornadoes and floods in 2005, there was a moderation in the prices of reinsurance cover.

With reference to the growth prospects for 2007, estimates by ANIA [National Association of Insurance Companies] suggest progress in Non-Life Business of between 2% and 3%, while the increase in the Motor Business should be 1%, considering the current tariff containment policy.

Finally, it should be noted that the international rating agency Fitch forecasts for 2007 that the premiums paid for Motor TPL insurance will not increase in real terms: in fact, there should be no factors leading to a run-up in prices in tariffs during the year.

Life insurance sector

In the Life sector, premium income in 2006 was 5.6% less than in 2005, in a context which was adversely affected by the slower progress of banking insurance. This negative result is therefore due to policies in classes I and V, where the income was strongly negative, while the income from policies in class III increased during the year by 3.8%. The expected increase in interest rates and the improvement in asset and liability management techniques should continue to guarantee high profitability in the sector. In its recent report on the Italian insurance sector, the rating agency Fitch states that the reduction in premiums in the Life sector during 2006 does not represent a structural reversal in the trend towards expansion and means that growth should resume during this year, even though it may be at modest levels.

According to the forecasts of the Trade Association, in 2007 income in this sector should return to a positive position with increases of between 4% and 5%.

In March, new production in Life business was € 4,733m, a decrease of 17.2% compared with the same month in 2006. During the first quarter, new life insurance business was € 12,311m, with a fall of 8.8% compared with the same period in the previous year. The income from bank and post office counters was a decisive factor, as it had a considerable effect on the premium income for the entire quarter, with a decrease recorded in March of 21.4% compared with the same month in 2006. The activity by the agency network channel recorded a decrease of 25.3% compared with March 2006. Income from products with a guaranteed minimum return in classes I and V continue to fall by 14.6% and 30.1% respectively. New issues of index-linked policies (Class III) also reduced in March, with a fall of 14.4% compared with March 2006.

Table 4 – New Life production – individual policies

Year	Month	Premiums (€million)	Δ % previous year		From begin- ning of year
			1 month	3 months	
2006	February	4,293	(8.6)	(14.5)	(10.6)
	March	5,715	17.4	(0.6)	(0.6)
	April	3,565	(23.0)	(4.4)	(6.3)
	May	4,124	(21.5)	(9.2)	(9.7)
	June	5,137	10.9	(11.7)	(6.3)
	July	3,524	(24.2)	(12.1)	(8.9)
	August	3,162	(12.0)	(8.2)	(9.2)
	September	3,083	(17.2)	(18.4)	(9.9)
	October	4,590	0.2	(9.0)	(8.9)
	November	4,201	(7.5)	(7.6)	(8.8)
	December	3,931	(1.4)	(2.9)	(8.2)
	2007	January	3,010	(13.6)	(7.2)
February		4,567	6.4	(2.2)	(2.6)

Source: ANIA

Managed savings

Italian families are still more inclined to tend towards less risky investments.

In the first nine months of 2006, compared with the previous year, families moved more towards financial instruments with contained risk and yield levels, reducing purchases of shares and holdings and transferring quotas in unit trust holdings. The quota of the portfolio invested in low risk assets has thus risen to values of approximately 50%.

At the end of the year the financial debts of families had increased by 11% to about € 480bn, but the ratio between debt and disposable income, at 46%, remains equal to about half of that of the area. Last year bank loans slowed down to 12.6%, feeling the effects of the rise in interest rates.

The increase in consumer credit, while it remains high, reduced to 13%, showing the modest development in expenditure for long-term assets.

The charges sustained by families to service debt reached about 7% of disposable income, which is still a low percentage in international terms. The incidence of new bad and doubtful debts remained contained, at around 0.78% of loans.

As regards the managed savings business, during February there was a fall in assets to € 1,108bn, for total outflows of € 10.7bn. In detail, the most substantial outflows were for UCITS products opened with € 2.4bn, while both the flows of management of welfare products and for the closed UCITS remained positive (respectively € 196m and € 29m.)

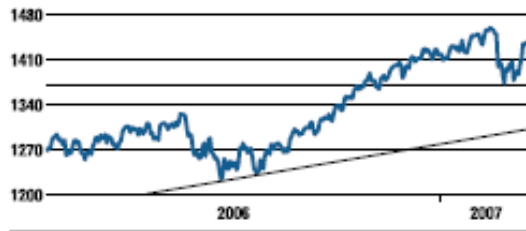
Investment business

In recent months, the economic prospects of the Euro area showed a higher growth than the American economy, also showing less uncertainty over company profits (which in the USA, in more than one case, were reviewed downwards in successive years) and showing at the same time more numerous extraordinary finance transactions on the European markets than on the United States markets.

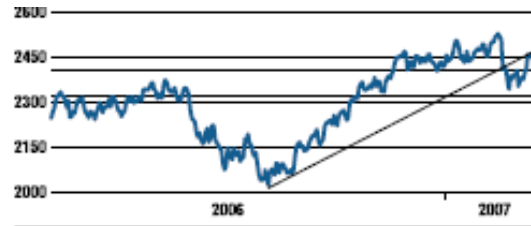
It is interesting to emphasise that since the end of 2002, the US Stock Exchange has shown a performance of 67% (S&P500 index), while the Euro area and the Japanese markets have reached values of more than 100%, respectively 106% (Euro Stoxx index) and 107% (Nikkei225 index). In fact, for the first time since the end of the First World War, the capitalisation value of the 24 European Stock Exchanges (including Russia and those in Central and Eastern Europe) has exceeded the value of the United States lists.

In particular, the capitalisation of the principal European share markets from the beginning of 2006 has shown performance in double figures, for example: in France +30.2%, Spain + 35.5%, Germany +24.8%, and Great Britain +23.5%. Italy also shows growth of +20%, compared with performances by the Nasdaq and Dow Jones of around +9%, and the S&P500 of +13.2%.

**Fig. 2 – S&P 500
trend from July 2005**



**Fig. 3 – Nasdaq
trend from February 2006**



Source: *Il Sole 24 Ore*

During March the European Euro Stoxx share index achieved high growth (+9.2%) after the correction at the end of February, with an annual performance which was strongly positive of 19.2%. The sectors which in general drove the European share markets upwards were mainly motor (+12%), and banking (+10.6%).

The scenario for the coming months should remain moderately favourable for the Euro area, for the following reasons:

- the expected slowdown in 2007 has been recalculated;
- the positive campaign of the 2006 results has led to a revision upwards of the estimates of income and profits for the 1st quarter of 2007;
- the aggregate profits of the Euro Stoxx index are expected to grow further, although they are slowing down slightly;
- the interest in Merging & Acquisition operations remains strong, with intense activity which is extending to various sectors.

It should be remembered that the European Central Bank raised interest rates in March (to 3.75%, an increase of +0.25%). The current phase of the development of the European economy is compatible with further rises, because the growth is consolidating and extending and the scenario for investments is sustained by financing conditions which are still favourable.

After the correction at the end of February the national share markets reacted by recovering much of the fall. The S&P/Mib fell during March (-0.7%), but maintained a favourable performance over a year (+9.6%).

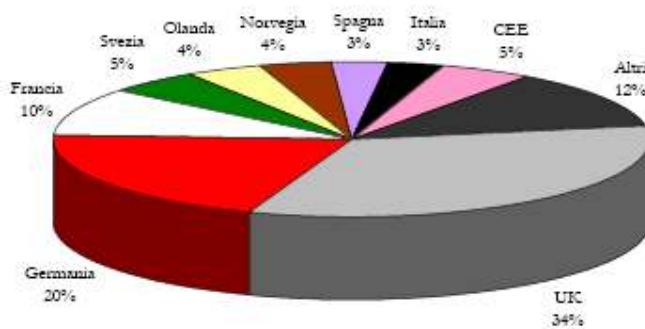
The sectors which recorded the best performances were industrial securities (+1.4% monthly, +21.6% annually), energy (+1.0% monthly, + 2.5% annually), and banking (-0.1%, monthly, +14.4% annually); in particular, the latter benefited from the announcement of business combination projects in Europe with possible repercussions on the domestic market.

As regards the Italian insurance sector, this is greatly influenced by the modest dynamic of savings income, with a development trend in prospect which continues to be unfavourable, showing, for the securities in this segment, a performance equal to -2.0% monthly and +0.9% annually.

Property business

On a worldwide scale, 2006 was an year of strong growth in the property markets, despite repeated increases in interest rates by the Central Banks. In particular, the markets in which the institutional investors mainly operate (properties intended for economic activity) continued their expansion, reaching , at the end of 2006, an increase over the previous year of 33%, for a volume of transactions of around € 500bn. In this context, in the Euro area the dominant role maintained by property investment can be seen in the more mature markets such as Great Britain (34%), Germany (20%) and France (10%), with an increasing contribution from the Eastern Countries, while the role of Italy continues to be marginal (3%).

Fig. 4 – Destination of property investments in Europe – 2006



[left - right] Germany, France, Sweden, Holland, Norway, Spain, Italy, EU, Others, UK

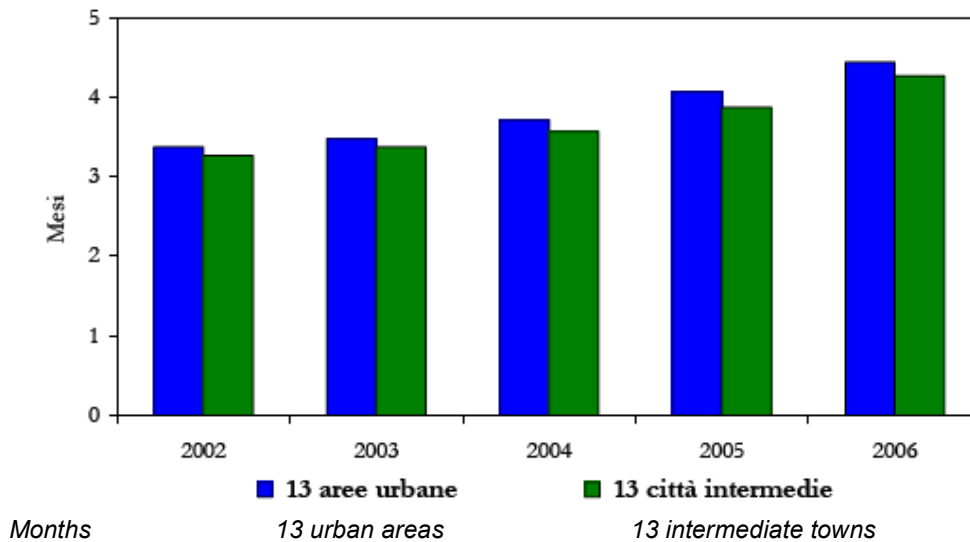
Source: Jones Lang LaSalle – Nomisma report - Observatory on the Property Market, 1-07.

This is due to a number of features in our market, such as:

- low ratio between debt and wealth, which in Italy is around 5%, while in the USA, the United Kingdom and Germany it is between 20 and 25%, and in France it is between 10% and 15%;
- high savings rate, which remains amongst the highest in any country, despite the fact that it has fallen in recent years when there has been an increasing move towards debt, decreasing from 19.4% in 1994 to 10.2% in 2006;
- low number of outstanding debts on loans, despite recent rate rises. The percentage of families with outstanding loans is now only 1.7%.

Overall, the Italian residential property market, represented by two aggregates of the markets of the 13 major urban areas and the 13 intermediate towns, showed a certain amount of stability in the supply and demand components at the end of 2006. However, the non-residential segments are in a weaker position. Even in rents, there has been a gradual fall in rental income, in particular in the intermediate towns segment, while sale times are aligned both in the major areas and in the intermediate towns and on average have undergone a slight extension compared with 2005.

Fig. 5 – Average sale times for dwellings (months)



Source: Nomisma.

With reference to 2007 the improved economic climate in the country should give further assistance to the offices and tertiary use sector, with a positive effect both on prices and rents.

Legislative developments

Regarding the principal changes in legislation which involved the Italian insurance market in recent months, the developments are described below, and have already been shown clearly in the accounts.

Direct indemnity

The direct compensation introduced by the reform of the Insurance Code is the new procedure for insurance reimbursement which, as from 1 February 2007 in the event of a traffic accident, will allow the injured parties who are not liable, or are only partially liable, to be indemnified directly by their own insurer. It will apply in the case of an accident between two motor vehicles, both with Italian registrations, identified and duly insured. It will be set in motion by presenting the notice of loss, completed using the Blue Form (accident report form), and the request for indemnification to the person's own insurance company, which will send an offer for compensation for the losses sustained once the total or partial reason given by their own insured has been checked.

If the claim contains all the information necessary to assess the loss, the insurance company must respond:

- within 30 days for damage to the vehicle and property if the Blue Form has been signed by both drivers or insureds of the vehicles involved;
- within 60 days for damage to the vehicle and property in the absence of the Blue Form with two signatures;
- within 90 days for injuries to the driver proposing the offer of compensation or explaining the reasons why it is not obliged to pay compensation.

After notifying the sum offered, the company must proceed with payment within the following 15 days.

The following will be indemnified:

- damage to the vehicle and any damaged connected to its use (e.g. stoppage for technical reasons, towing etc.);
- any slight injury sustained by the driver (up to 9% disability);
- any damage to items transported belonging to the owner or driver.

This revolution may be the beginning of stability for Motor TPL tariffs, as stated in the intentions of the legislator who believed that a closer relationship between the insured and his own company would lead to a reduction in fraud, and consequently, a decrease in the cost of Motor TPL.

In the event of an accident, every company will be free to indemnify its own clients who have suffered damage with the amount they consider most appropriate, but will then be reimbursed (by a body recently set up to regulate the debt and credit relations between the companies, called the "clearing house") at a pre-established figure only, whose value, respectively of € 1,800, € 2,000 and € 2,300, (and € 3,250 for slight injuries to persons for a maximum of 9 disability points) refers to the three territorial areas into which the Italian provinces have been subdivided.

Therefore, the rigidity of the legislation which provides for determining lump sums with which the companies will offset their respective positions, presents a new obligation for the insurance companies, which could generate management inefficiencies.

While on one hand the possibility of having full control of the cycle of indemnification will drive the companies into greater competition (in the choice of repairers, parts, and in personalising contracts), on the other hand the companies which mainly cover a motor fleet with high powered engine capacity (usually more costly to repair) could tend to select their customers further, so as to balance out the costs.

ANIA is carrying out a publicity campaign nationally to inform policyholders of the new ways of managing the direct indemnity, to make it easier to reach a potential agreement between customers who are victims of losses.

Two months on from the date the direct indemnity came into force, the number of Motor TPL insureds who have obtained reimbursement in less than 60 days was around 73,000, for a sum of € 80m, out of a total of 100,000 losses opened in February and around 180,000 in March. The reference data was prepared on 5 April last by Consap and provided by the Ministry for Economic Development.

It should also be noted that, in order to make prevention more effective and deal with insurance fraud, the Department of Public Safety and ISVAP (Istituto per la Vigilanza sulle Assicurazioni Private - Italian Insurance Regulatory Agency) signed an agreement in April to allow the Police direct access to the data base of Motor TPL claims.

The agreement thus sets out the basis for further forms of co-operation to be developed in the interests of the community.

“Check box” project

Membership of the “Check Box” project, the experiment launched by ISVAP in co-operation with the Ministry for Economic Development to keep Motor TPL tariffs down, had 1,321 policyholders as members on 30 March last. More than 3,000 telephone contacts were made with potential users interested in installing the device.

The result confirms that the public is very interested in the initiative, which means that they can agree to install the “check box” on their own vehicle (a mechanism similar to the black box on aircraft), which is absolutely free of charge, and they receive a discount from their own insurer of at least 10% per annum on the Motor TPL premium for the duration of the project, which will be three years.

The check box is a mobile device installed on the vehicle to show data, fully compliant with the laws on privacy, relating to driving and any losses. In particular the device records the events in the 40 seconds prior to and ten seconds after impact. With this device fraud becomes more difficult and it is possible to set up personalised tariffs with consequent savings. Top of the membership process is the province of Rome, followed by Milan, Naples, Turin and Palermo. Fondiaria-SAI has been the most active company in this experimental phase

Insurance Code – Single Register of Insurance and Reinsurance Brokers

The Single Register of Insurance and Reinsurance Brokers (RUI), available from 1 February 2007, contains information on persons acting as insurance and reinsurance brokers on Italian territory, resident or with their registered office in Italy.

The Register was set up by Legislative Decree no. 209 of 7 September 2005 (Insurance Code) in implementation of EC Directive 2002/92/EC on insurance intermediaries, and is regulated by ISVAP Regulation no. 5 of 16 October 2006. Based on this legislation, only those entered in the Register can act as intermediaries. The RUI therefore provides a complete photograph of those operating in insurance mediation, for the protection of consumers.

Based on the provisions of the Code, the Register is subdivided into 5 sections:

- section A (agents);
- section B (brokers);
- section C (direct producers of insurance companies);
- section D (banks, financial intermediaries ex art. 107 of the Consolidation Act on Italian Banks, Stock Brokerage Companies and Post Offices – Post Office Bank Division)
- section E (collaborators with intermediaries under sections A, B and D who operate outside the areas of those intermediaries).

An intermediary cannot be entered in several sections of the Register simultaneously, with the exception of those under sections A and E only for tasks of distribution relating to Motor TPL.

Both individuals and companies can be entered in the Register: a search in it for information on an intermediary can be done by these two access keys, or by the section to which they belong.

Supplementary social security

The Finance Law of 2007 set out the early enactment of Legislative Decree 252/2005 by one year and the consequent possibility for company workers (where there are more than 50 employees) to allocate their severance pay maturing on 1 January 2007 to supplementary social security schemes. From 1 January 2007, all employees will therefore have six months to decide where to allocate their payments: based on the "silent agreement" rule, anyone not making a specific choice will have their severance pay allocated to the contractual funds in the sector (or company funds if they exist) or to an alternative supplementary fund managed by INPS.

The reform represents a step forward in the development of integrated pensions but, as shown several times by the association (ANIA), the problematic aspects of this early start are represented by the fact that:

- the period of time given to workers to adhere to the requests is too short;
- it is necessary to increase the awareness of workers which is difficult to achieve in a few months, and this is aggravated by the fact that there is a limited right on the part of the consumer to change his mind (impossible to carry forward the severance pay in the company);
- workers may be deprived of the possibility of being able to compare the alternatives available to them, due to the same rules of supervision and transparency for everyone. Therefore, an acceleration of the reforms would mean in the first instance that only the products which are already available and have been used for some time are easy to access (such as the contractual funds for example);

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- the reform does not make it easy to move from the current “pay as you go” system where the worker pays with his own contributions for pensions for those already retired from the employment market, to the “fully funded” system, in which the workers set aside a fund with deductions from their own salary, and this fund is usable when he retires from the work force. Any forced transfer of the severance pay to INPS will not encourage integrated social security to take off, as by doing this precious funds are being diverted to create a first pillar to continue the development towards a “fully funded” system.

Almost four months after the reform of supplementary social security came into force about one worker in 4, or 26% of the total monitored (around 2.5 million workers) has already informed their employers of their choice concerning their own severance pay.

This is one of the main results of the Assogestioni observatory which was carried out in co-operation with Gfk-Eurisko to monitor workers’ decisions.

The data collected by the study showed how 17% of workers (around 1,600,000 individuals) intend to leave the severance pay in the company, while as regards allocations:

- 8%, or around 800,000 workers chose to join the Contractual Funds;
- 0.6% (or 60,000 individuals) is the quota of those who decided to assign their supplementary pension to Open-Ended Pension Funds;
- 0.3% (or 30,000 workers) is the percentage of those who assigned their severance pay to the Fip.

Amongst the workers who have still not decided (74%, or around 7 million workers):

- 3.4 million individuals, or 36% of the total, state that they want to leave their severance pay in the company;
- 16% (around 1.5 million workers) intend to send it to the Contractual Funds;
- 6% (around 600,000 workers) will send it to the Open-Ended Pension Funds;
- 7% (a little over 600,000 individuals) prefer the Fip;
- only 2% (around 203,000 workers) state that they do not wish to do anything, while the remaining 7% have still not come to a decision.

Concerning the reasons for failure to give notification, it was found that in 51% of cases the workers said they had not received sufficient information to make a decision, while 20% were waiting for the date to become closer. It should be noted that the factor which workers took into consideration the most at the time of choice was security, and this was the case both for those who decided to leave the severance pay in the company, and for those who chose a negotiated pension fund.

New liberalisation

Decree Law no 7 of 31.01.2007 published in the Official Journal of 01.02.2007, the so-called “Bersani bis” decree, on the proposal of the Ministry for Economic Development, included a new block in the “liberalisation package” in order to open markets to benefit consumer protection.

Amongst the many innovations, we should point out in particular the measures adopted for competition and consumer protection in the insurance services (ref. art. 5);

- In Non-Life business the abolition of single-firm contracts between insurance companies and sales agents. From 2008, the agent can therefore propose policies from different companies (as is already the case for Motor TPL). At the beginning of the year, the Production Activity Commission of the Chamber approved an amendment which postpones from 04/07/2006 to 01/01/2008 the extension of the prohibition initially imposed only on Motor TPL with the decree law of last July (ref. DL 223 of 4/7/2006 converted by Law 248 of 11/8/2006).
In this case the companies have already shown that it is inappropriate to set up a system of liberalisation based on prohibitions rather than on free initiative. Therefore the abolition of the single-firm does not apply in the other EU countries, proof that its existence does not restrict freedom of enterprise.
In addition, if the policy lasts for several years, the insured can withdraw annually from the contract without charges, giving notice of at least sixty days. In this case the intervention on contracts in force also represents an initiative which does not sit well with the spirit of true liberalisation.
- In the Motor TPL sector, the transparency of the tariffs available on the market and the obligation of the insurance company to maintain the class indicated in the last declaration of risk for the customer who takes out a new policy for a second car, or following an interruption in the insurance cover,.

Anti-fraud archive for payment cards

At the time of writing, the regulation implementing Law no. 166 of 2005 has been signed, instituting a system of payment card fraud prevention. The measure had already been unopposed by the Council of Ministers at the end of March, providing for setting up a computer archive which can collect all the data relating to transactions not acknowledged by the card holders, at the points of sale at which the concession regulating the negotiation of the credit card was revoked or renewed, at automatic machines which have been tampered with. The database (which will hold the data for three years) will be managed by Ucamp, the Central Payments Antifraud Office, a structure which will be set up ad hoc. The measure establishes that the risk of fraud occurs when, at a 24-hour point of sale, at least five authorisations with different cards are refused. Or, if, again during 24 hours, there are three or more requests for authorisation with the same card, or a request for authorisation which is greater than 150% of the average amount of transactions carried out in the three months preceding the transaction.

Those who are obliged to send data (companies, banks and financial intermediaries who issue payment cards and who manage the commercial acceptance networks) must fulfil the obligation within 190 days of the measure coming into force. Thereafter, monitoring will begin at the counters and companies at risk and in the event of fraud, the issuing companies (which will have free access to the data base which they themselves supply with data) can terminate the agreement to credit card payments.

The Public Security Department and the Police can also have access to the data in the archive.

Solvency II

It will be recalled that during 2006, in order to introduce a new system of prudential supervision (called Solvency II) which can allow supervisors to have the appropriate instruments available to evaluate the total solvency of an insurance company, the European Commission instructed CEIOPS (Committee of European Insurance and Occupational Pension Supervisors) to provide appropriate advice on the introduction of new prudential standards. The new system will have amongst its main objectives that of establishing a requirement of capital for supervision commensurate with the risks taken on.

At the time of writing, CEIOPS has published a letter to the European Commission on the updating of the work concerning the project in question and in particular the 3rd qualitative [*sic*] impact study conducted to date (so-called QIS3 – Quantitative Impact Study) as well as the final versions of a series of opinions for the Commission itself.

CEIOPS has made available all the documents relating to the aims of the study, the technical specifications, the calibration of risk factors and the list of contacts to be consulted for the QIS3 at the Supervisory Authorities.

It is also noted that on 4 April, ISVAP published a letter to the market on “Solvency II – Invitation to take part in the third quantitative impact study”. In this letter the Supervisory Authority underlines the importance of Italian companies taking part in QIS 3, in order to test the feasibility of the calibration proposed in the standard formula, and also to point out any nationally specific aspects to be considered at European level. ANIA has also put on its own website a section where available documents which are considered to be of particular interest relating to the Solvency II project can be found.

BASIS OF CONSOLIDATION

As at 31/03/2007 the Fondiaria-SAI Group overall, including the Parent Company, consisted of 124 Companies, of which 21 operate in the insurance sector; 2 in the banking sector; 45 in the property and agricultural sector; 22 in the financial sector; 3 in SIM (stock brokerage companies) and SGR (savings management companies) and the rest in various other services.

85 companies are consolidated on a line-by-line basis, 15 consolidated using the net equity method, and 2 companies (Po Vita S.p.A. and Bipiemme Vita S.p.A.) are consolidated using the proportional method, while the remaining companies are maintained at book value given their irrelevance in the economy of the Group.

There are 99 subsidiaries, of which 39 are controlled directly by the Parent Company. 15 companies have their registered office abroad.

It should be noted that due to the introduction of the IAS/IFRS the Group consolidates all the subsidiaries on a line-by-line basis even if they carry out dissimilar activities, such as the Tikal R.E. Closed-end Property Fund as the Group controls it and determines its management policy.

Throughout the first quarter there were no significant changes in the basis of consolidation compared with the end of the previous financial year with the exception of the purchase on 27/02/2007 by the subsidiary Immobiliare Lombarda of a shareholding of 33.33% of the capital in the finance company IGLI S.p.A. In particular it should be noted that IGLI S.p.A. is a company with a holding of 29.866% of the share capital of Impregilo S.p.A. which is listed on the Telematic Share market organised and managed by the Italian Stock Exchange (Borsa Italiana S.p.A). The total price of the purchase was approximately € 87.2m.

Also included under this heading is the constitution of the finance company QUINTO ITALIA S.p.A. of which Fondiaria-SAI holds 49% capital with voting rights. This company, set up in partnership with professional operators in the sector, is working to start sector development initiatives involving finance agreements based on one-fifth of salary.

The companies are both valued at cost, considering the short period of time between the date of constitution/purchase and the end of the first quarter of 2007.

VALUATION CRITERIA

The valuation criteria and IAS/IFRS international accounting standards used to draw up the consolidated accounts closed on 31/12/2006 were applied to the quarterly report.

For an up-to-date illustration of the valuation criteria please refer to the consolidated accounts as at 31/12/2006.

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

¹ *Translator's note: "quinto" = one-fifth. With some personal loans the limit is one-fifth of the net salary.*

In particular for Technical Provisions from direct business we can show the following:

- Provision for unearned premiums in Non-Life business.
Within the scope of that provision, any component of the provision for unexpired risks was maintained unchanged on the basis of prudence in the classes where provision was made when the loss ratio was stable compared with the previous statement period.
Where there was a worsening of this ratio, in the calculation procedure described in ISVAP circular no. 360/D the data as at 31 March was inserted. In the event of anomalous trends in production, prudent amounts were set aside on the basis of the forecast loss experience.

- Provision for outstanding claims in Non-Life business.
The process of multiphase technical valuation has undergone some changes in terms of the simplification of procedures essentially in that it is impossible to carry out an analytical review of the remaining charges as is the practice at the end of the year. In Land Vehicles TPL the current generation and those of previous years were determined using the operational indicators of the first quarter of 2007.
In particular, considering that the initial reserve was set up at the last cost and taking account of the parameters of sufficiency on the amount paid observed during the period, it was considered appropriate and sufficient to increase the cost of the claims in reserve according to percentages representing the presumed outlay for payments.
In determining the amounts in reserve, account was also taken of further indicators such as the speed of elimination and settlement in the period.
With reference to Motor TPL losses falling under the new system of direct indemnity, it should be noted that considering the very limited time frame, the valuations of losses opened were calculated in such a way as to avoid showing any effects on the profit and loss account for the period, taking into consideration the trend in payments of losses managed on behalf of other companies and the effect of the related lump sums, both compensation and reimbursement.

In other Non-Life business, for both the current generation and for past generations, the estimate of the loss by the technical offices has been integrated with reference to the parameters used in the accounts for 2006, if there were no substantial changes compared with the trends consolidated as a statistical basis.

FINANCIAL AND ASSET MANAGEMENT

INFORMATION ABOUT THE ASSETS

The statement below shows the investments and cash at bank and in hand as at 31/03/2007, compared with the corresponding amounts as at 31/12/2006 and 31/03/2006

(€K)	31/03/2007	31/12/2006	Change %	31/03/2006
INVESTMENTS				
Property investments	2,147,700	2,125,628	1.04	2,034,238
Shareholdings in subsidiaries, affiliated companies and joint ventures	275,598	155,921	76.75	68,652
Investments owned up to expiry	-	-	-	-
Financing and loans	1,238,732	1,305,863	(5.14)	1,431,620
Financial assets available for sale	23,469,731	23,067,611	1.74	21,815,373
Financial assets at fair value shown in the profit and loss account	7,279,571	7,157,453	1.71	5,572,654
Total investments	34,411,332	33,812,476	1.77	30,922,537
Tangible assets: Immovables and other tangible assets	1,181,331	1,164,620	1.43	1,111,466
Total non-current assets	35,592,663	34,977,096	1.76	32,034,003
Cash at bank and in hand and equivalent resources	692,358	723,032	(4.24)	652,892
Total non-current assets and cash at bank and in hand	36,285,021	35,700,128	1.64	32,686,895

The financial assets available for sale and the financial assets at fair value shown in the profit and loss account are broken down as follows:

(€K)	31/03/2007	31/12/2006	Change %
Financial assets available for sale			
Equity securities and quotas of UCITS	4,256,321	4,204,911	1.22
Debt securities	19,210,602	18,859,785	1.86
Other financial investments	2,808	2,915	(3.67)
Financial assets at fair value shown in the profit and loss account			
Equity securities and quotas of UCITS	1,447,049	1,450,313	(0.23)
Debt securities	5,560,502	5,416,753	2.65
Other financial investments	272,020	290,387	(6.33)

The item **Property Investments** includes the property held by the Group for investment purposes, therefore for rental to third parties or held as an investment or for the appreciation of the capital investment. Their gross book value is € 2,383,709K, of which € 721,013K refers to the land component, while the amount of the depreciation fund is € 236,009K. The increase which took place in the first quarter, of € 22,072K, was mainly due to the increasing costs over the period.

The item **Shareholdings in subsidiaries, affiliated companies and joint ventures** includes shareholdings in the affiliated companies, which have been valued according to the net equity method, in addition to the book value of some shareholdings in subsidiaries which were not consolidated on a line-by-line basis either due to their absolute irrelevance for the purposes of a true and correct representation, or because they are undergoing restructuring or are not operational.

The significant increase in this item is due, among other things, to the acquisition by Immobiliare Lombarda, in February last, of the 33.33% shareholding in the capital of IGLI S.p.A. (holding company which has a 29.9% quota in Impregilo S.p.A.) for a counter-value of € 87.2m. This purchase was made partly using own resources and partly with a loan obtained from Efibanca for around € 38m.

The other most significant shareholdings are those held by the Parent Company in the affiliated company Fin. Priv. S.r.l. for € 68.7m and by the subsidiary Saifin-Saifinanziaria in the affiliated company Finadin S.p.A. for € 41.5m, as well as those held by the subsidiary Immobiliare Lombarda in City Life and Progetto Alfiere.

Financing and Loans includes debt securities of € 107,845K (as at 31/12/2006 € 107,047K), repo contracts of € 38,571K (as at 31/12/2006 € 65,771K) and loans on life policies of € 68,573K (as at 31/12/2006 € 70,738). This also includes the deposit accounts of reinsurers with the ceding companies for a sum of € 32,861K (as at 31/12/2006 € 35,002K) and receivables from replacement agents for reimbursement of indemnities paid to agents who have ceased to operate for a sum of € 206,910K (as at 31/12/2006 € 213,671K).

This item also includes loans granted by Finitalia to its own customers of € 158,921K (as at 31/12/2006 € 152,700K), credits by the subsidiaries BANCASAI and Banca Gesfid to other credit institutions for credit deposits and loans to banking customers of € 413,882K (€ 426,333K as at 31/12/2006).

Finally, the item also includes a credit of approximately € 160m (as at 31/12/2006 around € 159m) entered for the forward sale of the Intesa SanPaolo shares owned by the Parent Company through the mandatory convertible exclusively into Intesa SanPaolo shares, issued by the subsidiary SAINTERNATIONAL in September 2004. This credit has been discounted, considering the time profile of the forward sale underlying the issue of the mandatory. The positive effect on the profit and loss account for the period was approximately € 1.3m.

With reference to the **Investments owned until expiry**, the Group did not consider it appropriate to value any financial instrument for this purpose, in line with the management strategy of the portfolio.

The **Financial assets available for sale** include debt securities and shares not classified otherwise. Although it is a remaining category, it represents the most numerous category of financial instruments, in line with the characteristics and purposes of the insurance activity.

The **Financial assets at fair value shown in the profit and loss account** include securities held for trading as well as those assigned by the companies in the group in that category (designated). This item includes the investments and financial instruments relating to insurance policies or investment contracts issued by insurance companies for which the risk of investment is borne by the policyholders.

As regards the composition according to the nature of these categories of financial instruments, please refer to the table at the foot of the statement of investments.

According to the international accounting standards, immovables for direct use by the entity which draws up the consolidated accounts are not considered to be investments: for this purpose we have valued this item under the **Tangible assets**, which also includes the property stocks for which the criteria of IAS 2 are applied. In particular this item includes a further € 753m (€ 741m as at 31/12/2006) relating to the property assets of the subsidiary Immobiliare Lombarda S.p.A.

Immovables for direct use by the group are entered at cost and subject to depreciation depending on their estimated remaining useful life. Vice versa the property stocks are valued at the lower sum between the cost and the net realisation value, the latter represented by the market value.

The other tangible assets include, among other things, movables, plant, machinery and motor vehicles used by the group in carrying out their own activity. It should be noted that due to the joint venture begun with the partner EDS in the information technology sector, on 01/02/2007, the Group assigned all of its hardware and software for a remaining accounting value of around € 9m to the affiliated company Fondiaria-SAI Servizi Tecnologici. The operation did not generate any effects on the profit and loss account for the period.

Net technical provisions

The net technical provisions are broken down as follows:

(€K)	31/03/2007	31/12/2006	Change %	31/03/2006
Technical provisions non-Life business				
Provision for unearned premiums	2,406,676	2,437,801	(1.28)	2,371,041
Provision for outstanding claims	8,469,532	8,529,076	(0.70)	8,032,398
Other provisions	10,498	10,501	(0.03)	9,911
Total provisions Non-Life	10,886,706	10,977,378	(0.83)	10,413,350
Technical provisions Life business				
Mathematical provisions	13,699,317	13,538,101	1.19	12,531,645
Provisions for sums to be paid	207,116	203,548	1.75	107,768
Technical provisions where the investment risk is borne by the policyholders	1,349,883	1,126,403	19.84	860,852
Other provisions	144,786	185,460	(21.93)	249,242
Total provisions Life	15,401,102	15,053,512	2.31	13,749,507
Total	26,287,808	26,030,890	0.99	24,162,857

The technical provisions for non-Life business as at 31/03/2007 include the provision for unearned premiums of € 2,407m, calculated using the pro-rata temporis method, and the provision for outstanding claims of € 8,470m. With the introduction of the IAS/IFRS international accounting standards, as from 2005 financial year, this item no longer includes the provisions for equalisation and provisions to cover catastrophe risks, determined using lump-sum methodologies on the basis of specific legislative measures under national legislation. These provisions, which are still compulsory for the purposes of drawing up the statutory financial statements, are no longer allocated in the consolidated accounts.

The other technical provisions in Non-Life include the provision for increasing age in the sickness class, calculated according to the national legal provisions: it is intended to meet any aggravation in the insurance risk due to the increase in age of the policyholders.

The technical provisions in Life business relate to insurance and investment contracts with elements of discretionary participation governed by IFRS 4. This item does not include the liabilities relating to the policies (mainly of the index and unit linked type) which, as they are taken out with an insurance risk which is not significant, are governed by IAS 39 (Financial instruments) and entered under the financial liabilities.

It should also be noted that the technical provisions in Life Business have been increased, compared with the value determined according to the national accounting standards, by around € 28 m due to the effects of accounting for deferred liabilities to policyholders, resulting from the application of the accounting technique of shadow accounting as laid down by IFRS 4.

Financial Liabilities

The application of the international accounting standards has meant significant changes in the presentation of the financial liabilities of the group. In particular, both the broadening of the basis of consolidation, and the different classification of some insurance contracts under investment contracts has meant the entry and reclassification of items which are not shown in the presentation of the accounts drawn up according to Italian criteria.

It is noted, however, that the greater amount of financial debts does not have any impact in terms of the burden on funding, as it is an accounting representation which complies with the new international standards, and does not have a significant effect on the financial leverage of the group.

The sub-division of the financial liabilities is shown below:

(€K)	31/03/2007	31/12/2006	Change %	31/03/2006
Financial liabilities				
Subordinated liabilities	805,423	807,386	(0.24)	485,929
Financial liabilities at fair value shown in the profit and loss account	4,663,074	4,842,032	(3.70)	3,395,744
Other financial liabilities	1,407,584	1,430,477	(1.60)	1,520,946
Total financial liabilities	6,876,081	7,079,895	(2.88)	5,402,619

For the item **Subordinated liabilities** please refer to the next section on Debts.

The item **Financial liabilities at fair value shown in the profit and loss account** includes € 4,490m as at 31/03/2007 (€ 4,624m as at 31/12/2006) relating to liabilities from financial contracts issued by insurance companies, entered using the methodology of deposit accounting, which mainly provides for the allocation only of the income margins to the profit and loss account and the allocation of the premiums written to the financial liabilities.

The item also includes around € 126.4m relating to hedge derivative transactions entered into by the Parent Company and the subsidiary Milano for which the financial instruments owned by the group, represented by equity securities, have recorded a similar positive change with an effect on the profit and loss account.

The **Other financial liabilities** include € 214m (as at 31/12/2006 € 203.5m) relating to deposits opened by customers with the subsidiary BANCASAI, while € 61.1m (€ 81.4m as at 31/12/2006) refers to the similar positions in the subsidiary Banca Gesfid. In addition € 178.3m (€ 178.0m as at 31/12/2006) relates to the debt for a nominal sum of € 180.4m taken out by the subsidiary Sainternational, to be repaid exclusively in Intesa SanPaolo shares which are owned.

The item also includes € 12.6m (€ 12.8m as at 31/12/2006) for investment contracts taken out by life insurance policyholders valued using the cost less depreciation method. It also includes € 62.9m (€ 95.3m as at 31/12/2006) relating to repo contracts for financing taken out by the subsidiary SAI Mercati Mobiliari. The remainder refers mainly to deposits taken out with reinsurers.

Consequently, for the purposes of the correct representation of the items under examination, it was considered suitable to show separately the items relating only to the financial debt burden, understood as the total amount of financial liabilities for which it is not possible to establish a specific correlation with the items in the assets. The situation is summarised in the table below.

DEBTS

The debt situation of the Fondiaria-SAI Group as at 31/3/2007 is as follows:

(million Euro)	31/03/2007	31/12/2006	Change
Subordinated loans	805.4	807.4	(2.0)
Mandatory SAInternational	178.3	178.0	0.3
Payables to banks and other loans	429.4	395.5	33.9
Total debts	1,413.1	1,380.9	32.2

The item **Subordinated loans** includes the loan taken out by the Parent Company with Mediobanca in July 2003 with at the same time early repayment of the loan taken out previously on 12/12/2002. The loan for a sum equal to a nominal amount of € 400m, had been taken out to increase the items comprising the solvency margin.

With reference to the subordinated loan of € 400m already in existence with Mediobanca, following authorisation from ISVAP, the Parent Company agreed the following:

- some contractual changes to the subordinated loan itself, relating, among other things, to the reduction in the interest rate, from Euribor at six months + 265 basis points to Euribor at 6 months + 180 basis points;
- a further subordinated loan contract taken out for a period of twenty years with a fixed maturity date for a total of € 100m at an interest rate equal to Euribor at 6 months + 180 basis points, with the same features of subordination as the previous loan;

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- a new subordinated loan contract, taken out on 14 July 2006, for a total sum of € 300m, half subscribed by Fondiaria-SAI and the other half by Milano Assicurazioni. This loan also presents a cost equal to the Euribor at 60 months + 180 basis points and is repayable in five equal annual instalments as from the 16th anniversary of the date the loan was granted. In particular, this contract contributes to a further improvement in the Group's available solvency margin for the part granted to the subsidiary Milano Assicurazioni.

Finally the item "Subordinated loans" also includes the subordinated loans of BPM Vita received during the course of 2003. There were four subordinated loans for a nominal sum of € 16m, half taken out with the Banca Popolare di Milano and half with the Banca di Legnano. Two loans fall due on 27 June 2008 and have interest rates equal to the Euribor at 12 months increased by 0.75%; while the other two loans have an undetermined due date and interest rate equal to the Euribor at 12 months increased by 2.50%.

On 27/09/2004, the Luxembourg subsidiary Sainternational S.A. launched a Convertible and Repayable Bonded Loan exclusively with Intesa SanPaolo ordinary shares owned by Fondiaria-SAI, due date 29/09/2010 and listed on the Luxembourg Stock Exchange.

The bonds, with a nominal value of a total of € 180,400K, will be repayable on the due date by delivery of 44,000,000 ordinary Intesa SanPaolo shares, formally owned by Fondiaria-SAI, at the exchange price of € 4.10 per share, and therefore with a premium of 35.13% compared with the listing of the ordinary Intesa SanPaolo shares when the offer price was decided.

The annual coupon of the bonds and the return on the due date are equal to 6.10%.

With reference to **Payables to banks and other lenders**, equal to € 429.4m, we give the most significant amounts below:

- € 244.6m refers in full to the consolidated debt of the subsidiary Immobiliare Lombarda. This is the result of the renegotiation of the debt of the purchased company Immobiliare Lombarda, which took place in accordance with the merger project, of which it was a condition. The rate of interest of the loan comprised the Euribor plus a spread of 0.9%. The due dates are variable until 2012. It should also be noted that in the first quarter of 2007 Immobiliare Lombarda took out a new loan for around € 38m with Efibanca, to purchase the holding in IGLI. The interest rate for this loan was the Euribor plus a spread of 0.83% and the due date is fixed at 31 December 2012;
- € 179.7m refers to the loan taken out by the Tikal R.E. Closed-end Property Fund with Banca Intesa SanPaolo, the latter in its capacity as Organising Bank, Agent and Lender. The purpose of the loan is to improve the return on the fund's own resources and therefore on the capital invested by the participants. The amount granted, which does not deplete the credit provided totalling a nominal sum of € 280m, is used either for investment in new initiatives, or to carry out improvements with a view to future realisations or increases in income. The cost of the funding is equal to the Euribor plus a credit spread varying from 70 to 110 b.p. The Fund, from the first financial year, has made use of two derivative instruments on rates, implementing a hedging policy for the potential risk of an increase in rates for the loan taken out;
- € 3.4m refers to the debt taken on with credit bodies by the subsidiary Finitalia;
- the remainder relates to other debt positions whose unit amounts are not significant.

INVESTMENT BUSINESS

With reference to investment business during the first quarter, the operations developed by the Group have shown good bond trading activity in the non-Life sector, in addition to purchases targeted in view of interest rate levels which are now close to 4%.

For this purpose Covered Bonds were purchased, with issues in the “AAA” rating bracket, and higher returns than the State debt securities, and with due dates within three years.

In the Life sector, with exposure in terms of duration slightly increased overall, targeted purchases were made in terms of immediate returns and with a due date to increase the return from the segregated accounts, within the limits of a risk profile linked to the international economic situation. In this context, the quota of the asset classes of the corporate sector was kept substantially unchanged.

During the course of the quarter the level of equity did not change significantly, either in non-Life or in Life business. The more defensive repositioning on the Life sector continued, however, while in Non-Life the concentration of the number of securities and refocusing towards large capitalisations continued. Trading operations increased significantly, allowing good capital gains to be realised, and taking advantage of the greater opportunities which the share market has offered compared with the recent past.

In particular, as regards the Parent Company, 76.5% of Non-Life business consisted of fixed rate government and supranational bonds, while the remaining quota is subdivided into 22% in variable rate securities and a remaining 1.5% in Repo Contracts. The total duration of the portfolio is 2.01.

Life business has a higher asset allocation of fixed rate government and supranational bonds (83.3%), compared with the variable quota of the same asset class (16.7%), with a total duration of the portfolio of 5.9.

Overall, investment in State securities in the Euro area and supranational securities has been favoured, representing 79% of the portfolio, while the Corporate segment is at 21%. The securities in this latter category belong, for the most part, to the “investment grade” category.

With reference to Milano Assicurazioni, 84% of Non-Life business consisted of fixed rate government and supranational bonds, while the remaining quota is subdivided into 15% in variable rate securities and a remaining 1% in Repo Contracts. The total duration of the portfolio is 1.92.

Life business has an asset allocation made up of fixed rate government and supranational bonds of 83%, higher than the quota of variable rate securities (17%), with a total duration of the portfolio of 5.48.

Overall, investment in State securities in the Euro area and supranational securities has also been favoured in this case, representing 82% of the portfolio, while the Corporate segment is at 18%. The securities in this latter category belong, for the most part, to the “investment grade” category.

OWN SHARES AND SHARES IN THE PARENT COMPANY AND ITS SUBSIDIARIES

As at 31/03/2007 and 31/12/2006 the Parent Company held total amounts of own shares and those of the controlling company Premafin Finanziaria as stated in the table below:

(€K)	31/03/2007		31/12/2006	
	Number	Book value	Number	Book value
Own shares registered to:				
Fondiaria-SAI	-	-	9,490,212	182,201
Milano Assicurazioni	6,802,557	150,946	6,802,557	149,440
Sai Holding	1,200,000	28,285	1,200,000	28,285
Grand total	8,002,557	179,231	17,492,769	359,926
Shares of the controlling company registered to:				
Fondiaria-SAI	18,340,027	43,888	18,340,027	45,116
Milano Assicurazioni	9,157,710	21,914	9,157,710	22,528
Saifin - Saifinanziaria	66,588	159	66,588	164
Grand total	27,564,325	65,961	27,564,325	67,808

It should be noted that on 24/03/2007 the resolution of the extraordinary shareholders meeting held by the Parent Company was implemented, reducing the share capital by cancelling all of the 9,490,212 ordinary own shares in the portfolio.

MANAGEMENT PERFORMANCE

ECONOMIC DATA

The economic situation for the quarter is given below, compared with the same period in the previous year and as at 31/12/2006:

(€K)	31/03/2007	31/03/2006	31/12/2006
Net premiums for the period	2,749,424	2,408,504	9,649,838
Commission receivable	28,684	19,357	76,499
Net income deriving from fin. instruments at fair value shown in the profit and loss account	19,657	2,644	80,267
Income deriving from shareholdings in subsidiaries, affiliated companies and joint ventures	3,641	12,332	19,500
Income deriving from other financial instruments and property investments	275,427	275,586	1,136,397
- Interest receivable	201,914	165,948	710,662
- Other income	27,925	22,287	228,534
- Profits realised	45,537	85,879	196,917
- Profits from valuation	51	1,472	284
Other revenue	88,829	81,164	400,946
TOTAL REVENUE	3,165,662	2,799,587	11,363,447
Net charges relating to losses	2,180,712	1,855,521	7,833,827
Commission payable	13,893	12,649	39,754
Charges deriving from shareholdings in subsidiaries, affiliated companies and joint ventures	89	-	54
Charges deriving from other financial instruments and property investments	57,058	44,950	257,787
- Interest payable	22,248	17,518	88,097
- Other charges	14,486	7,651	77,680
- Losses realised	11,110	9,022	54,581
- Losses from valuation	9,214	10,759	37,429
Operating expenses	432,807	401,261	1,644,278
- Commission and other costs of acquisition on insurance contracts	334,780	311,578	1,289,588
- Operating expenses on investments	3,235	17,152	10,462
- Other administrative expenses	94,792	72,531	344,228
Other costs	196,967	214,072	678,863
TOTAL COSTS	2,881,526	2,528,453	10,454,563
PROFIT (LOSS) FOR THE YEAR BEFORE TAX	284,136	271,134	908,884
Tax	116,722	104,297	308,116
PROFIT (LOSS) FOR THE YEAR NET OF TAX	167,414	166,837	600,768
PROFIT (LOSS) FROM OPERATING ACTIVITIES WHICH HAVE CEASED	-	-	-
CONSOLIDATED PROFIT (LOSS)	167,414	166,837	600,768
PROFIT (LOSS) FOR THE YEAR RELATING TO THE GROUP	135,458	134,763	481,204
PROFIT (LOSS) FOR THE YEAR RELATING TO THIRD PARTIES	31,956	32,074	119,564

During the first quarter of 2007 the activity of the Fondiaria-SAI Group showed results which were substantially consistent with the industrial plan for 2006-2008.

The good results for the period were partly due to the high level of efficiency achieved in technical management, characterised by a large client base, a highly competitive portfolio of group products, unambiguous policies when underwriting risks as well as the optimisation of loss management through a vast, well-constructed settlement network.

With reference to the essential aspects of management, as shown at 31/03/2007, the following should be noted:

- the **consolidated result** amounted to € 167m, in line with the result for the corresponding period in 2006, even though the latter was greatly increased by the realisation of net capital gains on property and securities;
- the **technical performance of insurance activity** showed a further improvement in **Non-Life business**. The technical account for the sector, shown in traditional format, shows a result of around € 153m, (€ 131m as at 31/03/2006), to which the substantial stability of both the Motor class and the Elementary Classes contributed. The result before tax for the sector was € 226m (€ 200m as at 31/03/2006).
In **Life business** the good performance in premium income was confirmed for traditional-type policies (+ 13.9% at Group level). Also the application of international accounting standard IFRS 4 involved the reversal of premiums amounting to € 47m approximately relating to index and unit linked policies for which a significant insurance risk was not identified. The result before tax for the life sector amounted to more than € 55m as at 31/03/2007 (€ 70m as at 31/03/2006) discounting the lower gain from the net profits from realisation;
- The **operating expenses** amounted to € 430m (€ 384m as at 31/03/2006) and represent around 15.6% of the premiums for the period, an improvement compared with the data for the previous period of comparison (the incidence was around 16.0%);
- excluding the contribution of the financial instruments at fair value shown in the profit and loss account, the **total gross income from investments** reached a quota of € 275m (€ 276m as at 31/03/2006). This amount was adjusted by € 35m for the corresponding charges. This amount also includes a further € 34m of net profit from realisation on the movable and immovable assets. The balance of profits and losses from valuation is negative by more than € 9m;
- the **interest payable**, equal to around € 22m, is almost entirely due to the financial debt (€ 18m as at 31/03/2006);
- the contribution of the **financial instruments at fair value** shown in the profit and loss account was a total of € 20m (€ 3m as at 31/12/2006);
- **revenue deriving from shareholdings in subsidiaries, affiliated companies and joint ventures** refers to the capital gains realised by the Parent Company from the transfer of shares in the subsidiary Milano Assicurazioni for the part relating to life insurance;
- the balance of the **other income and other costs** is negative by € 108m (€ -133m as at 31/03/2006). These items of a residual nature include income and charges of a technical and non technical type not classified elsewhere, in addition to depreciation, contingent profits and losses and the net movement of funds for risks and charges;
- the **tax burden for the period** is slightly up on March 2006 at € 117m, due to the lower impact in that period of capital gains from realisation falling within the system of partial exemption of income.

The table below shows the results before tax obtained in each individual sector. The property sector includes the results obtained by the subsidiary property companies Immobiliare Lombarda and Nit, as well as the result for the period for the Tikal R.E. Closed-End Property Fund, while the Other Activities sector summarises the performance of the subsidiaries operating in the financial and diversified services sectors, including BANCASAI, Banca Gesfid, SAI Mercati Mobiliari and Safin-Saifinanziaria.

(€K)	Non-Life	Life	Property	Other Activities	IC Outside the sector	Total 31/03/2007	Total 31/03/2006
Net premiums	1,800,280	949,144				2,749,424	2,408,504
Net charges relating to claims	(1,195,338)	(985,483)			109	(2,180,712)	(1,855,521)
Net commission	-	5,007		9,908	(124)	14,791	6,708
Net income from subsidiaries and affiliated companies	(161)	3,618	(89)	184		3,552	12,332
Net income from investments	58,236	154,877	3,127	2,005	124	218,369	230,636
Net income deriving from financial instruments at fair value shown in the profit and loss account	19,252	(1,874)		2,388	(109)	19,657	2,644
Operating expenses	(358,808)	(56,270)	(49)	(17,680)		(432,807)	(401,261)
Other net income and charges	(96,998)	(14,508)	2,885	483		(108,138)	(132,908)
Profit (loss) for the year before tax	226,463	54,511	5,874	(2,712)	-	268,136	271,134
Tax on income						(116,722)	(104,297)
Profit (loss) for the year net of tax						167,414	166,837
Profit (loss) of operating activities which have ceased						-	-
Consolidated profit (loss)						167,414	166,837
Profit (loss) for the year relating to third parties						31,956	32,074
Profit (loss) for the year relating to the group						135,458	134,763

NON-LIFE INSURANCE SECTOR

At the end of March, the Fondiaria-SAI Group had premium income of € 1,849m (+1.25% compared with 31/03/06). The subdivision into categories of activity is shown in detail in the table below:

(€K)	31/03/2007	31/03/2006	Change %	31/12/2006
NON-LIFE BUSINESS				
Accidents and illness	172,133	167,938	2.50	671,962
Marine, aviation and transport insurance	53,216	50,547	5.28	190,334
Fire and other Damage to Property	176,573	159,439	10.75	751,153
General PL	123,669	126,019	(1.86)	496,336
Credits and Bonds	21,141	20,305	4.12	71,291
Financial losses of various kinds	7,204	5,909	21.92	26,476
Legal Protection	4,161	3,682	13.01	15,745
Assistance	9,670	8,166	18.42	34,855
TOTAL NON-LIFE BUSINESS	567,767	542,005	4.75	2,258,152
Land vehicles TPL	1,095,623	1,094,703	0.08	4,306,899
Motor insurance Other Classes	184,022	187,699	(1.96)	729,698
TOTAL MOTOR BUSINESS	1,279,645	1,282,402	(0.21)	5,036,597
TOTAL DIRECT BUSINESS	1,847,412	1,824,407	1.26	7,294,749
INDIRECT BUSINESS	1,485	1,626	(8.67)	10,045
TOTAL NON-LIFE BUSINESS	1,848,897	1,826,033	1.25	7,304,794

It should be noted that the increase in income benefited from the contribution of the subsidiaries Liguria Assicurazioni and Capitalia Assicurazioni, totalling € 60.2m; these companies are not included in the basis of consolidation for the first quarter of 2006. Comparing like with like, the premium income should therefore have shown a decrease of around 2.1%.

The performance of premiums in Motor Business felt the effects of the streamlining already started in geographical areas and tariff sectors with unsatisfactory technical performance; in particular the premium income reflects the reorganisation of the fleets portfolio.

As regards Elementary Business, with the impetus given to the Retail sector in line with the objectives of the plan, there has been a limited development in the Corporate sector, where the criteria for taking on risks must comply with rigorous technical parameters.

The Parent Company collected premiums from direct business in March amounting to € 958.4m (- 2.83%) of which € 667.5m (- 3.00%) were in Motor Business.

The subsidiary Milano Assicurazioni S.p.A. contributed to the results by achieving at group level € 679m of income (- 3.16%) deriving from a decrease of 4.71% in Motor business and an increase of 1.55% in other Non-Life business.

Claims paid in Italian direct business, as at 31/03/2007 amounted to € 1,261m (- 4.4%) of which € 699m related to the Parent Company (€ 748m as at 31/03/2006).

The loss/premiums ratio for the period is around 66.4%, slightly worse than March 2006 (65.7%). The ratio of operating costs to premiums is stable at 19.9% (19.4% as at 31/03/2006).

The combined ratio is 91.5% (92.4% at 31/03/2006), an improvement due to the lesser impact of the other technical charges, which allowed the partial worsening in the total loss experience index to be reabsorbed.

With reference to the operating performance of Motor TPL, it should be noted that the data at 31/03/2007 is not perfectly in line with and therefore not comparable with the similar amounts for the previous year.

In particular, the new direct indemnity procedure which started on 01/02/2007 has led to a series of measures being taken, both internally and externally, as regards the Clearing Room, with a consequent fall in the traditional times for processing the claims data.

Unlike the previous year, the cost of claims also takes account of the so-called losses managed on behalf of other companies (or losses sustained) net of the recovery of the related lump sum. We should add to this, as another cost element, the lump sum charge sustained by the Group for losses caused falling under the direct indemnity system. The fact that it is a lump sum charge (while in the past the costs sustained was precise for that loss) means that the data is not totally comparable.

The adaptation of the data processing systems and the training of staff involved show that the transition process to the new procedures for indemnity is progressing efficiently. However the short period of time since the new procedures began means that it is still not possible to give a complete assessment of all the economic and financial impacts.

With reference to the Parent Company the losses caused in Motor TPL business show a decrease of around 5.8%; this figure is due partly to the mismatch in time caused by the start of the direct indemnity procedure.

The average cost of the amount paid in the current generation shows an increase which is not comparable, as the charge sustained for Debtor DIA (or debtor lump sum) claims falling under the direct indemnity procedure, is determined on a lump sum basis with a debt which tends to be higher than that which the Company would have sustained under the previous settlement system.

Consequently the speed of settlement of the losses caused, both in the current and former generations, drops compared with March 2006 discounting the natural uncertainties related to starting up new settlement procedures.

With reference to losses in the former generation it should be noted that in the first three months of 2007 the phenomenon of late claims was amply estimated in the definition of the reservation policy at the end of the previous financial year. Finally there is an increase in the average cost of the amount paid in previous generations, resulting from the levels of efficiency in the settlement processes which in the past allowed the gradual reduction in remaining charges of a smaller unit amount.

The performance of the Land Vehicles business is still positive as its performance is still dependent on the reduction in tariffs and the economic situation which penalised the demand for non-compulsory cover.

The increasing tendency on the part of the motor market to offer this type of cover along with the price of the vehicle should be added to this aspect.

With reference to the Non-Motor business of the Parent Company, premiums written in Italian direct business amount to € 291m, a decrease of 2.4% compared with the first quarter of 2006. The number of losses notified was stable with an increase of around 1%.

The technical performance has improved compared with March 2006, and also compared with the final data as at December 2006, even though the limited period of observation does not allow definitive hypotheses to be arrived at concerning future performance.

Concerning the subsidiary **Milano Assicurazioni**, the first quarter of 2007 shows, in the Non-Life sector, a profit before tax of € 89m (€ 93m as at 31/03/2006). In this sector the subsidiary shows an improvement in overall technical performance; in particular the reorganisation of the fleets portfolio in Motor TPL business has contributed to the fall in losses notified and the recovery of profitability in terms of the combined ratio. The performance of the Land Vehicles class of insurance was stable, while the other Non-Life business also showed signs of improvement compared with 31/12/2006.

With reference to the subsidiary **Sasa**, the first three months of 2007 closed with a premium income of € 106.4m and an increase of 4.7%. Motor TPL business showed an increase of 8% (€ 63.6 compared with 58.9m at 31/03/2006) to which we should add the good performance of Land Vehicles (+ 9.2%) which was € 9.3m.

The increase, higher than expected, can be attributed to the greater commercial operativity acquired by the agencies during the last three financial years.

The number of losses notified was up by 41.4%, with a significant upswing in Motor Business (+32%). This change reflects the huge acceleration in the flow of notifications, which occurred following the introduction into the agency of the IES claims management procedure, already used at Group level. Apart from that, the increase in claims notified can be estimated to be of the order of 6% - 7% with an increase in the annual insured vehicles fleet of around 13%.

The result for the period is positive by € 3.5m (€ 4.3m as at 31/03/2006).

The prospects for the current year are positive considering that the increase in the portfolio is selective, in turn accompanied by the reform of the existing portfolio.

With reference to **Siat**, the first quarter of 2007 shows improved results in the technical sector, although the Hulls sector has suffered from some serious losses (but adequately reinsured). This improvement is particularly significant for the Goods sector, which has begun to benefit from the contribution of indirect business.

In general terms the transport insurance market was characterised by quite keen competition and, limited to the Hulls sector, premium rates with sporadic signs of weakness and the occurrence of some serious losses, as indicated above. From the reinsurance point of view, there are still conditions for selectivity on the part of professional reinsurers, which continue to give increasing attention to the statistical technical performance.

Premiums amounted to € 48.3m and are up compared with the same period last year (€ 39.6m). They benefited from the implications connected to setting up the "Transport Pole" with the related centralisation in the company of the Group business relating to the "Transport" sector. On the other hand, premiums are down for "non Transport" business which the company is in the process of offloading. Production felt the negative effects (in particular for "Marine Hulls") of the performance in the parity of the US dollar.

As regards claims, while the claims notified showed some serious incidents, the dismantling of the provision for outstanding claims coming in showed a considerable sufficiency.

Finally we should point out that the subsidiary **Liguria Assicurazioni** had premium income of € 50.8m of which € 37.8m was in Motor business. The performance of the first quarter shows a sustained development of the portfolio, with an increase of 18.9% overall (+22.3% in motor and + 14.4% in non-motor non-life business).

This result is due to the expansion policy which was begun in the second half of the previous financial year and continues in 2007, and which led to 13 new agencies being opened in the first quarter of 2007. The bonds portfolio has slightly decreased, with premiums written showing a decrease of 1.8%, due to the more careful selection of risks taken on and operations to clean the portfolio.

Losses notified and incurred increased overall by 6.2% (+ 6.5% in Motor and + 5.1% in Non-Motor Non-life business). In particular, in Motor TPL the frequency shows an improvement compared with the first quarter of 2006 from 9.6% to 9.2%. The speed of settlement fell from 34.5% to 32.8% in the first quarter of 2006 and was affected mainly by the general slowdown recorded by the market following the introduction of losses managed on behalf of other companies, above all in the first start-up phase of the new loss settlement system.

The technical result for the quarter gross of reinsurance amounts to € 4.4m compared with € 4.0m in the first quarter of 2006 and showed a slight fall in motor business offset by the positive trend in non-motor business (+2.7m compared with + 1.7m in the first quarter of 2006). In this context the company had a net result for the period of € 1,253K confirming the efforts made by the Group structures to achieve technical balance quickly.

We give below the performance of claims paid and notified in the various classes of business. With reference to the claims notified in Motor TPL, so as to have a life-for-like comparison with the previous period, they relate to losses caused and do not include the number of claims relating to the system of losses managed on behalf of other companies.

	Claims paid (€K)			Claims notified (Number)		
	31/03/2007	31/03/2006	Change %	31/03/2007	31/03/2006	Change %
Accidents	50,060	51,924	(3.59)	26,139	25,423	2.82
Illness	43,134	43,268	(0.31)	53,455	48,076	11.19
Railway vehicles - hulls	-	-	-	-	-	-
Aircraft - hulls	131	1,493	(91.23)	4	4	0.00
Ocean-going, lake and river craft - hulls	1,704	1,873	(9.02)	86	121	(28.93)
Goods transported	2,649	4,194	(36.84)	713	901	(20.87)
Fire and other natural elements	49,638	47,767	3.92	12,117	15,670	(22.67)
Other Damage to Property	54,926	50,531	8.70	32,921	34,101	(3.46)
TPL aircraft	13	7	85.71	22	2	1,000.00
TPL ocean-going, lake and river craft	80	155	(48.58)	16	23	(30.43)
General P.L.	84,910	80,315	5.72	25,385	27,649	(8.19)
Credits	190	216	(12.04)	-	3	(100.00)
Bonds	11,559	18,828	(38.61)	325	287	13.24
Financial losses	1,086	1,607	(32.42)	1,212	1,030	17.67
Legal Protection	336	444	(24.32)	465	578	(19.55)
Assistance	3,770	9,394	(59.87)	16,862	18,272	(7.72)
TOTAL NON-MOTOR	304,186	312,016	(2.51)	169,722	172,140	(1.40)
Motor TPL	869,908	924,353	(5.89)	252,643	273,841	(7.74)
Land vehicles - hulls	87,306	83,110	5.05	68,689	63,575	8.04
TOTAL MOTOR BUSINESS	957,214	1,007,463	(4.99)	321,332	337,416	(4.77)
TOTAL NON-LIFE BUSINESS	1,261,400	1,319,479	(4.40)	491,054	509,556	(3.63)

LIFE INSURANCE SECTOR

The premiums written in Life business amount to € 956,565K with an increase of 42.4% compared with 31/03/2006.

The subdivision by category of activity is given below:

(€K)	31/03/2007	31/03/2006	Change %	31/12/2006
LIFE BUSINESS				
I – Insurances on duration of person's life	326,017	286,280	13.88	1,377,573
III – Insurances stated in I and II connected to investment funds	306,552	1,656	n.d.	321,401
IV – Health insurance under art. 1 d) of EEC Directive 79/267	25	19	31.58	117
V – Capitalisation operations as stated in art. 40 of Legislative Decree no. 174 of 17/3/95	322,941	381,899	(15.44)	959,407
TOTAL	955,535	669,854	42.65	2,658,497
INDIRECT BUSINESS	1,030	1,997	(48.42)	11,973
GRAND TOTAL	956,565	671,851	42.38	2,670,470

The significant increase in income is due both to the inclusion in the basis of consolidation of 50% of the income of Bipiemme Vita (€ 54m), and a product policy which is directed more towards forms with a higher insurance content in the banking insurance sector.

Comparing like for like, excluding the contribution of Bipiemme Vita and Liguria Vita, the increase would have been 33.8%.

Total income, that is including the investment contracts in Life Business, was € 1,003.7 with an increase of 3.8%.

At consolidated level the gross sums paid were € 568.5m (€567.1m at 31/03/2006) substantially unchanged compared with the previous financial year.

Premiums from direct business collected by the Parent Company in the first quarter of 2007 amounted to around € 399m (- 1.22%).

The decrease compared with the same period in the previous financial year can be attributed mainly to the fall in income in class I (-12.5% more than € 144m) and class V (- 5.2% more than € 215m). The negative trend in income from traditional policies was confirmed in the amounts collected in the entire insurance market, where there was, however, an upturn in income from Linked policies, mainly Unit linked. The premiums in class III of the Parent Company amount to € 29m compared with € 2m in the first quarter of 2006.

As for personal products the offer of products linked to Segregated Accounts has continued, which meets the security features of savings and investment products.

During January a new product was made available - an immediate, single-premium, with-profits annuity called RENDITA ASSICURATA (INSURED ANNUITY) which, apart from the usual payment of an income for life to the Insured, while he is alive, also provides for a decreasing counterinsurance which guarantees to named beneficiaries the payment of a capital sum in the event of death, if a "dread disease" occurs or if the Insured is disabled.

With these features, the product can represent a further instrument to protect capital sums falling due, particularly for Customers with a high average age.

During February a new Index Linked tranche was launched (Index Linked Match Race) characterised by an optional innovative mechanism which allows comparison between two share indices, a European one made up of a selection of shares with high return and a "general" one representing the US share market as a whole.

From the second half of March, the Group set up a new technical/management help system for Individual policies in the web based agencies called the ATDV (Assistenza Tecnica Direzione Vita – Technical Assistance Life business) which can be used by connection to the Company Intranet Site.

In the collective insurance sector the activity was concentrated on protecting the pre-existing Pension Funds, by operations aiming to update the portfolio, before the natural contractual due date of the policy, with the primary objective of encouraging the assignment of the maturing severance pay to the Pension Fund. The initiative will be completed by the end of the first half of the year.

As regards the products list, new products introduced with the recent launch of the CONTO APERTO RISPARMIO (OPEN SAVINGS ACCOUNT) and the Plural Vita MUTUI (Plural Vita LOANS) attracted the interest of our distribution network and promising negotiations have begun with customers.

Concerning the Corporate Open Account product – a capitalisation product focussing mainly on institutional customers – while it is still showing a certain degree of approval by the target customers, it should be emphasised, however, how the current dynamic of market rates, as well as their prospects, means on one hand an increasing difficulty in distribution and on the other hand, the need to take action to protect the customers acquired.

In the first quarter of 2007, the Company's Open-Ended Pension Funds did not record any new members, like the entire market, as we await the approval procedure for the related regulations by Covip, in accordance with Legislative Decree 252/05 amended by the 2007 Finance Law. Although there are no new members the flow of contributions showed an increase compared with the same period last year.

The Life Business of the subsidiary **Milano Assicurazioni** showed premiums written as at 31/03/2007 which were up by 33.5% compared with 31/03/2006, reaching € 216m compared with € 162m. This is mainly due to traditional-type products (+ 36%), while the index type products with an insurance content discount the income attributable to the new Index Linked Match Race mentioned above, with premiums written of more than € 16m.

The increase, as already mentioned, benefits from the effect of the consolidation of 50% of the premiums of Bipiemme Vita. Comparing like for like the increase would be 0.3%.

Concerning **Novara Vita**, premium income reached € 196.7m, a considerable increase compared with 31/03/2006 (€ 17.4m); the increase is due mainly to the greater placement on the market of products with an insurance profile.

Total income, that is including investment contracts in Life Business, was € 197.4m, an increase of 4.4% compared with 31/03/2006 (€ 189.1m).

With reference to **Po Vita**, the commercial activity in the first quarter of the year showed a significant increase in premium income, which amounted to € 242m (+ 40.70% compared with the first quarter of 2006). The total income from investment contracts amounted to € 273m, a reduction of € 117m compared with March 2006 as there are no longer any policies amounting to € 100m, underwritten by the partner Cariparma. The changes are present both in line with the operations related to share indices (- 23.14%) and the individual capitalisation operations (- 89.96%). The new production is characterised by a distribution of premiums by type of product, in which the Index-linked products were 61.02%, Unit-linked products 10.96%, Segregated Accounts products were 27.06% and others 0.96%.

With reference to **Sasa Vita**, premium income for the first quarter of the current year, equal to € 27m, was almost trebled compared with the corresponding figure for the previous year. The percentage increase in premiums accounted for was obtained due to the presence of a complete products basket (unlike the first quarter of the previous year), consisting of three policies completed by a single agency for around € 3m and the excellent income of € 9m relating to the marketing of an index-linked policy. As regards the risk premium income there was a fall especially in the hedging of loans and small loans.

With reference to **Bipiemme Vita**, the quarterly position as at 31 March 2007, drawn up according to Italian standards, showed premiums written of € 112,850K, compared with € 106,039K last year (+ 6.42%). During the first quarter the company continued the activity to rationalise the products portfolio, to maintain a high level of satisfaction of customers' needs and, at the same time, make the most of all the commercial opportunities of the market.

The closest attention was given to the financial management of capital policies with guaranteed return, much appreciated by the customers in 2006. It was not by chance that the returns from the Segregated Accounts managed by the Company were amongst the best on the market.

The careful financial management and attention given to containing operating costs has allowed the Company to deal efficiently with the trends in the financial markets which, also in the quarter under examination, underwent a fall in rates of debt securities, although at a significantly lower rate compared with the first quarter of 2006. The profit and loss account closed with a net profit of € 1,314K, compared with € 4,305K in the same period last year.

PROPERTY SECTOR

The results for the property sector include the operations of the **Gruppo Immobiliare Lombarda**, the subsidiary **Nit** and other minor companies, as well as the Tikal RE Closed-End Property Investment Fund.

The economic result for the sector, before tax, was positive at around € 5.9m compared with a negative result of € 2.7m in 2006 and was influenced by the depreciation of the properties of the **Tikal Fund** and the realisation of some capital gains on the sale of properties. In particular regarding the **Gruppo Immobiliare Lombarda** activity continued to regrade the owned assets and increase profitability, at the same time as developing property initiatives in the portfolio. The income for the quarter amounts to around € 29m.

We give below some of the main operations which took place during the first quarter of 2007:

- on 16 February 2007 the Tikal RE Closed-end Property Investment Fund sold the building for commercial use situated in Turin at Via Lagrange no. 35/ Via A. Doria 7 at a price of € 13,700K, with capital gains realised of € 3,109K.
- On 12 March 2007 the subsidiary Immobiliare Lombarda S.p.A. took out a preliminary sale and purchase contract for the sale of a building for commercial use situated in Milan at Via Gulli 9, with payment at the same time of a sum of € 300,000 as a deposit. The total price was fixed at € 3m.
- The subsidiary Milano Assicurazioni S.p.A. rented out the partially untenanted building situated in Milan at Via Broletto 44/46 to the company Leonardo Italy S.r.l. for a rent of € 2.7m.
- With reference to the Tikal RE Closed-End Property Investment Fund, on 11 April 2007 a preliminary sale and purchase contract was taken out for the sale of a building for commercial use situated in Florence at Via de Sanctis 49-51, with payment at the same time of a sum of € 575,000 as a deposit. The total price was fixed at € 5,750K, the capital gains will be around € 500K.

Shareholding in IGLI purchased by subsidiary Immobiliare Lombarda

On 27 February 2007, the purchase of a shareholding of 33.33% of the capital of IGLI S.p.A. was completed by the subsidiary Immobiliare Lombarda.

IGLI is a holding company which has as its sole asset a quota of around 29.9% in Impregilo.

In particular, Immobiliare Lombarda has purchased the entire shareholding in IGLI formerly held by Efibanca, equal to 20%, and a further shareholding of around 13.3% held by Tesir, at a price of € 38.3m and € 48.9m respectively, and thus a total of € 87.2m.

On the same date, Tesir then sold further shares in IGLI still held to Argo Finanziaria (around 3.3%) and Autostrade per l'Italia (around 13.3%) respectively so that the current share capital of IGLI is shared equally between the three shareholders, each owning approximately 33.3% of IGLI.

On the basis of the asset situation of IGLI as at 30 September 2006, the total price paid by Immobiliare Lombarda corresponds to an implicit average valuation of the shareholding held by IGLI in Impregilo of approximately € 4.1 per share, compared with an official stock exchange price for the Impregilo share on the date of the transaction of € 4.67 per share.

The investment in IGLI – already positive in itself by virtue of the company's prospects, shown both in the favourable progress of the shares and the consensus expressed by financial analysts – is part of the potential synergies with the numerous and important initiatives for property development which Immobiliare Lombarda, together with Fondiaria-SAI and other institutional investors, is aiming at throughout the country (e.g. Citylife, Citta della Moda, Ex Varesine, Area Castello, Cinque Cerchi, Torre Spaccata etc).

These initiatives will involve civil engineering and residential/tertiary work costing several billion Euro over the next 10-15 years, but above all, as in the case of the Citylife project, they intend to involve general contractors with proven international experience in complex building works using innovative technical characteristics of the properties due for construction (the three skyscrapers).

The acquisition of a quota in IGLI also constitutes a "return" of the Fondiaria-SAI Group into the capital of Impregilo, an important Italian business and company which for some years has been majority-owned by Gemina, in which Fondiaria-SAI historically holds a shareholding and in whose syndicate agreement it already participates. Immobiliare Lombarda met the total investment partly by selling property and partly by making use of financing.

The purchase of the total shareholding makes a statement for Immobiliare Lombarda, in a delicate phase of restructuring the shareholders of IGLI, to take on a more important role in the structure of the company, at the same time as wishing to develop industrial synergies connected to Immobiliare Lombarda's core business.

Following the termination of the shareholders' agreement originally taken out between the founding shareholders of IGLI in June 2005, Immobiliare Lombarda has therefore signed, with Argo Finanziaria and Autostrade per l'Italia, a new shareholders agreement, in force until 12 June 2008, to regulate the governance of IGLI, and the rights arising from the shareholding in Impregilo held by IGLI.

The governance of the Group is shared jointly between the 3 shareholders, with 2 board members each in IGLI, and 4 in Impregilo, including an independent person, the chairman, managing director and a member for the minority shareholders.

It should be pointed out that during the meeting of Impregilo, which took place in May, on the proposal of the list of candidates presented by the shareholder IGLI, the new Board was appointed which will remain in post for 2007.

In the agreement it was established that there should be a *lock-up obligation* on the shares held by the 3 shareholders for all of its duration.

Valuation of property activity

SEIS S.p.A.

Agreements were also reached with the counterparties for the purchase of the shareholding in SEIS S.p.A. (at the total price of € 11.2m), owner of a residential complex on the island of La Maddalena; and in Sintesi Seconda S.r.l. (at the price of € 32.4m) owner of 4 buildings for office and service use situated in Milan at via Missaglia 97.

Meridiano Secondo S.r.l.

During February the subsidiary Meridiano Secondo purchased volumetric rights for reception-hotel use in the Garibaldi-Repubblica area, situated in Milan with a payment of € 17m. With this purchase the company has completed the preparatory purchase activities for the construction of a top level hotel in Milan, in the "Citta della Moda".

Merger by incorporation of Campo Carlo Magno Sport S.r.l. with Campo Carlo Magno S.p.A.

During January the project to merge by incorporation Campo Carlo Magno Sport S.r.l. with Campo Carlo Magno S.p.A.. was approved by the respective meetings. The merger document was drawn up in April.

OTHER ACTIVITIES SECTOR

This sector includes the companies in the Group which operate in managed savings, finance companies and the subsidiaries BANCASAI and Banca Gesfid.

The sector result before tax was negative by around € 3m (it was positive by € 3m as at 31/03/2006). The sector result was influenced by a lower inflow of capital gains from realisation from the finance companies and the continuing uncertainty concerning BANCASAI and Sai Mercati Mobiliari, which still had negative results for the period due to a flow of income which is not yet able to absorb the related structure costs.

In particular, in this context the result of the quarterly profit and loss account of BANCASAI shows a loss of € 1,490K (€ 1,887K as at 31/03/2006).

During the quarter BANCASAI continued to complete the services offered to customers in terms of current accounts, payment services, credit and debit cards, home banking and lending. In the first quarter of 2007 the number of current accounts was 13,838, another increase. Commitments to customers, net of the related doubtful outcomes, amount to € 268,527K compared with € 67,649K in the same quarter of 2006. The direct income from customers was € 433,763K (€ 417,526K as at 31/03/2006).

The placement of financial services has also continued (unit trusts, SICAV investment funds, asset management in securities and funds), which showed a decrease, however, compared with the quarter under comparison, both in terms of gross income (€ 59,708K compared with € 95,809K as at 31/03/2006), and in net income (€ 22,303K compared with € 39,854K as at 31/03/2006). The drop in net income from managed savings products can be attributed mainly to the insurance sales networks and the Florence branch.

The brokerage margin increased in the period from € 2,937K in December 2006 to € 4,230K; € 774K of this increase can be attributed to the increase in the interest margins and € 485K to the increase in the margin from services. The improvement in the brokerage margin comes principally from the increase in commitments (both as regards private customers and companies) and from a definite growth in traditional banking activities.

Sai Mercati Mobiliari Sim S.p.A. closed with a negative sum of € 221K, which is an improvement compared with the result for the same period last year (negative by € 861K as at 31/03/2006). This trend emphasises the continuation of the industrial plan begun during 2006, especially as regards the sector of brokerage on behalf of third parties, which recorded a decisive increase. However, we consider that this trend will not be able to continue according to the forecasts.

Finitalia S.p.A. operates in the consumer credit sector, distributing personal finance and loans for the purchase of insurance products to the Group's best customers, through its insurance agencies. The activity in the first few months of the new financial year saw the continuing renewal of organisational and management processes, to improve and simplify the most important operating procedures. The result for the first quarter was positive by € 377K, compared with € 263K in the first quarter of 2006. In the first quarter of this year the company loaned € 45.5m compared with € 36.8m in the same period last year, an increase of 23.64%. The increase was particularly due to the financing of premiums which amounted to € 21,971K compared with € 16,969K in March of last year, an increase of 29.48%. The gross credits were € 164,108K, net exposure to Credit Institutions of the Group was € 122,334K. The margin of interest was positive by € 3,864K compared with € 3,543K for the corresponding period in 2006, above all due to the higher income from interest receivable.

Banca Gesfid S.A., a Swiss company operating in private banking, realised a profit of € 2,877K in the first quarter of 2007. The positive result was generated mainly by commission receivable of € 8,188K, interest receivable on loans and other financing of € 885m, and net income of € 484K deriving from financial operations on metals and foreign currencies.

Financing and loans to banking and interbanking customers amounted to € 89,831K (balanced by debts to banking customers of € 61,144K).

Joint Venture with EDS Group for management of the Information Technology infrastructures in place at Fondiaria-SAI Group

In the first few months of 2007 the project was set in motion to assign the management of the *Information Technology* (IT) infrastructures of the Fondiaria-SAI Group to a joint venture comprising a partner of proven capability and experience in the information technology sector, identified as EDS Italia S.p.A. (hereinafter EDS).

Taking into account the forecasts of growth in the level of competition in the insurance market, it was considered that one of the key factors to achieving the objectives in the 2006-2008 Industrial Plan of the Fondiaria-SAI Group was to complete a project to adapt the IT infrastructures of the Group and improve the level of competitiveness of the Group while also making savings on costs.

Very briefly, the scheme to put the project into operation provided for management of the IT infrastructures under a service contract lasting several years taken out for that purpose between, on one side, Fondiaria-SAI Servizi Tecnologici S.r.l. (hereinafter FonSAI ST), with EDS and companies in the Fondiaria-SAI Group to which the latter have transferred staff and/or hardware and software in accordance with the legal scheme for assigning a branch of the business and on the other side, Uniservizi S.c.r.l., the consortium company of Fondiaria-SAI Group which functions as a collector of services and distributor of these to the companies in the Fondiaria-SAI Group including those other than the assigning companies. FonSAI ST operates exclusively for the Fondiaria-SAI Group.

FonSAI ST was set up in December 2006 with initial share capital of € 10,000, distributed between Fondiaria-SAI and EDS with quotas, respectively, of 51% and 49%.

Although Fondiaria holds 51% of the capital of FonSAI ST, based on the governance agreements, the operating control of the company remains with EDS, a necessary condition to guarantee to the Fondiaria-SAI Group the advantages of the operation in terms of reducing costs.

Subsequently, on 1 February, the meeting of FonSAI ST passed a resolution for an increase in capital from € 10,000 to € 120,000, subscribed and paid up on the same date as follows:

- for EDS, with payment in cash of a sum such as to maintain the capital shareholding of FonSAI ST at 49%;
- for the Fondiaria-SAI Group, assigning a Branch of business by, in addition to Fondiaria-SAI, Milano Assicurazioni S.p.A., Starvox S.p.A and Uniservizi. These branches of business consist of staff and/or hardware and software useable in the activities assigned to EDS.

The value of the branches of business assigned is as shown in the statement of assets and liabilities of the Branches themselves on 31 October 2006, as attached in the estimates drawn up under the terms of art. 2465 Civil Code, by an expert from the register of auditors.

The total value of the Branches whose statement of assets and liabilities was allocated to the share capital of FonSAI ST up to a sum of € 120,000 and, for the surplus, to the provision for overpricing, is a total of around € 8.4m. A revision of the values assigned is planned which takes account of the time between the date of reference of the statements of assignment and the starting date of the action (01/02/2007).

The branches of business subject to assignment include 134 employees of the Parent Company, Milano Assicurazioni and Starvox, with reference to whom the procedure was tested, within the meaning of the law, with the trade union organisations, concluded with the signature of an agreement.

During March 2007, Milano Assicurazioni, Uniservizi and Starvox transferred to Fondiaria-SAI their respective holdings in FonSAI ST, in order to bring together in Fondiaria-SAI the holding in the vehicle company, without prejudice to the fact that the provision of IT services which is the subject of the service contract between FonSAI ST and Uniservizi will involve the companies in the Fondiaria-SAI Group, including those other than those making the assignment.

Finally the conversion of FonSAI ST from an S.r.l. into an S.p.A. was provided for, with the issue of various categories of shares with differentiated rights in terms of voting and participation in profits and losses, consistent with the aforementioned governance agreements.

IT Agreement for Non-Life Banking insurance

During March 2007, RGI S.p.A. – a company listed in the Espandi segment and active in the Information Technology sector for the insurance and banking world – entered into a contract with the Fondiaria-SAI Group concerning the supply in terms of outsourcing of the IT System for the management of Non-Life Banking Insurance.

The project will support the sale of insurance products at around 3,000 banking counters throughout Italy.

The contract, which has a term of three years, is worth around € 3.7m.

OTHER INFORMATION

Sales organisation and staff

It is reported that as at 31/03/2007 the Fondiaria-SAI Group had 6,081 employees (6,130 as at 31/12/2006) of which 2,627 are employees of the Parent Company (2,649 as at 31/12/2006) and 3,454 are employees of the subsidiaries (3,481 as at 31/12/2006).

In particular, the decrease in the number of employees recorded in the first three months of 2007 is due to the transfer of some staff from Fondiaria-SAI, Milano Assicurazioni and Starvox to the affiliated company Fondiaria-SAI Servizi Tecnologici, under the joint venture entered into with the EDS Group mentioned above.

With reference to the first quarter of 2007 the territorial distribution of the Fondiaria-SAI Agencies was as follows:

	SAI Mandate	Fondiaria Mandate	Total at 31/03/2007	Total at 31/12/2006
North	418	250	668	666
Centre	207	162	369	362
South	163	142	305	311
TOTAL	788	554	1,342	1,339

With reference to the Group it should be noted that in the first quarter of 2007 there were 3,491 agencies (3,525 as at 31/12/2006), operating through 2,765 points of sale (2,791 as at 31/12/2006) representing the traditional distribution channel.

Stock option plans

On 14/07/2006 the Board of Directors of Fondiaria-SAI decided to assign the options in the Stock Option Plans of Fondiaria-SAI 2006-2011 in favour of the executive directors and management of Fondiaria-SAI, its subsidiaries and controlling company for the purchase of Fondiaria-SAI savings shares. The assignment by the Board was made in fulfilment of the resolution of the Extraordinary meeting of Fondiaria –SAI on 28/04/2006.

Consequently, under the terms of IFRS 2 "Payments based on shares" the implicit costs linked to the aforementioned stock option plan were determined. Using suitable valuation models we were therefore able to determine the fair value of the options, consequently increasing the cost of labour for the period by € 3.3m, offset by a net asset provision.

As the plan also involves some executive directors and management of the subsidiaries Milano Assicurazioni and Immobiliare Lombarda, the economic effects of the stock option plan are also shown in the balance sheet of the aforementioned companies for the part applicable to them. Vice versa, the consolidated balance sheet of Fondiaria-SAI does not show the cost of the options assigned to the executive directors and management of the controlling company. The total cost of the plan is estimated by the Fondiaria-SAI Group at a total of € 36m.

(Values in euro)	Number of options granted	Remaining life	Optional value	Total cost	Cost at 31/03/2007
Tranche A	5,178,560	2	2.792	14,460,460	1,780,358
Tranche B	3,883,920	3	2.708	10,516,563	863,586
Tranche C	3,883,920	4	2.809	10,908,669	671,992
Total Fondiaria-SAI Group	12,946,400			35,885,692	3,315,936
Options which can be assigned to the controlling company	2,053,600				
Total	15,000,000				

External relations and communication

External relations

The first quarter of the year was devoted in particular to the development of two new communication projects of the Group, which, with different procedures and levels of importance, follow the typical objectives of this type of activity: to communicate the values and resources which the Fondiaria-SAI Group uses to operate on the market, explaining the competition position and reinforcing the awareness and visibility of the brand.

The first project developed along these lines was the "Iniziativa Libera La Vita" which with reference to the institutional pay-off of the Group decided last year, concerns the Agencies in all the distribution networks with the objective of harmonising communication throughout the country and expressing the position of the Fondiaria-SAI Group. The operation assigns a monetary contribution to local initiatives of a charitable-social nature, consistent with the philosophy of communication and which uphold the "Libera La Vita" promise, choosing the projects which are able to transmit the strong role of social responsibility of the Group which can be distinguished by their innovation and visibility.

This is an efficient way of transmitting the personality, values and uniqueness of our brand to the market, making use at the same time of the role of the Agencies.

The second project was the new Group magazine "VISION", for employees in all the Agencies and completely dedicated to subjects which animate the world of communication such as for example: economic scenarios, investigations into the state of health of our main brands and the principal emerging social phenomena, case histories, and new projects completed by the Group. The newsletter, which comes out every six months, aims to promote a more widespread and mature culture of communication, in order to provide IT and training instruments which are useful to the insurance commercial networks and of interest for all the Group's management.

“VISION – Value and Values of Communication”, is a declaration of intent: make a contribution of awareness, clarity and concrete facts to the understanding of the dynamics of communication, giving particular (but not exclusive) attention to changes in the insurance-financial market, looking today at what will form the taste and public opinion of tomorrow, showing the relevance of correct use of communication in achieving the company’s objectives, revealing the values in which the vision of our Group has its roots.

We have also continued to guarantee adequate support and the necessary visibility to the initiatives developed by the business centres and Companies in the Group, persisting in interventions to harmonise the visual identity of the points of sale (with the “Agency Image” project) and starting a similar project to improve the decor and image of the Claims Centres in Italy.

The Agencies also continue to have the necessary assistance in achieving local communication instruments, according to the specific territorial marketing needs.

Public Relations and involvement in the cultural, social and humanitarian fields

In order to consolidate our own institutional role and visibility nationally, during the first quarter the Group continued to support and collaborate with the following cultural institutions:

- the Royal Theatre of Turin Foundation, of which Fondiaria-SAI is a founder member;
- the Turin National Museum of Cinema, of which Fondiaria-SAI is a member of the management committee;
- the Consultancy for the valuation of Artistic and Cultural Property of Turin;
- the International Book Fair (we should recall that Turin was named World Capital of the Book for 2006/2007);
- the Congress Centre of the Industrial Union of Turin.

Also during 2007, Fondiaria-SAI will contribute as a founder member to the organisation of the 70th edition of the Florence Maggio Musicale (May Music Festival), a musical event which has become over the years an annual must for all lovers of classical music. The theatre season will see the participation of exceptional performers who will provide their image free of charge for the publicity campaign.

Amongst the social and humanitarian initiatives, we should also point out that during the first quarter the undertaking of Sai Asset Management (formerly Effe Gestioni Sgr) continued in its support of humanitarian projects related to children in poverty throughout the world, with the initiative called “Venture Philanthropist 2007” promoted by “Editori PerLaFinanza” and “Save the Children”, the largest independent worldwide organisation for the defence and promotion of the rights of children throughout the world.

Internal communication

In order to consolidate the integration of the different company cultures present within the Group, during the first quarter the planning and study of many Internal Communication activities took place, with the production of paper/on-line instruments and internal events, which involved and will involve the Group in the coming months.

Amongst the most significant activities we can mention:

- sharing information through the newsletter NEWS and the house organ TEAM sent to all employees of the Group and all the distribution networks;
- the preparation of ad hoc Communication Plans (in particular for Milano Assicurazioni where a new paper magazine is at an advanced stage, called "Milano Magazine") and the completion of communication projects for the different companies in the Group;
- cultivating the loyalty of top clients (Policyholders Club) with the four-monthly magazine LINEA DIRETTA CLUB;
- the collection of material for the 2007/2008 Gift Catalogue for all employees and all of the distribution networks, for the management of the Group's promotional gifts;
- continuation of the integration of the Intranet;
- management of large signs (with particular reference to the new Fondiaria-SAI office in Rome) and the agency signs for the whole Group;
- study of the project for computerising the "Procedure to request signs" with the collaboration of Wave Group;
- planning of events for employees and the agency networks.

Customer Relations

With reference to the number of complaints to the Company under the terms of Isvap circular no. 518/03, in the first quarter of the year there was a considerable increase in these (46.3%) caused in particular by the situation in the Campania region, concerning the current restructuring of the commercial network (notices of termination, agency closures, movement of portfolios) and due to problems with claims.

The use of the service has also improved the insurance culture and gives it even greater attention both at the time the contract is taken out and on renewal, and in the subsequent phases of the insurance relationship. This greater awareness has meant that the Group gives greater attention to cases of Users to give prompt and satisfactory replies.

As regards penalty measures Isvap has disputed 119 in total. The Supervisory Body has also notified 14 orders (injunctions to pay) for cases for which the Formal Notice has already been sent.

These orders amount to around € 131K.

As regards customer loyalty, operations are continuing with the new version of the Policyholders Club valid for 2006-2007. The main feature of the Club is based on "Last Minute" offers which are accessible either on the company site, or through an insert attached to the magazine Linea Diretta Club. The top clients who have joined the Club were notified by Agencies in the SAI Division, employees of Fondiaria-SAI who wanted to join the initiative, those belonging to the Gruppo Seniores Divisione SAI and Fondiaria-SAI Clients involved in the Private Insurance initiative.

The flexibility of the initiative allows new members to join either at the request of the Agencies, or on notification from other offices.

At the moment there are around 13,000 members in the Policyholders Club.

Foreseeable development of activities for 2007 financial year

- In the next few months we will provide support for the launch of new Non-life products (Corporate and Retail) as planned for 2007;
- The initiative entitled “Libera la Vita” – assistance to Agencies, selection of the best projects and support for carrying them out;
- development of image project for Claims Centres;
- consolidation of the Group’s visual identity system by means of the gradual extension of its codes to all institutional communications and products, on line and off line;
- the new initiatives of Internal Communication for the Companies in the Group;
- check and analysis of complaints taking account of the problems relating to the Direct Indemnity in force since 01/02/2007;
- identification of activities or particular initiatives intended for the Private Insurance Clients of the Group within the Policyholders Club.

SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE QUARTER

Banca Italease and Fondiaria-SAI enter into a strategic partnership

Banca Italease and Fondiaria-SAI initialled an agreement on 26 April for the development of a strategic alliance in their respective core business to be put into operation by means of:

- the acquisition of part of the assets of the Fondiaria-SAI Group in the consumer credit and managed savings sector, as part of the development strategy of Banca Italease in the retail markets;
- taking out a banking insurance agreement which provides for the distribution of the Group's Life insurance products through BANCASAI and Banca Italease.

Within the terms of the partnership, Banca Italease will purchase from Fondiaria-SAI;

- 50% of the share capital of BANCASAI, at a price of around € 61m (corresponding to a 100% value of the company equal to € 122m). The holding in Banca Italease can be increased by the Parties up to 70% during the course of the 18 months following the date of purchase of the initial holding by exercising put & call options on a further maximum quota of 20% of the capital, whose value will be equal to the same transfer price revalued financially. In particular, this means a further 10% at 12 months from the date of purchase of the initial holding and a further 10% 18 months from that date. The prices of exercising the two options on the 10% will be equal to the value pro-quota attributed to BANCASAI at the time of the transfer of the 50%, revalued on financial bases in consideration of the time which has passed from the date the options are granted to the date they are exercised. BANCASAI controls all of the share capital of Finitalia S.p.A., a company which specialises in consumer credit and in particular is active in the instalments of policy premiums by means of a five-year distribution agreement, from the date of closing, with the agency networks of the Fondiaria-SAI Group. The purchase will immediately involve the assignment of governance to Banca Italease, which will therefore carry out the management and coordination with regard to BANCASAI, which will fall within the basis of consolidation of the Banca Italease Banking Group.
- 80% of SAI Asset Management SGR, at a price of € 9.6m (corresponding to a 100% value of the company equal to € 12m).
- 5% of Effe Vita, at a price of around € 0.7m, to set up an insurance joint venture in Life business, with the power to increase that quota during the 18 months following the date of purchase of the initial holding, using the exercise of the call option on a further maximum quota of 10% of the capital whose value will be equal to the same transfer price revalued financially. The joint venture will take out a commercial agreement between Effe Vita and Banca Italease for the distribution, up to 31/12/2014, of insurance products in Life business through the branches of Banca Italease and the networks of agencies and approved intermediaries.

Amongst the above agreements is a shareholders' agreement to regulate the corporate governance and management of the companies which are the subject of the sale, and the industrial aspects of the partnership. This agreement will regulate, among other things, the composition of the company bodies of the participating interests, lock-up on the quotas, sharing of extraordinary development operations, commercial strategies in the businesses in which the partnership is involved, and will provide for some undertakings of non-competition, as well as regulating the mutual "way out" in the event that the partnership is dissolved.

The closing of the operation, subject to obtaining the necessary authorisations from the competent authorities, should take place in the second half of 2007.

The aforementioned operations will be regulated internally on the balance sheet at closing and will involve for Fondiaria-SAI a capital gain of around €11m (excluding the effects of exercising the put & call options) compared with the book values in the draft balance sheet as at 31/12/2006 approved by the Board of Directors.

For the Fondiaria-SAI Group, the partnership with Banca Italease has a double strategic value. From the insurance point of view the agreement represents – in a phase of progressive commercial saturation of the market – an important opportunity for growth in Life business, through an innovative distribution strategy based on access to “alternative” networks not in competition with the traditional networks of Fondiaria-SAI (agents/ bank counters), which will continue to remain strategic within the scope of the growth policies of the Company and with which this agreement integrates perfectly. The agreement also allows Fondiaria-SAI partly to enhance its own assets in the banking sector and managed savings by access to know how and the synergies of a banking leader such as Italease (which has a quota of the market in the leasing sector of 17%), improving the quality and range of services to its own agency networks and own clients, without losing the opportunity to take part in the creation of value linked to the new mission of BANCASAI as part of the development strategy of Banca Italease in the retail channel, by maintaining a significant quota of the capital.

On the other hand, for the Banca Italease Group the agreement represents an opportunity for access to a complete operating platform in the managed savings and consumer credit sector and fits fully with the strategies for diversification of its own business mix to complete the range of products offered to customers and reduce the overall risk profile.

BUSINESS OUTLOOK

During 2007 the actions and initiatives will continue to realise the objectives of the strategic plan for the 2006-2008 three-year period.

In particular the activities will pursue the following objectives:

- be a leader in Motor business and in the retail sector of Elementary Classes of insurance in Italy;
- maintain excellent levels of profitability;
- develop new initiatives for growth in Italy and possibly abroad;
- offer an attractive risk profile and return for shareholders.

In this context the initiatives for strengthening and training in the sales network have already begun, while the development of Non-Motor business will also be through the start up and/or strengthening of agreements in the Non-Life banking insurance sector. Leadership in Motor business will in turn be confirmed through the relaunch of direct sale channels, to which resources will be assigned to ensure the necessary visibility and publicity.

The activity in Life Business will continue with greater protection of the capital falling due, favouring commercial objectives focussed more on the intrinsic value of the portfolio than its volumes as such. The development of banking insurance channels will continue either through targeted commercial agreements, or through joint ventures.

As regards property, the activity based on different risk profiles will continue; with reference to the insurance companies of the Group, the investment in property already developed will continue with significant returns to protect the technical provisions; Immobiliare Lombarda and the Tikal Fund however will be committed in development initiatives, both on their own and in joint ventures, with the objective of maximising the return on the investment in the medium term.

Finally the action to strengthen the assets will continue with a view to improving the rating, increasing the diversification of investments to reduce the risk and increase profitability.

In a national market in which structural processes of change are taking place, such as the new direct indemnity procedure in Motor TPL or the innovations of the Bersani Decree, the Group is well-placed to take the opportunities for development and profitability which the new scenarios offer.

In this context, while not having definite objective data on the economic effects of the innovations which have been introduced recently, we believe that the result for 2007 will show levels of absolute excellence.

Milan, 10/05/2007

*For the
Board of Directors
The Chairman*

JONELLA LIGRESTI