

THIRD QUARTER REPORT FINANCIAL YEAR 2007



FONDIARIA-SAI S.p.A.

FONDIARIA-SAI S.P.A. - REGISTERED OFFICE IN FLORENCE - PIAZZA DELLA LIBERTÀ 6 - REGISTERED OFFICE IN TURIN - CORSO G. GALILEI, 12 - SHARE CAPITAL € 168,533,918 FULLY PAID-UP - TAX REFERENCE, VAT REGISTRATION NUMBER AND ENTRY NUMBER IN THE FLORENCE REGISTER OF COMPANIES 00818570012 - COMPANY AUTHORISED TO CARRY OUT INSURANCE BUSINESS IN ACCORDANCE WITH ART. 65 OF ROYAL DECREE LAW NO. 966 OF 29 APRIL 1923 AS CONVERTED INTO LAW NO. 473 OF 17 APRIL 1925.

STATUTORY AND MANAGEMENT BODIES OF FONDIARIA-SAI S.p.A.

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 – Chief Executive Officer</i>	
Andrea Brogginì	
Mariella Cerutti Marocco	
Maurizio Comoli	
Francesco Corsi	
Carlo d'Urso	
Vincenzo La Russa*	
Gioacchino Paolo Ligresti*	
Lia Lo Vecchio	
Enzo Mei	
Giuseppe Morbidelli	
Cosimo Rucellai	
Salvatore Spiniello	
Ezio Toselli	
Oscar Zannoni	
Alberto Marras	<i>Secretary to the Board and to the Executive Committee</i>

BOARD OF AUDITORS

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

INDEPENDENT AUDITORS

DELOITTE & TOUCHE S.p.A.

COMMON REPRESENTATIVE OF SAVINGS SHAREHOLDERS

Sandro Quagliotti

CHIEF EXECUTIVE OFFICER

Fausto Marchionni

EXECUTIVE OFFICER *assigned to drawing up the corporate accounting documents*

Pier Giorgio Bedogni

** Members of the Executive Committee*

In addition to representing the company as stated in article 21 of the Company's by-laws, the Chairman, Mrs Jonella Ligresti, and the Managing Director, Prof. Fausto Marchionni, are 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 real estate with a value greater than € 15m per transaction;
- transfer and/or purchase of shareholdings with a value greater than € 30m per transaction and controlling shareholdings;
- taking on loans for an amount greater than € 50m per transaction;
- issuing of non-insurance guarantees in favour of third parties.

The Chairman and Managing Director are required to report to the Executive Committee or the Board of Directors at all meetings on the performance of the duties assigned to them as above, particularly with regard to atypical and unusual transactions and to transactions with related parties (unless reserved for the Board) and, more generally, the more important transactions.

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 for the Board by law or the articles of association and without prejudice to the Board's exclusive competence – pursuant to the code of conduct regarding transactions with related parties approved by the Board of Directors at its meeting on 16 February 2005 - for all resolutions concerning transactions with related parties which, in view of their subject, value, method or timescale may have an effect on the net equity of the company or on the completeness and accuracy of the information, of an accounting nature or otherwise, relating to the issuer, excluding transactions carried out between subsidiary companies or by subsidiary companies with associated companies. The Committee reports to the Board of Directors at all appropriate meetings on the exercise of its powers.

The Board of Directors was appointed by the general meeting held on 28 April 2006.

The Board's term will end at the same time as that of the Board of Auditors at the meeting to approve the accounts for the financial year 2008.

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FOREWORD

The quarterly report as at 30 September 2007, produced on a consolidated basis, complies with the provisions of regulation no. 11971 of 14 May 1999, as amended and supplemented by CONSOB resolution no. 14990 of 14 April 2005.

In particular:

- this quarterly report was produced in accordance with the IAS/IFRS international accounting principles issued by the IASB (International Accounting Standard Board) and approved to date by the European Union, as already used in the consolidated accounts for the year to 31 December 2006;
- the information supplied is as stipulated in annex 3D of the aforesaid regulation no. 11971;
- the profit and loss account and the statement of the net financial position were prepared taking into account the instructions for drawing up consolidated accounts contained in ISVAP Measure 2404 of 22/12/2005;
- all the accounting information and statements are prepared on a consolidated basis. The economic data are compared to the data for the same period of the previous financial year; the asset and financial data are compared with the situation existing at the close of the previous quarter and the previous financial year. For ease of comparison, the valuation criteria used to draw up the consolidated accounts (to which the reader is referred) have been used, which comply with the IAS/IFRS international accounting principles issued the IASB, approved by the EU, and with their interpretation by the official bodies.

Pursuant to Consob Communication no. DEM/6064293 of 28/07/06 and the aforementioned recommendation of the CESR regarding alternative performance indicators (CESR/05-178b), we confirm that the principal indicators used in this report are in line with standard market practice and the main academic theories, as well as standard practice in financial analysis. Where indicators that do not conform to the above principles are used, the necessary information is provided to understand the basis used for the calculations.

The quarterly asset and liability statement and profit and loss account are not audited by the independent auditor.

All the amounts are expressed in millions or thousands of Euro and are rounded up or down in the customary way.

Summary of data for the Group

(€m)	30/09/2007	30/09/2006	3rd Quarter 2007	3rd Quarter 2006
Earnings for the period ^(*)	463	452	125	132
Total gross premiums written	8,681	6,973	2,501	2,032
of which:				
Gross premiums written Non-Life Sector	5,304	5,271	1,498	1,540
Gross premiums written Life Sector	3,377	1,702	1,002	492
Income relating to investment policies	131	800	48	290
APE	311	229	96	72
Combined ratio of the non-life sector	94.38%	94.41%	93.96%	93.27%
Expense ratio of the non-life sector	20.42%	19.15%	19.39%	18.33%
Expense ratio of the life sector	6.37%	5.55%	7.10%	5.87%

(€m)	30/09/2007	30/06/2007	31/12/2006
Investments	38,831	36,435	33,812
Net technical reserves Non-Life Classes	10,915	11,005	10,977
Net technical reserves Life Classes	19,481	16,757	15,054
Net equity ^(*)	5,202	5,234	5,055

^(*) The earnings for the period include minority shares. The net equity includes minority shares and the consolidated earnings.

MACROECONOMIC SCENARIO AND INSURANCE MARKET

The relevant macroeconomic scenario appears to confirm the predicted slowdown in the growth of world GDP (PPP) and analysts are tending to revise downwards their forecasts for the current year and the next on the basis, among other things, of weakening confidence indices. In particular, an assessment of the negative effects of the financial crisis that arose in mid-August as a result of the insolvencies on property loans in the United States, as well as of the impacts of the protracted high prices of oil and other raw materials, will only be possible in the coming months.

According to OECD forecasts published in September, economic growth in the United States is expected to be between 0.4 and 0.5 percent in the second half of the year, which would result in a 1.9% increase for the year as a whole. Economic activity has continued to be supported by an expansion of non-residential investments (+2.6%), while there has been a significant slowdown in household consumption and a marked contraction of residential investments. The consumer confidence index has fallen, although there was a slight improvement in expectations about the future economic situation. The action taken by the Federal Reserve in September to cut interest rates (the discount rate fell from 5.75% to 5.25%) only had an effect on part of the period. Furthermore, as regards the labour market, we should point out that the unemployment rate remained stable at 4.7%.

Growth in Europe is also falling, albeit to a smaller extent both currently and in forecasts. During the second quarter of the year, the EMU's economy in fact recorded a slowdown following five successive quarters of strong expansion. According to the European Commission's recent forecasts, expansion of 0.5% is expected during the second half of the year, potentially achieving a tendential annual rate of growth of 2.4%. Business is supported in particular by the contribution of household consumption, while the positive trend in investments has halted, mainly following the slowdown in the construction sector. In this respect, we should point out the positive contribution made by exports of goods and services, despite the slowdown in the world economy and the strengthening of the euro. As regards the labour market, there were a few positive signs, with the unemployment rate falling to 6.9% in July, after having grown for almost three years. Quality surveys however demonstrate a weakening of trust among consumers as well as manufacturing and service companies.

In the context of the slowdown in growth recorded in Europe, the rate of development in Italy has been much lower than in the other EMU countries since the first few months of 2007, and the slowdown is increasing. This fall is attributable in particular to the smaller growth in exports and investments, particularly in machinery, the effects of which will also be felt next year, while consumption among households and the public sector remains steady. The reasons are connected with the increase in financing costs and the uncertainty over demand, particularly international demand. The weakening of the economy is confirmed by the fall in orders recorded by companies and the worsening climate of trust among households and companies. The fall of investments in construction is a result of the slowdown in property prices. The average increase in GDP is expected to stand at 1.7% this year and 1.4% next year.

As regards interest rates, in addition to the aforementioned cut made by the Federal Reserve, we should point out that the considerable uncertainty currently reigning in the financial markets has led to a recovery in the demand for fixed rate securities, promoting a flattening and then a slight fall in rates on medium to long term maturities. The swap rate curves in the USA and the Euro area reacted in a particular way with regard to shorter term maturities. As regards three-month European rates in particular, there was a decisive increase from 4.2% to 4.8%, while there was a slight fall in medium to long term maturities to just over 4.8% for maturities of over 15 years. Also during this same quarter, US rates remained substantially stable on three-month maturities, falling to around 4.5% for 2-year maturities and rising again to just under 5.5% for maturities of over 15 years.

As regards share markets, during the month of August there was a fall in the price of shares and a concurrent fall in long-term rates, which led to a widespread increase in mid-August in the share market risk premium, followed by a tendential and partial recovery in prices during September.

As regards the national insurance market during the first quarter of 2007, total premium income was €25,394m, 6.9% down on the same period of the previous year.

The fall is due exclusively to an 11% drop in premium income in the life sector, while the Non-life Sector recorded a 1.6% increase. In the life sector, class I recorded an 18.1% fall, while premium income in class V fell by almost half (-45.3%) compared to the first quarter of 2006. Class III products however recorded an 11.7% increase.

As regards the Non-life Classes, premium income in the Motor Vehicles TPL sector appears to have grown slightly (0.3%) to €5,449m, resulting from an increase in the vehicle stock of around 2%. Premium income in the General TPL sector grew by 0.8%, while premiums in the Property classes increased by 2.6% to €1,310m.

In August, new business in the life sector amounted to €2,412m (-23.7% compared to the same month of the previous year), accentuating a fall that amounts to 8.3% since the beginning of the year. Performance in the various classes confirms the trend recorded over many months, with income in classes I and V experiencing a continuous fall (of 27.3% and 59.1% respectively since the beginning of the year). Growth in class III continues, however, with a rise of 12.7% in August and an overall growth of 21% over the first eight months of the year compared to the same period of 2006.

BASIS OF CONSOLIDATION

As at 30.09.07, the Fondiaria-SAI Group consisted of 126 companies, including the Parent Company, of which 22 operate in the insurance sector, 2 in the banking sector, 48 in the property and agricultural sectors, 21 in the financial sector, 3 in the SIM (investment) and SGR (savings management) area, with the remaining companies operating in various services.

88 companies are consolidated on a line-by-line basis and 16 using the net equity method. 1 company is consolidated using the proportional method while the rest are valued at book value because they are insignificant for the purpose of correctly representing the equity, financial and economic situation of the Group.

There are 100 subsidiaries of which 40 are controlled directly by the Parent Company. 15 companies have their registered offices abroad.

During the third quarter of 2007 the basis of consolidation of the Fondiaria-SAI Group varied following the purchase by the Parent Company, on 07/09/2007, of a 50% stake in the share capital of the insurance company BPV Vita S.p.A.. Note that the company is consolidated on a line-by-line basis because, at the same time as purchasing the 50% stake, Fondiaria-SAI purchased a further share in BPV Vita, which means that it now holds an absolute majority of the company's capital. The Governance agreements signed with the banking partner confirm that control is in the hands of Fondiaria-SAI. While referring the reader to the accounts as at 31/12/2007 for a complete representation of the equity, economic and financial effects of the acquisition, we should point out that the cost of the transaction, net of direct costs, was € 530m. The price difference between cost and identifiable net assets amounts provisionally to over € 460m, to be attributed to goodwill.

Finally, during the third quarter of 2007, the Parent Company's stake in Banca Gesfid S.A. increased from 60% to 100%.

The increase in the shareholding to 100% was subject to authorisation from the relevant Swiss authorities. The transaction, which was defined as a step-up in the control of Banca Gesfid, only has an effect on the company's equity and does not lead to any new goodwill being recorded.

VALUATION CRITERIA

The quarterly report has been drawn up in accordance with the valuation criteria and the IAS/IFRS international accounting principles used to draw up the consolidated accounts as at 31/12/2006.

For a detailed explanation of these valuation criteria please refer therefore to the information published in the consolidated accounts as at 31/12/2006.

The quarterly report is however influenced by the greater use of estimates and simplifications. Methods have therefore been used which, although they make greater use of estimates, are nonetheless suited to substantially representing the end of year principles.

As regards the direct business technical reserves in particular, we would point out the following:

▪ **Premium Reserve for Non-life Classes**

In the context of this reserve, any component of the reserve set aside for current risks is prudently maintained unchanged, compared to 31.12.2006, in classes where the claim ratio for the period should improve or remain stable in relation to the figure for the end of the previous accounting period and in any case remains under the 100% threshold.

If the claim ratio for current business should exceed 100%, the simplified calculation procedure required by ISVAP circular no. 360/D takes into account the data as at 30 September.

▪ **Claims Reserve for Non-life Classes**

The multi-stage technical valuation process has been amended in some respects in order to simplify certain procedures, essentially as a result of a partial implementation of the analytical review of residual charges, which is customary practice at the end of the year.

In the Motor Vehicles TPL class, the assessment of current open claims is heavily conditioned by the launch of the new direct compensation procedure. As is well known, since February 2007 this new system allows people involved in accidents, who are either not responsible or only partly responsible, to be compensated directly by their insurer if their claim fulfils the requirements for direct compensation.

The short space of time that has passed since the launch of the new compensation system prevents us from expressing a comprehensive and definitive opinion on its economic and financial impacts, or from accurately determining the prospective performance of management indicators, which currently present a significant lack of homogeneity compared to the past.

Consequently, current business has been determined using the operation indicators for the period. Therefore, the current reserve has been assessed separately for the various types of handling procedures required by the new system, using methods based on a valuation of the respective average costs and, in particular:

- for claims prior to 31 January, i.e. before the new system came into force, the final cost has been determined by means of a revaluation of claims opened by the various settlement offices, based on appropriate management indices;
- for claims that come under the CARD Debtor system, the assessment was done on the basis of the fixed amounts established by the Technical Committee set up in accordance with Presidential Decree 254/2006;
- for CARD Handler claims, the foreseeable final cost has been recorded net of the total recoverable fixed amounts;
- for claims after 31 January, but not included in the new system (essentially because they involve two vehicles or because they have caused permanent injury resulting

from the effects of injuries affecting over 9% of the body), the final cost has been assessed by revaluing the amounts stated by the settlement offices, bearing in mind the specific average costs that might be considered to apply to this kind of claim, which is clearly more costly.

For claims from previous financial years, already posted to the reserve, performance in the settlement of claims over the period was observed, checking the adequacy of reserves posted as at 31 December 2006 and carrying out targeted revaluations, after taking into account the sufficiency parameters on claims paid.

In the other Non-Life classes, for both current and past business, the technical estimates were carried out using the parameters used in the accounts for the 2006 financial year, unless substantial variations were found compared to the consolidated trends used as a statistical basis.

Staff leaving indemnity

As regards the staff leaving indemnity, the procedures for determining the respective liabilities have changed as a result of the reform of complementary welfare introduced by Legislative Decree no. 252 of 5 December 2005. To summarise, the shares of staff leaving indemnity accumulated as at 31 December 2006 continue to constitute pre-defined benefit plans while shares accumulated after 1 January 2007 constitute pre-defined contribution plans and are therefore no longer subject to actuarial assessment. The recalculation of the value based on the new rules has led to a smaller liability of € 36m being recorded which, based among other things on the specifications contained IAS 19 and issued by ABI and Assirevi, has benefited the profit and loss account for the period.

ECONOMIC PERFORMANCE

The profit and loss account as at 30 September 2007 closed with a net profit for the period of € 463m, a 2.4% increase compared to the profit of € 452m reported in the corresponding period the previous year.

This result was not influenced by seasonal or cyclical factors, considering the continuity and nature of the insurance business.

The economic situation for the quarter and the first nine months is set out below, compared with the same periods of the previous year:

(€K)	Jan.- Sept. 2007	Jan.- Sept. 2006	3rd quarter 2007	3rd quarter 2006
	8,603,69	6,930,18	2,669,72	2,201,32
Net premiums for the period	8	7	1	3
Credit commissions	89,946	52,442	29,699	16,938
Net income from financial instruments at fair value through profit or loss	(138,561)	42,197	(136,549)	64,177
Shareholdings in subsidiaries, associated companies and joint ventures	21,786	38,149	2,748	11,779
Income from other financial instruments and property investments	1,041,29			
	6	899,392	386,916	275,531
- Interest receivable	626,972	526,780	222,985	184,771
- Other income	192,451	209,970	41,684	82,268
- Profits achieved	221,717	162,175	122,181	8,426
- Profits from valuations	156	467	66	66
Other income	252,622	260,019	33,734	80,696
TOTAL INCOME	9,870,78	8,222,38	2,986,26	2,650,44
	7	6	9	4
	7,021,55	5,637,42	2,155,04	1,858,39
Net charges relating to claims	0	9	8	0
Commissions payable	50,859	30,418	17,903	9,633
Charges from shareholdings in subsidiaries, associated companies and joint ventures	3,039	1	579	(2,559)
Charges from other financial instruments and property investments	237,685	200,353	90,194	82,973
- Interest payable	90,413	63,043	26,491	20,694
- Other charges	38,288	75,938	7,163	40,283
- Losses incurred	81,576	32,342	47,267	12,111
- Losses from valuations	27,408	29,030	9,273	9,885
	1,351,42	1,202,53		
Operating expenses	1	7	421,264	375,319
	1,075,03			
- Commissions and other underwriting costs on insurance policies	8	902,301	320,863	276,770
- Investment management expenses	14,341	61,106	8,282	17,972
- Other administrative costs	262,042	239,130	92,119	80,577
Other costs	484,320	472,735	104,147	110,898
TOTAL COSTS	9,148,87	7,543,47	2,789,13	2,434,65
	4	3	5	4
PROFIT (LOSS) FOR THE FINANCIAL YEAR BEFORE TAX	721,913	678,913	197,134	215,790

Taxes	259,007	226,949	72,427	83,844
PROFIT (LOSS) FOR THE FINANCIAL YEAR AFTER TAX	462,906	451,964	124,707	131,946
PROFIT (LOSS) ON OPERATING ACTIVITIES CEASED	(197)	-	-	-
CONSOLIDATED PROFIT (LOSS)	462,709	451,964	124,707	131,946
GROUP PROFIT (LOSS) FOR THE FINANCIAL YEAR	372,558	359,573	95,741	101,464
THIRD PARTY PROFIT (LOSS) FOR THE FINANCIAL YEAR	90,151	92,391	28,966	30,482

During the first nine months of the 2007 financial year, in overall terms the Group achieved satisfactory results, the essential elements of which are shown below:

- the **consolidated result** was € 463m compared to € 452m for the first nine months of the 2006 financial year;
- the **non-life insurance sector** is showing an increase in premiums of 0.62% and a pre-tax result of € 533m (€ 505m as at 30/09/2006). The technical account for the segment, recorded in the traditional forms of representation, is showing a result of approximately € 295m (€ 293m as at 30/09/2005). In this context the Motor Classes are showing excellent economic signs. The result in non-marine classes is positive, although still negatively affected by performance in the Health class, and by careful reserve building policies in the General TPL sector;
- the **life insurance sector** has recorded a 98% increase in premiums, thanks to the significant contribution from subsidiaries operating in the bancassurance sector, where premium income was concentrated on products with a significant insurance risk. This choice is expected to contribute, in the medium term, to the achievement of better results in terms of income. Application of international accounting principle IFRS 4 involved the writing-off of approximately € 131m in premiums for financial type policies, relating mainly to index- and unit-linked policies for which no significant insurance risk was identified. The pre-tax result was € 136m (€ 142m as at 30/09/2006);
- the **property sector** reports a pre-tax profit of € 25m (€ 16m as at 30/09/2006), essentially as a result of the significant capital gains made by the Tikal R.E. Property Fund arising from the sale of the property located at Piazzale delle Industrie, Rome;
- the **Other Activities sector**, which includes companies operating in the financial and managed savings sector, recorded a pre-tax profit of € 27m (€ 17m as at 30/09/2006), thanks the positive contribution from the newly acquired Banca Gesfid of € 6.4m;
- **operating expenses** amounted to € 1,351m (€ 1,203m as at 30/09/2006), an increase of 12.4%; Excluding investment management costs, the total amount is € 1,337m. In the non-life sector, these expenses amount to € 1,071m and account for 20.4% of premiums (19.2% as at 30/09/2006), while in the life classes the total amount of expenses is € 214m and accounts for 6.4% of premiums (5.6% as at 30/09/2006);
- excluding the contribution of financial instruments recorded at fair value through profit or loss, the **total gross income from investments** achieved a level of € 1,041m (€ 899m as at 30/09/2006). Of this, € 222m consist of net profits on the sale of fixed and moveable assets and € 627m consist of interest received. The balance of profits and losses from valuation was negative by approximately € 27m;
- **interest paid**, of approximately € 90m (€ 63m as at 30/09/2006), is virtually all attributable to financial debt;
- the contribution of the **financial instruments** recorded **at fair value** through profit or loss totalled € 139m (€ 42m as at 30/09/2006). The result was burdened in particular by the negative contribution from Novara Vita (negative by € 140m), counterbalanced by an equal positive variation in commitments to policy holders;
- **income from investments in subsidiaries, associated companies and joint ventures** refers to the capital gain achieved by the Parent Company on the sale of shares in the subsidiary Milano Assicurazioni S.p.A. only in respect of the share assigned to separately managed contracts in the Life sector;

- the balance of **other revenue and other costs** is negative by € 232m (as at 30/09/2005 € 213m). This residual balance includes the technical and non-technical income and charges not classified elsewhere, and the depreciation, extraordinary income and losses and the net change in the provisions for risks and charges. This item was affected by depreciation of tangible and intangible assets amounting to € 43m.
- the **tax burden for the period** is substantially the same as it was for the 2006 financial year. The slight increase recorded is attributable, among other things, to the lower tax deductibility, for IRES (corporation tax) purposes, of capital gains on a number of property investments and, for IRAP (regional production tax) purposes, to the increase in the nominal rate imposed by a number of regions for the tax payable to them.

The table below shows the pre-tax results achieved sector by sector. The property sector primarily includes the results achieved by the Immobiliare Lombarda Group and by the subsidiary Nit, as well as the result for the period achieved by the Tikal R.E. Closed Property Fund.. The Other Activities sector summarises the performance of subsidiaries operating in the financial and banking sector, including BancaSAI, Banca Gesfid, SAI Mercati Mobiliari, Saifin-Saifinanziaria and Sainternational.

(€K)	Non-life	Life	Property	Other activities	IC Extra sector	Total
Net premiums	5,242,533	3,361,165				8,603,698
Net charges relating to claims	(3,733,587)	(3,288,272)			309	(7,021,550)
Net commissions		12,920		26,655	(488)	39,087
Net income from subsidiaries and associated companies	(250)	21,460	(2,887)	424		18,747
Net income from investments	269,464	454,364	32,196	47,099	488	803,611
Net income from financial instruments at fair value through profit or loss	15,741	(158,726)	715	4,018	(309)	(138,561)
Operating expenses	(1,074,767)	(219,976)	(3,834)	(52,844)		(1,351,421)
Other net income and charges	(185,946)	(46,653)	(781)	1,682		(231,698)
Profit (loss) in the financial year before tax	533,188	136,282	25,409	27,034	-	721,913
Income tax						(259,007)
Profit (loss) in the financial year net of tax						462,906
Profit (loss) on operating activities ceased						(197)
Consolidated profit (loss)						462,709
Minorities' profit (loss) in the financial year						90,151
Group profit (loss) for the financial year						372,558
Earnings before tax as at 30.09.2006	504,541	141,512	15,666	17,275	(81)	678,913

NON-LIFE INSURANCE SECTOR

At the end of September, the premium income of the Fondiaria-SAI Group totalled € 5,304m (+0.62% compared with 30/09/06). The breakdown by class is shown in detail in the following table:

(€K)	30/09/2007	30/09/2006	% var.	30/06/2007
Accident and Health	475,206	456,542	4.09	351,429
Marine, aviation and transport insurance	149,284	147,428	1.26	105,370
Fire and other property damage	511,152	467,908	9.24	366,220
General TPL	327,244	320,177	2.21	242,445
Credit and Bonds	60,914	53,606	13.63	42,616
Sundry pecuniary losses	19,229	18,211	5.59	14,005
Legal protection	11,949	10,987	8.76	8,541
Assistance	28,809	25,827	11.55	20,138
TOTAL NON-MOTOR CLASSES	1,583,787	1,500,686	5.54	1,150,764
Land Vehicles TPL	3,153,487	3,229,224	(2.35)	2,246,391
Motor vehicle insurance Other Classes	559,750	534,976	4.63	403,938
TOTAL MOTOR CLASSES	3,713,237	3,764,200	(1.35)	2,650,329
TOTAL DIRECT BUSINESS	5,297,024	5,264,886	0.61	3,801,093
INDIRECT BUSINESS	6,886	6,170	11.60	4,651
TOTAL NON-LIFE CLASSES	5,303,910	5,271,056	0.62	3,805,744

Premiums earned in the quarter amount to € 1,498m and represent 28.2% of total income as at 30.09.2007.

Including the whole of September, the parent company's premium income from direct business totalled € 2,783m (-1.2%), of which approximately € 1,972m was produced by the motor vehicle classes.

The subsidiary Milano Assicurazioni S.p.A. contributed to the income, achieving premium income from direct business of € 1,930m (-3.8%), resulting from a 5.94% drop in the Motor Vehicle Classes and a 2.44% increase in the other Non-life Classes.

The fall in premiums in the Motor Vehicles TPL Class is due primarily to the effect of tariff changes, aimed more at achieving a geographical balance than at achieving an increase in income, and to the coming into force of the Bersani Decree, which requires insurance policies relating to further vehicles purchased by a person or any of his/her family members to be assigned the same risk category as the first vehicle, rather than the entry category pre-established by the company. This has led to a fall in the premiums on new business, with a significant shrinkage in the average premium. In addition to this, there has been a reduction in the fleets portfolio.

There has however been a satisfactory increase in income from elementary classes as a result of the boost given to the retail sector, while the corporate sector is still suffering from the effects of a strict underwriting policy aimed at achieving a substantial technical balance.

The ratio between claims and premiums for the period is approximately 71.22%, which is

consistent with the figure for September 2006. The ratio between claim handling costs and premiums is up (20.42%).

The combined ratio was approximately 94.38% (94.41% as at 30/09/2006). The stability of the combined ratio, despite a context characterised by higher operating costs, is also the result of a containment of other technical charges compared to the figure for the previous financial year. The following table shows the aforementioned indicators:

<i>Data expressed in %</i>	30/09/2007	30/09/2006
Loss ratio	71,22	71,35
Expense ratio	20,42	19,15
Operating combined ratio	91,64	90,50
OTI ratio (*)	2,74	3,91
Combined ratio	94,38	94,41

(*) Includes the balance of other technical items.

Net premiums paid up to 30/09/2007 amount to € 3,728m (+2.8%), including € 2,002m relating to the Parent Company (€ 1,980m as at 30/09/2006).

The performance of claims paid and reported in the various classes of business is shown below. As regards the Motor Vehicles TPL Class, we should point out that the claims paid also include the charges incurred to manage claims as the "Handler" that come under the new direct compensation system (claims incurred), net of the amounts recovered in respect of "handler lump sums" from the CONSAP clearing section. With regard to claims reported, we should point out that, for the purpose of ensuring uniformity of comparison with the previous period, they relate to insurance losses caused and do not include the figures for claims handled under the "CARD Handler" system.

	Claims paid (€m)			Claims reported (Number)		
	09/2007	09/2006	Var. %	09/007	09/2006	Var. %
Accidents	150	148	1.22	73,584	72,501	1.49
Health	133	129	3.14	159,015	139,837	13.71
Railway hulls	-	-	-	-	1	(100.00)
Aircraft hulls	1	2	(45.48)	26	30	(13.33)
Maritime, lake and river hulls	8	8	2.99	404	406	(0.49)
Goods transported	13	15	(16.09)	2,394	3,032	(21.04)
Fire and other natural elements	145	137	6.28	49,124	58,078	(15.42)
Other damage to property	163	149	9.38	101,752	96,956	4.95
Aircraft TPL	-	-	-	71	109	(34.86)
Maritime, lake and river vehicles TPL	-	-	-	82	94	(12.77)
General TPL	247	240	3.04	75,496	81,243	(7.07)
Credit	1	32	(97.99)	1	6	(83.33)
Bonds	41	39	6.33	936	846	10.64
Pecuniary Losses	4	4	1.72	5,390	3,569	51.02
Legal protection	1	1	16.01	1,596	1,471	8.50
Assistance	12	10	26.71	62,419	59,850	4.29

TOTAL NON-MOTOR CLASSES	920	913	0.70	532,290	518,029	2.75
Motor TPL	2,457	2,490	(1.30)	722,298	751,507	(3.89)
Land vehicle hulls	269	250	7.44	211,176	198,033	6.64
TOTAL MOTOR CLASSES	2,726	2,740	(0.50)	933,474	949,540	(1.69)
TOTAL NON-LIFE CLASSES	3,646	3,653	(0.20)	1,465,764	1,467,569	(0.12)

As regards operational performance in the Motor TPL Class, we should point out that the data as at 30/09/2007 are not completely uniform and comparable with the same figures for the previous financial year.

In particular, the launch on 01/02/2007 of the new direct compensation procedure required a series of managerial and organisational formalities which led to delays in the processing of data relating to claims.

Unlike the past, the cost of claims also includes the so-called "CARD Handler" claims (or claims incurred), net of the respective lump sums recovered. In addition to this, as a further cost element, there is the fixed charge incurred by the Group for losses caused and covered by the direct compensation system. The fact that the charge is fixed (while in the past the cost incurred was variable) does not make the data uniform for comparison purposes.

The adaptation of information systems and the training of the resources involved lead us to believe that the transition to the new compensation procedures is taking place effectively. However, the short period of time that has passed since the new procedures were introduced prevents use from making a comprehensive assessment of all the economic and financial impacts.

As at 30 September, claims reported and received from our policy holders under the new compensation system (so-called CARD Handler claims) amounted to 154,564, 107,353 of which have already been paid in full. Reports received from the clearing section specifically set up at CONSAP, relating to claims for which our policy holders are fully or partially responsible (so-called CARD Debtor claims) amount to 168,005, 95,457 of which have led to full payment of the compensation and 72,548 of which have been posted to the reserve. In financial terms, as at 30 September, 115,648 debits had been received from the clearing section, with a countervalue of € 220.5m. The credits received were 125,659, with a countervalue of € 238.3m.

As regards the Parent Company, the losses caused and reported in the Motor Vehicles TPL class fell by 2.9%. The average cost of current claims paid was up by 6.25%, the corresponding settlement speed was 55.11%.

Gross premiums in the Land Vehicle Hulls class increased by 7.6%. Claims reported increased by 9.6% and claims paid increased by 8.4%. Technical performance was generally positive, albeit marked by gradually decreasing margins.

With regard to the Parent Company's Non-Motor Classes, premiums on direct business in Italy amount to € 811m, an increase of 1.91% compared to September 2006. Claims reported increased by 4.35% and claims paid by 1.54%.

As regards the subsidiary **Milano Assicurazioni**, technical performance in the Motor Vehicles TPL class was positive, subject to the precautions that must be taken with regard to the new procedures introduced by the new direct compensation system.

The Land Vehicle Hulls class continues to show broadly positive results, despite the pressure on prices recorded in the market. The other Non-Life Classes also performed positively, with a higher technical result than recorded as at 30/09/2006: in particular, the General TPL class, albeit negative, also presented a significant improvement.

In the Non-Life Classes, premiums written for direct business amounted to € 1,930m, including € 1,411m relating to premiums in the Motor Vehicle Classes (-5.9% compared to 30/09/2006) and € 519m relating to the other classes, in which a 2.4% growth was recorded. The performance of premiums in the Motor Vehicle Classes was affected by the restructuring of geographical areas and tariff sectors in which technical performance was not satisfactory and by the reduction in the size of the fleets portfolio.

Claims reported by the Milano Group as at 30/09/2007 and on an annual basis fell by 5.3%, while claims in the Motor Vehicles TPL sector fell significantly by 7.6%. During the third quarter of 2007, the total number of claims reported continued to fall: this confirms the improvement trend already noted over recent months, which is the result, among other things, of the targeted restructuring and, more particularly, of the aforementioned reduction in the size of the fleets portfolio.

As at 30 September, claims reported and received under the new compensation system (so-called CARD Handler claims) amounted to 120,810, 82,564 of which have already been paid in full. Reports received from the clearing section specifically set up at CONSAP, relating to claims for which our policy holders are fully or partially responsible (so-called CARD Debtor claims) amount to 142,383, 86,098 of which have led to full payment of the compensation and 56,285 of which have been posted to the reserve.

In financial terms, as at 30 September, 97,963 debits had been received from the clearing section, with a countervalue of € 182,462K. The credits received were 96,261, with a countervalue of € 180,995K.

Claims settled as at 30 September 2007, including passive reinsurance, amount to € 1,361m, compared to € 1,377m in the corresponding period of the previous financial year (-1.1%).

Within the Milano Group, the Dialogo subsidiary, which sells motor vehicle products by telephone and online, is continuing to develop. During the month of June of the current year, the Company launched an advertising campaign aimed at promoting the "DIALOGO" brand through the national press as well as radio and television channels. During September, the recall phase of the June campaign began and the first phase of the online advertising campaign began with the aim of developing the Internet as a sales channel.

The cost of these activities for the whole of 2007 is expected to be € 5,400K. € 4,446K of these costs have been posted to the profit and loss account for the first nine months of the financial year.

The launch of the advertising campaign is having positive effects on the portfolio. Premiums written as at 30 September 2007 amounted in fact to € 9,704K and, even though this constitutes a slight fall (-1.75%) compared to September 2006, it represents a significant recovery from the situation at the end of June, when a 13.39% fall was recorded compared to the same period of the previous year.

The claims to premiums ratio for the period worsened slightly compared to 30 September 2006, primarily as a result of the less favourable performance of claims from previous years posted to the reserve. The technical account is heavily conditioned by the aforementioned advertising costs and closed with a negative balance of € 5,386K (profit of € 368K as at 30 September 2006).

The subsidiary **Sasa Assicurazioni** ended the first nine months of the financial year with premiums written of € 279m (+5.3%). The Marine and Aviation classes in particular recorded a reduction resulting from the decision to focus underwriting on business originating only from the agency channel.

The Motor Vehicle Classes and other non-marine classes however recorded an increase of 8.5%, attributable to the greater sales potential acquired as a result of new agency openings over the past three years.

The number of claims reported during the period increased by 26%: in the Motor Vehicle TPL class the increase was +13.9%. In this class, the increase in the flow of claims is the result of the introduction of the new group claims management system, which has rationalised and

accelerated the flow of information.

Net of this development, and in uniform terms, the number of Motor Vehicle TPL claims would be up by 6.5%, as a result of a 13% annual increase in the vehicle stock.

In the Motor Vehicle Hulls class there was a 39% increase in claims reported attributable to the windscreen cover and, partly, to a higher frequency of claims under the fire and theft cover.

As regards the non-marine classes, the increase in claims reported is concentrated in the Accidents class (agreement with the "schools" sector), in hail risks and, within the General TPL sector, in a civil liability agreement in the banking sector.

All the above agreements are characterised by a high number of claims, the unit value of which is however small. The result for the period is in any case positive in the amount of approximately € 7m, having benefited from net income from investments of € 9.9m.

In overall terms, the results achieved as at 30/09/2007 justify a reasonable level of optimism with regard to the results expected at the end of the financial year.

With regard to the subsidiary **Liguria Assicurazioni**, performance in the third quarter pointed to steady development of the portfolio, which recorded an overall growth of 24.5% (+26.3% in the Motor Vehicle Classes and +19.4% in the Non-Life Non-Motor Vehicle Classes). This result is the fruit of the expansion policy launched during the second half of the previous year, which is consolidating in 2007. Over the first nine months of the year, 36 new agencies were opened, 6 in the south, 13 in the north and 17 in the central regions of the country.

Claims reported in the year amount to 13.6% in total (+14.5% in the Motor Vehicle Classes and +10.3% in the non-life non-motor classes). In the TPL class in particular, the frequency indicates an improvement compared to the third quarter of 2006 and fell from 8.3% to 7.7%. The speed of settlement also improved from 59.9% to 62.5%, in a substantially different context to the one in 2006, following introduction of the CARD system.

As regards technical performance in the Non-Motor Classes, there was a modest extra burden added to the direct business technical balance, partly offset by the passive reinsurance result, due to the need to increase reserves in the General TPL and other property damage classes.

The technical account result for the third quarter amounts to € 3.7m, compared to € 6.3m for the third quarter of 2006. The worsening is due to the need to further increase the claims reserves for previous financial years, particularly in the Motor Vehicle TPL class.

As regards overheads, they account for 6.2% of premiums written (6.7% as at September 2006).

As regards the management of assets, the investment of financial flows generated during the period continued to prioritise the government securities sector and primarily variable rate securities. The amounts invested reached € 219m compared to € 197m at the end of 2006, achieving a net income of € 4.0m compared to € 2.3m for the third quarter of 2006 and € 4.4m for the whole of the 2006 financial year.

The pre-tax result for the period was € 2.4m (€ 2.5m as at 30/09/2006).

With regard to the subsidiary **Siat S.p.A.** operational performance as at 30/09/2007 confirms the strengthening of the technical result, which is exclusively attributable to the "Transport" sector. In fact this result benefits from a significant increase in the profitability of the Goods sector, while the Hulls sector, despite the improvement recorded, was negatively affected by various major claims reported in 2007. The aforesaid improvement is also attributable to the creation within the company, as of last year, of the Group "Transport Hub".

The Motor Vehicle and non-marine classes, despite the fact that they include a residual amount of "non-Transport" business, are burdened by a worsening claims reserve (for the non-marine classes, the third party delegated reserve).

The **Transport** insurance sector was primarily characterised by ever increasing competition and substantially stable premium rates, although there are a few signs of a fall in the Hulls sector. As regards claims reported, performance in the Goods sector was substantially unchanged, while in the Hulls sector 2007 will be remembered as a year characterised by a high number of major claims. On the reinsurance front, professional reinsurers continued to act selectively and to pay great attention to technical and statistical performance.

Premiums written amount to approximately € 148m and result in an appreciable increase compared to the same period of the previous financial year (approximately € 139m). The level of

premiums written confirms increasing concentration in the "Transport" sector and an almost total disengagement from the Motor Vehicle and non-marine classes (business in the latter classes, based on the balance sheet classes, in fact originates primarily from "Transport"). In the Hulls class in particular, business is negatively influenced by the performance of the US Dollar parity (the exchange rate of which against the Euro as at 30 September 2007 was 1.4179, pointing to a further and gradual weakening of the currency from the level of 1.2660 recorded as at 30 September 2006).

As regards claims reported, in the "Goods" sector there were no serious claims, unlike the "Hulls" sector, in respect of which appropriate reinsurance cover operated effectively. The "Transport" class claims reserve was as usual sufficient, while the claims reserve for the non-marine classes was negatively affected by the deterioration of third party business.

As expected, administration costs were up compared to those recorded at the end of the third quarter of 2006, as a result of the costs incurred to manage the Group "Transport Hub". The pre-tax result for the period was € 1.5m (€ 0.9m as at 30/09/2006).

Vehicle repair project

Fondiaria-SAI has set up an appropriate and fully-owned vehicle company called Auto Presto & Bene S.r.l. (formerly SAI Sistemi Assicurativi S.r.l.) to be used for the purpose of implementing a project to launch a new system to manage vehicle repairs, which will allow the Parent Company to benefit from the opportunities arising from the introduction of the new direct compensation system.

It is important to note that Fondiaria-SAI paid out just over 1 billion euros for vehicle repairs in 2006, that the direct compensation system will increase the opportunity to extract value from the vehicle repair system and that the market share reached will allow the Company and the Group to seize the market opportunities.

The compulsory and optional channelling provided for by the new regulations is one of the drivers for creating value, together with the opportunity to control the quality of service and to intervene in the supply chain through agreements with suppliers and repair centres. The purpose of this is to pay the right price, offer an excellent service and acquire margins in the value chain.

The plan would allow the cost of labour and the cost of spare parts to be reduced. The first step to reducing repair costs is to ensure proper monitoring in order to identify any critical mistakes in the activities of vehicle repair centres.

Given that the vehicle repair business is completely different from the insurance business, it has been necessary to keep the two businesses separate, just as other companies have already done. The aforesaid vehicle company has therefore been identified for this purpose and will carry out the following activities:

- aggregating demand and negotiating with suppliers;
- controlling repair costs with specialised resources;
- controlling the IT infrastructure;
- controlling the working capital and balancing stocks;
- auditing and developing vehicle repair centres.

Both the vehicle company and the development of highly integrated models at local level may benefit from partnerships and/or acquisitions.

The reference model is polyhedric, with selective multilocal integration across the territory. The scenario of vehicle claims is in fact very diverse across the country and local specificities suggest having a varied approach with a high level of integration limited to high density areas in central and northern Italy.

The operating model will have the following main objectives:

- to implement the peripheral control system for loss adjusters and body repair centres;
- to optimise the system of fiduciary checks;

- to involve agents in ensuring the efficiency of the channelling system;
- fast activation of IT interfaces.

LIFE INSURANCE SECTOR

Premiums written in the Life classes totalled €3,377.2m, a fall of 98.4% compared with the figure as at 30/09/2006. The data as at 30/09/2007 include the proportional consolidation, in the amount of 50% up to June 2007 and 100% for the third quarter, of the profit and loss account of Bipiemme Vita, which provided a total contribution in premiums of € 294m (the company was valued by the net equity method as at 30/09/2006).

The significant increase in premium income is however attributable to the excellent performance of the subsidiary Novara Vita, which recorded a rise in premium income, according to IFRS criteria, from €57m as at 30/09/2006 to €1,373m as at 30/09/2007.

The breakdown by class of business is shown below:

(€K)	30/09/2007	30/09/2006	% var.	30/06/2007
I - Whole of life insurance	925,940	882,739	4.89	652,340
III – Insurance in points I and II related to investment funds	1,908,154	16,675	n.d.	1,261,855
IV – Health insurance pursuant to art. 1 d) EEC Dir. 79/267	87	237	(63.29)	62
V – Capital redemption operations pursuant to article 40 of Legislative Decree no. 174 of 17/3/95	538,305	794,979	(32.29)	457,376
TOTAL	3,372,486	1,694,630	99.01	2,371,633
INDIRECT BUSINESS	4,741	7,480	(36.62)	3,176
GRAND TOTAL	3,377,227	1,702,110	98.41	2,374,809

The parent company reported premium income of €829m, a fall compared to the final figure as at 30.09.2006 (€974m). Premium income through bank branches amounts to €2,128m and represents 63% of total premium income from direct business (25% of 31.12.2006).

We should point out finally that total premium income in the sector also includes €131m (€800m as at 30.09.2006) from investment contracts that do not fall within the scope of IFRS 4 and are therefore recorded by the deposit accounting method.

The cost of claims, net of reinsurance cessions, amounts to €3,288 (€1,895m as at 30.09.2006).

Operating expenses, excluding those relating to the management of investments, amount to €214m, a substantial increase compared to 30.09.2006 (€96m), accounting for 6.4% of premiums. The increase in expenses is due to the charges incurred by Novara Vita to remunerate the sales network as a result of the significant increase in premiums recorded during the period.

New business for the Fondiaria-SAI Group, according to the “annual premium equivalent” or “APE” measurement method, and relating to products covered by IFRS 4, therefore excluding contracts treated with the “deposit accounting” method, recorded an increase of 99% to €302m, compared to €152m as at 30/09/2006. Bancassurance contributed €221m compared to €110m as at 30/09/2006 (+100%).

The sum of annual premiums from new business plus one tenth of single premiums was used as the basis for calculating the APE.

For the companies Po Vita and Bipiemme Vita, the new business values were recalculated according to the consolidation percentage, which was 50% for Po Vita while for Bipiemme Vita it was 50% up to June 2007 and 100% for the third quarter.

Total new business in the sector, which also includes investment contracts not in covered by IFRS 4, stands at € 311m, compared to € 229m as at 30/09/2006, recording an increase of 36%.

During the first nine months of 2007, Individual Life business by distribution networks was directed to a large extent towards products associated with separately managed funds, because they are characterised by a minimum guaranteed return and protection of the investment, with particular attention paid to the important segment of maturing capital on life and capitalisation policies, and towards Index Linked policies, which have been favourably received by customers in the two MATCH RACE and GLOBAL RACE editions.

During the third quarter of 2007 the slowdown in the distribution of **capitalisation products** aimed at "institutional" Clients such as lending establishments, financial companies, cooperatives and companies, was confirmed. The total turnover for the main product in this area (Corporate Open Account) did however achieve the levels planned.

We should also point out the current concentrations of early liquidations resulting from the rise in market rates, which is making insurance investments less attractive, because of their conservative nature, despite the comprehensive information provided to policy holders on the guaranteed returns that are typical of separately managed assets.

For products associated with staff leaving indemnity appropriations (**VALORE TFR** and **VALORE TFM**), despite the significant amount of distribution, there has been a slowdown connected with the impact of the new rules, which almost automatically allocate the annual percentages of staff leaving indemnity to complementary welfare, and in any case oblige companies with more than 50 employees to divest themselves of the financial liquidity connected with future annual percentages of staff leaving indemnity.

The **risk cover** sector has focused on insurance provided through collective contracts, particularly for industrial company executives, for whom a higher level of cover is planned from 1 July 2007: this has led to an increase, albeit modest, in the respective premiums.

The loan cover product is showing a certain amount of vitality (despite the increase in the underlying rates of loans) with the signing of the first licensing agreements, while development work continues on the new multi-class product to cover loans granted in exchange for the assignment of a percentage of the borrower's salary.

As regards complementary welfare, implemented by means of Personal Pension Plans, the first nine months of the year witnessed the predicted increase in new contracts compared to the previous financial year.

Work carried out in the context of **Pre-existing Pension Funds** for employees has both explicitly and tacitly attracted towards our contracts the shares of staff leaving indemnity to be accumulated in future and destined for the Funds themselves.

The results recorded to date are in keeping with the market trend, with a significant growth in turnover recorded from the current year, an increase which will level out during the coming financial year, once the allocation of staff leaving indemnity will have covered the whole period of 12 months.

Only from the month of July has it therefore been possible to quantify the number of new subscriptions received, with an increase being recorded in both individual subscriptions from employees and collective subscriptions. Consequently, the Company has recorded an increase in premiums, which is not however proportional to the number of new subscriptions received.

The Life classes of the subsidiary **Milano Assicurazioni** amount in total, at Group level, to € 638m (+54.6%; € 413m as at 30/09/2006). The significant increase in premium income is attributable to the contribution from Bipiemme Vita already mentioned in the introduction. With an equal consolidation scope, premiums would have amounted to € 344m, a slight fall of 16.7% compared to 30/09/2006. This reduction is primarily due to a lower level of business from the banking channel, and to a smaller volume of pure capitalisation contracts with institutional clients, characterised by low profitability margins. Business in the agency networks is however up in overall terms. The profit and loss account for the sector shows a pre-tax result of € 71m, up by 13% compared to the last financial year.

As regards the indirect subsidiary **Bipiemme Vita S.p.A.** we should point out that the company remains one of the most active operators in the bancassurance market, focusing its business on the rationalisation of the product portfolio, which has been renovated and simplified, and on managing guaranteed capital and return policies with extreme care, despite the turbulent period experienced by financial markets. The profit and loss account for the period shows a net result of € 12.3m (€ 11,5m as at 30/09/2006) and total premium income of € 442m.

As regards the subsidiary **Novara Vita**, we should point out that at the same time as the corporate changes took place involving the Banco Popolare di Verona e Novara Group, the sales network expanded significantly and now includes the branches of Banca Popolare di Novara, Banca Popolare di Verona S. Geminiano e S. Prospeto, Banca Popolare di Lodi, Banca Popolare di Mantova and Credito Bergamasco.

This development significantly boosted sales, with premium income as at 30/09/2007 amounting to € 1,385m (+127.8%). This increase is all the more significant in IAS/IFRS terms, given that premiums recordable according to the new accounting principles amount to € 1,373m compared to € 57m as at 30/09/2006. Premium income is primarily concentrated in class III indexes.

The result for the period is however negative in the amount of € 9.8m after deduction of € 10.7m in respect of the net alignments of securities in the portfolio. The contribution to the result in the life sector, determined according to IAS/IFRS principles was positive in the amount of € 2.4m.

As regards **Liguria Vita**, performance during the third quarter resulted in an increase in premium income of € 12.6m (€ 9.9m as at 30/09/2006; +27.3%). This income included € 9.6m from class I (€ 8.5m as at 30/09/2006) and € 2.9m from class V (€ 1.4m as at 30/09/2006). New business amounts to € 7.0m (€ 3,2m as at 30/09/2006) and includes € 1.6m in annual premiums and € 5.4m in single premiums.

The amounts paid totalled € 6.2m, compared to € 5.2m in the previous period, and actuarial reserves reached € 75.0m (€ 68.4m as at 31/12/2006).

Investments amount to € 77.1m (€ 67.5m as at 31/12/2006).

The balance of the technical account for the third quarter amounts to € 0.5m, compared to € 0.1m for the third quarter of 2006, showing an improvement due, among other things, to the lower incidence of net capital losses from the valuation of securities, which accounted for € 0.4m compared to € 0.2m in the current financial year.

Overheads amount to € 0.7m (€ 0.6m as at 30/09/2006), accounting for 5.5% of premiums (5.9% as at 30/09/2006).

The result for the period is a breakeven compared to the loss of € 0.6m recorded as at 30/09/2006.

As regards **Sasa Vita** we report that premiums written until the end of the third quarter of 2007 amount to € 52.7m, a fall of 9.7% compared to the corresponding period of the previous financial year.

The fall in premium income is the result of restructuring of the SASARIV separately managed fund, with the consequent reduction in the presence of corporate policies in the portfolio.

The result for the period was € 1.2m and in line with the one recorded as at 30/09/2006. Intensive sales activity has been planned for the last quarter of the financial year, aimed at achieving the objectives already set for the current financial year.

As regards **Po Vita**, sales activity up to 30th September has resulted in total premium income of € 1,003m, an increase of 31% compared to the same period of 2006. The increase in income, which runs counter to the national trend, has benefited from the widening and strengthening of the distribution network among other things Premium income, net of investment contracts of the sector, amounts to € 922m (+26.8%). The sales dynamic confirms the trend, which had already emerged during the first half of the year, towards favouring Index and Unit linked products to the detriment of separately managed products.

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

As a result of the process carried out by Popolare di Verona e Novara (BPVN) and Banca Popolare Italiana (BPI) to select an insurance partner in the Life classes, Fondiaria-SAI was selected as the partner with whom the new Banco Popolare Group, resulting from the merger of BPVN and BPI, intends to implement a business collaboration in the Life insurance sector.

The vehicle for this collaboration in the non-life sector is the company BPV Vita S.p.A., a previous investee company of BPVN and Società Cattolica di Assicurazione.

On behalf of its subsidiary Holding di Partecipazioni Finanziarie di Verona e Novara S.p.A., BPVN exercises its option to purchase all the shares in BPV Vita owned by Società Cattolica di Assicurazioni.

Fondiaria-SAI, BPVN and BPI therefore signed agreements for the implementation of this collaboration, which provided, among other things, for the purchase by Fondiaria-SAI of the entire shareholding in BPV Vita owned by BPVN and Creberg.

The operation obtained the prior authorisations from ISVAP and the Anti-trust Authority in their respective areas of responsibility.

The agreements were signed on 7 September 2007.

In particular, these agreements are intended to implement a bancassurance project through the acquisition by Fondiaria-SAI of exclusive control of BPV Vita and the signing of an insurance policy distribution contract, lasting ten years, between Banco Popolare and its subsidiaries, which will sell policies through their branches, and BPV Vita, as the provider of the insurance policies.

Fondiaria-SAI has therefore acquired a total stake of 50% plus one share in the capital of BPV Vita S.p.A. from the Banco Popolare Group for a price of € 530m. In particular, in order to acquire this holding, Fondiaria-SAI acquired 35% of share capital from Banco Popolare S.c.a.r.l for € 371m and 15% of share capital from Credito Bergamasco S.p.A. for € 159m.

Following the entry of Fondiaria-SAI into the share capital of BPV Vita, the latter continues to devise, manage and sell insurance products under the "BPV Vita" brand, with the support of the technical, product and management know-how of Fondiaria-SAI, for the purpose, among other things, of improving the quality and variety of these products.

The agreements also provide for the subsidiary Novara Vita S.p.A., in which both BPVN and Fondiaria-SAI have a 50% stake, to be incorporated by merger, as soon as possible after 1 January 2008, into BPV Vita.

A shareholders' agreement has also been signed that governs the business aspects of the partnership and establishes the corporate governance rules of BPV Vita. The rules contained in the articles of association and shareholders' agreement of BPV Vita are aimed at allowing Fondiaria-SAI to have exclusive control of BPV Vita, with a consequent full consolidation of BPV Vita by the Fondiaria-SAI Group, although qualified majority voting is provided for in respect of resolutions to be approved by the relevant bodies and regarding specific matters. Furthermore, as a result of the agreement, the management and coordination of BPV Vita, pursuant to article

2497 of the Italian Civil Code, will be placed exclusively in the hands of Fondiaria-SAI. The agreement also provides for reciprocal put&call options in the event of a dissolution of the partnership, with a provision for the Fondiaria-SAI shareholding to be valued by the appraisal value method.

The distribution agreement signed between BPV Vita and the networks of the Banco Popolare Group will last for ten years and will be renewable for further periods of 5 years. This agreement will be exclusive from 1 January 2008, subject to the residual distribution agreements with Aviva (non-exclusive agreement expiring at the end of 2009) and Aurora (exclusive agreement expiring in May 2009) applicable, respectively, to the branches of BPI and to the branches of the S.p.A. banking network. Once fully operational, the BPV Vita distribution will be able to count on a total network of around 2,200 branches with an annual premium income target of approximately € 6bn when fully operational.

For Fondiaria-SAI, the agreement represents a further opportunity to develop in the life sector, both because of its consistency with the objectives of its own Business Plan, and because of the strong historic link with the Banco Popolare Group. From a business point of view, the transaction integrates perfectly with the current bancassurance agreements of the Fondiaria-SAI Group, which will continue to be strategic in the context of its growth policies.

For the Banco Popolare Group, the agreement will allow considerable technical and managerial support to be gained in the insurance services required to pursue significant growth in production volume by offering products that fulfil customer requirements more effectively. This support will also be needed in view of the role that banks and insurance companies may be called to perform in respect of households and small and medium sized companies with the future development of complementary welfare.

Alliance and co-operation project with Banca Popolare di Milano in the bancassurance sector

On 29/06/2007, the subsidiary Milano Assicurazioni purchased a further 1% stake in the share capital of Bipiemme Vita S.p.A., consequently increasing its total stake in the company to 51% and taking exclusive control.

We would remind you that on 14/06/2006, Banca Popolare di Milano (BPM) and Milano Assicurazioni executed an agreement for the joint development, on an exclusive basis, of the bancassurance activities of Gruppo Bipiemme Group in the life business, signed on 21/12/2005. This agreement provides for the implementation of a wider business alliance and co-operation project with BPM in the bancassurance sector, to be implemented in the life classes, non-life classes and in banking and financial services.

Under the terms of the agreement, Milano initially acquired from BPM and the subsidiary Banca di Legnano a 46% stake in the capital of Bipiemme Vita, with the opportunity to transfer the controlling share in the latter from the BPM Group to Milano itself by the purchase and sale of further shares amounting to 4% and 1% respectively, at two successive points in time, respectively by 31/12/2006 and 30/06/2007, exercising put and call options, in two tranches, which the parties have mutually granted to one another under certain conditions.

BPM and Milano have also signed a shareholders' agreement containing the corporate governance rules of Bipiemme Vita, as well as the business management aspects of the partnership, providing for Bipiemme Vita to continue having access to the distribution networks of the BPM Group for 5 years, with an opportunity to renew this on expiry by mutual agreement between the parties for a further 5 years. The transaction received the prior approval of the Italian competition authority and the authorisation from ISVAP.

The purchase price of the 46% stake in Bipiemme Vita, initially agreed to be € 94.3m, was

reduced, in accordance with the provisions of the Purchase and Sale Contract, to € 90.5m, primarily on the basis of the changes in equity (distribution of dividends and capital increase) that had taken place since the agreement was signed (December 2005).

On 18 October 2006, Milano Assicurazioni exercised the first tranche of the aforesaid call option, buying 4% of Bipiemme Vita and therefore bringing its shareholding up to 50%. In accordance with the provisions of the contract, the purchase price was fixed at € 7.9m. This acquisition allowed the Fondiaria-SAI Group to consolidate the shareholding proportionally as of the month of October 2006.

Finally, as reported above, on 29/06/2007, Milano Assicurazioni exercised the second and last tranche of the call option, therefore bringing its shareholding to 15% and taking exclusive control of the company, with the resulting option to proceed with the line-by-line consolidation of the same.

The purchase price, in accordance with the provisions of the contract, was fixed at approximately € 2m (as it was for the purchase of the 4% share), corresponding to the definitive price paid for the 46% stake redetermined at the reference rate up to the date on which payment is made for exercising the options, net of any dividends distributed and increased by any capital increases paid in, both pro-quota, from the closing date to the date on which the price for exercising the option is paid.

The exercise of the second tranche of Milano's call option obtained the prior positive opinion of a joint committee consisting of four members (two per party) called to assess, from time to time, the execution and results of the agreement, as well as being subject to authorisation from ISVAP.

In the current market context, which is characterised by renewed focus among customers on traditional insurance products, the partnership allows Bipiemme Vita to benefit from the technical and commercial know-how of a leading insurance operator, promoting the development of new products and improving penetration among BPM customers, while allowing Milano Assicurazioni to benefit from the expertise of the BPM Group in commercial banking.

For the BPM Group, the agreement allows greater technical and managerial support to be gained in the insurance services required to pursue significant growth in production volume by offering products that fulfil customer requirements more effectively. This support will also be needed in view of the role that banks and insurance companies may be called to perform in respect of households and small and medium sized companies with the future development of complementary welfare.

The agreement is a further opportunity for the Company and the Fondiaria-SAI Group to develop the Life sector. From a business point of view, the transaction integrates perfectly with the current bancassurance agreements of the Company and the Fondiaria-SAI Group, which will continue to be strategic in the context of the growth policies of the Company and the Group themselves.

PROPERTY SECTOR

The earnings before tax for the sector were positive in the amount of € 685m (€ 16m as at 30/09/2006).

In fact the third quarter is characterised by the achievement of a significant capital gain of € 37m at consolidated level as a result of the sale by the Tikal Fund of the property located at Piazzale dell'Industria, Rome.

In other respects, the property business continued to operate as normal, aiming to consolidate initiatives taken to develop and increase the value of existing assets.

In order to seize the opportunities on the property market, in the 2006-2008 Industrial Plan, the Group presented three forms of investment, classified according to the different level of risks:

- investments in properties already developed and producing significant returns (excluding joint ventures), to be made using the Group's reserves;
- investments in property to be renovated or in new developments (wholly owned), using the Tikal R.E. Fund, the closed property fund with private contribution, as the Group vehicle;
- investments in properties and/or in property initiatives in joint ventures (excluding the new developments), through companies in the Immobiliare Lombarda Group.

This strategic approach remained unchanged throughout the first nine months of 2007.

With regard to Immobiliare Lombarda in particular, operations for the sale of a number of buildings were completed, while activities continued to increase the value of the remaining property assets. During the third quarter of 2007, the Group therefore continued its activities aimed at upgrading its property assets and increasing their profitability, at the same time as progressing with current property developments.

The overall income as at 30/09/2007, including inter-group sales and services, amounts to € 136m (€ 38m as at 30/06/2006), while the result for the period amounts to € 2.1m (€ 1.6m as at 30/09/2006).

The Tikal Closed Property Fund concentrated its activities on maximising income from leasing, as well as maintaining and improving property values through maintenance, expansion and conversion work, creating the basis for the company to take advantage of the further realisation opportunities that the property market may offer.

Movements of Property Sector Assets

- During the first nine months of 2007, the Tikal R.E. closed mutual property investment fund sold the commercial building located at Via Lagrange n. 35/A, Turin, for € 13.7m and the commercial building located at Via de Sanctis, 49-51, Florence, for € 5.75m. In both cases, a capital gain was achieved, amounting in total to over € 5m. During the third quarter, the Tikal R.E. Fund sold the building for commercial use situated at Piazzale dell'Industria, Rome, for € 120m, achieving a capital gain of € 37m.
- The subsidiary Meridiano Risparmio purchased a building at Via Salvagnoli 4, Florence, for a total of € 8.5m.
- During February, the subsidiary Meridiano Secondo acquired volumetric rights for hotel and accommodation use to the Garibaldi-Repubblica area of Milan, for an outlay of € 17.7m. At the same time, volumetric rights for use other than accommodation were exchanged for volumetric rights for hotel and accommodation use for € 9.3m. As a result of this purchase, the company completed the acquisitions required for the construction of a very high quality hotel complex in Milan;
- On 12th June, notarised documents were drawn up for the sale of buildings located at Via Torino 66/68 and Via Larga 26, Milan, owned by Immobiliare Lombarda, to Meridiano Quinto Srl for a total of € 42m. Given that this was an inter-group transaction, its financial effects were reversed in the consolidated accounts.

- On 27th July, Immobiliare Lombarda signed the preliminary contract for the sale of a building at Via Macchi 38/40, Milano, making payment of a deposit of € 0.35m at the same time. The total price was fixed at € 3.7m.

Purchase by the subsidiary Immobiliare Lombarda of a shareholding in the company IGLI

On 27 February 2007, the subsidiary Immobiliare Lombarda purchased a total share of 33.3% in the capital of IGLI S.p.A.

IGLI is a holding company whose only asset is a share of approximately 29.9% in Impregilo. In particular, Immobiliare Lombarda purchased the entire shareholding in IGLI previously owned by Efibanca, amounting to 20%, and a further shareholding of approximately 13.3% in Tesir, at a price of € 38.3m and € 48.9m respectively, and therefore a total of € 87.2m.

On the same day, Tesir then sold the further IGLI shares still owned respectively to Argo Finanziaria (approximately 3.3%) and Autostrade per l'Italia (approximately 13.3%) so that the current share capital of IGLI is now equally distributed between the members, each one of which now holds approximately 13.3% of IGLI.

The total price paid by Immobiliare Lombarda, based on the asset and liability statement of IGLI as at 30 September 2006, corresponds to an implicit average valuation of the shareholding owned by IGLI in Impregilo of approximately € 4.1 per share, compared to an official stock market price of the Impregilo share on the day of the transaction of € 4.67 per share.

The investment in IGLI – which is in itself positive, in view of the prospects for the company, as demonstrated by the favourable performance of the securities and by the consensus expressed by financial analysts – has been carried out in the framework of potential synergies with the numerous and major property development initiatives that Immobiliare Lombarda is finalising, together with Fondiaria-SAI and other institutional investors, throughout the country (e.g. Citylife, Città della Moda, Ex Varesine, Area Castello, Cinque Cerchi, Torre Spaccata, etc.).

These initiatives involve civil engineering and residential/service sector building work valued at several billion euros over the next 10 to 15 years. More importantly, as in the case of the Citylife project, they involve operators (general contractors) with proven international experience in the carrying out of complex works, because of the innovative technical features of the properties that are planned (the three skyscrapers).

The acquisition of a shareholding in IGLI constitutes a “return” by the Fondiaria-SAI Group to the capital of Impregilo, a major Italian enterprise and company in which Gemina (a company in which Fondiaria-SAI has historically owned a stake, being a party to its shareholders’ agreement), owned a majority stake for several years. Immobiliare Lombarda covered the overall investment partly by the sale of property and partly by recourse to loans.

The purchase of this total shareholding lays the foundations for Immobiliare Lombarda, during in a delicate phase in the restructuring of IGLI’s shareholding structure, to assume a greater role among the holding company’s shareholders, consistent with its intention to develop business synergies connected with the core business of Immobiliare Lombarda.

Other property shareholdings

- On 23 February, Immobiliare Lombarda signed the preliminary contract for the purchase of a 51.67% stake in the share capital of SEIS S.p.A. with the simultaneous payment of a deposit of € 1.2m. The total price of the acquisition was € 12m. The transaction was completed on 29th June with the simultaneous payment of the balance. The purchased Company owns a residential complex on the island of Maddalena in Sardinia. In order to finance this purchase, a bank loan was obtained from Efibanca of € 9,600,000. This loan is guaranteed by a first degree pledge on the shareholding owned in the Company by Immobiliare Lombarda. In addition, a mortgage was set up on the “Torre 2 – Torre 3” building at Val Formazza 10, Milan, owned by the purchaser;

- On 2nd March, Immobiliare Lombarda signed a proposal to purchase the entire shareholding owned by S.G.A. S.p.A. in Sintesi Seconda S.r.l., with the simultaneous payment of a deposit of € 3.6m. The transaction was completed on 11th May with the payment of the balance of € 32.4m. The purchased Company owns 4 office and service buildings located at Via Missaglia 97, Milan. The purchase was financed by a loan granted by Banca Popolare di Milano of € 36m.
- The company Chrysalis S.p.A., in which Immobiliare Lombarda owns a 20% stake, launched a tender in July 2007 for the purchase of all the units in the “BETA Immobiliare” closed property investment fund set up and managed by FIMIT Sgr. The consideration offered for each of the units was agreed at € 1,213.00. The transaction was completed on 21 September 2007 with the purchase of 67.164% of the units in the fund.
- On 2nd August, Immobiliare Lombarda signed the preliminary contract for the sale of shares in the subsidiary Crivelli Srl to Unicredit R.E. with the simultaneous receipt of a deposit on the price of € 12m. The company Crivelli Srl will provide for the construction of an office building on the land it owns at Via Cambi, Milan. On completion of the construction, the ownership of the shares will definitively be passed from the company for a total price of € 59.5m.

OTHER ACTIVITIES SECTOR

This sector includes Group companies operating in the field of managed savings, financial companies, and the subsidiaries Banca Sai and Banca Gesfid.

The earnings before tax for the sector are positive in the amount of € 27m (€ 17m as at 30.09.2006) thanks to the positive contribution from financial companies, which recorded brisk trading business during the period, achieving attractive capital gains. In particular, we should point out the contribution of € 5.2m made during the first nine months of the financial year by Banca Gesfid, as well as the good result achieved by Sainternational of € 11.8m.

During the first nine months of the financial year, the activities of subsidiaries operating in the sector was focused on consolidating initiatives launched in previous financial years to rationalise the company's structures and operations. In this context, specific attention was paid, successfully, to further containing operating costs and increasing the volumes managed and brokered. Separate mention should be made of the activities of Banca Gesfid, the acquisition of which has allowed the group to benefit from an attractive investment opportunity, in terms of the opportunity it offers to enter an overseas market for a relatively small price, in the absence of other targets of comparable size and in view of the recent trend towards intensive concentration in the banking industry.

With reference to **Banca Sai**, the result for the period showed a loss of € 2.3m net of tax.

Net of value adjustments, investments increased compared to 30/09/2006 by € 233.6m to € 325.7m.

The growth in the Bank's investments is attributable to the greater focus being put on the lending business, primarily for the Corporate segment and, within this segment, for companies lying outside but close to the Group's orbit, in addition to those proposed by branch offices and corporate bankers.

The Retail segment, and particularly that of residential loans, was developed further through collaboration agreements with the company Mutui On Line which, in terms of organisation, costs and overall process management in general, has been the best solution for the Bank, allowing it to penetrate a segment which, albeit mature, is allowing it to make the most of the potential of its network, while ensuring the sustainability of costs.

The Bank's portfolio of securities consists of open market securities with a high rating and is characterised by a duration of less than one year.

Activities continued in the placement of financial services (mutual investment funds, open-end investment companies, asset management of securities and funds), in which a fall was recorded in terms of gross income (€ 147m compared to € 200m as at 30/09/2006) and in terms of net income (- € 48.7m compared to + 13.8m as at 30/09/2006).

The size of the managed savings portfolio remained almost stable compared to 30 September 2006, standing at € 621.8m, having fallen by € 54.8m. The number of financial advisors fell from 1,449 to 1,348.

These results were undoubtedly affected by a less than brilliant market performance. During the period in question, operation of the Banca Sai.NET computer tool made available to financial advisors, which offers online information on the whole range of products and services, was expanded.

Relations with Banca Italease

In view of the well-known events involving the Italease Group and the position taken in this respect by the Bank of Italy, considering furthermore the discussions held with the new operational senior management of Banca Italease and with its main shareholder, uncertainties arose regarding execution of the agreement between the parties signed during April of this year.

As is well known, the intention of the agreement is to set up a strategic alliance in the respective

core businesses:

- the acquisition of part of the business of the Fondiaria-SAI Group in the consumer loans and managed savings sector, as part of the development strategy of Banca Italease in the retail markets;
- the signing of a bancassurance agreement that provides for the distribution of Life insurance products of the Fondiaria-SAI Group through Banca Sai and Banca Italease.

In the context of the partnership, the agreements provide for Banca Italease to acquire from Fondiaria-SAI:

- 50% of the share capital of Banca Sai for approximately €61m (the full value of the company being €122m). The Banca Italease shareholding may be increased by the Parties to 70% over the 18 months that follow the date of purchase of the initial shareholding by exercising put&call options on a further maximum share of 20% of the capital, the value of which will be equal to the same transfer price subject to financial revaluation. In particular, a further 10% after 12 months from the date of purchase of the initial shareholding and a further 10% after 18 months from the same date.
- 80% of SAI Asset Management SGR, for approximately €9.6m (the full value of the company being €12m).
- 5% of Effe Vita, for approximately €0.7m, in order to set up a joint venture in the Life class, with the option to increase this share by a further 10% over the 18 months following the date of purchase of the initial shareholding.

In view of the comments made at the beginning, the appropriateness of valuing Banca Sai and its subsidiary Finitalia using a method other than the one stated in the agreement with Banca Italease cannot be ruled out.

Acquisition of an additional 40% stake in Banca Gesfid S.A.

During December 2006, the Group implemented the agreements reached on 22 September of the same year, completing the sale by Fondiaria-SAI of 60% of the capital of Banca Gesfid, a Swiss lending establishment fully controlled by Rinascita Holding, a holding company wholly owned by Meliorbanca, for CHF 54m.. The agreement also provided for a mutual option relating, respectively, to the purchase and sale of the remaining 40% of the capital of Banca Gesfid, to be exercised between 1 November and 31 December 2008, for a price that will primarily be based on the evolution of the company's net equity.

The opportunity therefore arose for the Company to exercise the option earlier than the dates originally planned. During May 2007, therefore, Fondiaria-SAI and Meliorbanca reached an agreement on the transfer of the remaining 40% of the capital of Banca Gesfid, for CHF 47m, including an incentive to account for the estimated profits of Banca Gesfid for the 2007 and 2008 financial years, which will be received by the seller. The transaction was completed during the month of July 2007, subject to the authorisations from the relevant Swiss banking authorities being received.

The early exercise of the option allowed Fondiaria-SAI immediately to acquire a full shareholding in the capital of the Bank, with the resulting termination of the shareholders' agreement two years earlier than planned and the full availability of management control, with a view to the development strategies and potential aggregation with other targets, allowing the company to take full advantage of a management that has produced extremely satisfactory results.

Joint Venture with the EDS Group for the management of the Fondiaria-SAI Group's Information Technology infrastructure

A project was launched during first few months of 2007 which provided for the management of the Fondiaria-SAI Group's IT infrastructure to be entrusted to a joint venture consisting of a

partner with proven ability and experience in the IT sector, identified as EDS Italia S.p.A. (hereinafter EDS).

Considering the increase in competition that is forecast in the insurance market, the company has decided that one of the key ways of achieving the objectives set out in the Fondiaria-SAI Group's Business Plan for 2006-2008 is to set up an IT project to adapt the Group's IT systems and allow the Group to improve its competitiveness as well as save costs.

Very briefly, the project implementation plan involves the management of IT facilities under a multiannual service agreement signed for this purpose between, on the one hand, Fondiaria-SAI Servizi Tecnologici S.r.l. (hereinafter FonSAI ST), which is jointly owned by EDS and by Fondiaria-SAI Group companies and to which the latter have transferred staff and/or hardware and software according to the legal system for the transfer of a line of business and, on the other hand, Uniservizi S.c.r.l., the Fondiaria-SAI Group consortium that will bring together and distribute the services to Fondiaria-SAI Group companies, including companies that are not parties to the agreement. FonSAI ST operates exclusively on behalf of the Fondiaria-SAI Group.

FonSAI ST was set up in December 2006 with an initial share capital of € 10,000, split between Fondiaria-SAI and EDS, which hold stakes of 51% and 49% respectively. Even though Fondiaria holds 51% of the share capital of FonSAI ST, based on the overall governance agreements signed, operational control of the company remains in the hands of EDS, a necessary condition for ensuring that the Fondiaria-SAI Group can benefit from the advantages of the operation in terms of cost reduction.

Subsequently, on 1 February of this year, the shareholders' meeting of FonSAI ST resolved to approve a capital increase from € 10,000 to € 120,000, subscribed and paid up on the same date, as follows:

- on the part of EDS, by the payment in cash of an amount allowing it to maintain its stake in the capital of FonSAI ST at 49%;
- on the part of the Fondiaria-SAI Group, by the transfer of lines of business from Fondiaria-SAI, Milano Assicurazioni S.p.A, Starvox S.p.A. and Uniservizi. These lines of business consist of personnel and/or hardware and software related to the activities entrusted to EDS.

The value of the lines of business transferred is as shown in the asset and liability accounts of the lines of business themselves on 31 October 2006, as attached to the valuations carried out, pursuant to article 2465 of the Italian Civil Code, by an expert registered with the register of auditors.

The total value of the lines of business stated in the aforesaid asset and liability statements was posted to the share capital of FonSAI ST up to the amount of € 120,000, with the surplus of approximately € 7.4m being posted to the share premium reserve, after a review of the values transferred, which took into account the time that had elapsed between the date of the transfer statements and the effective date of the agreement (01/02/2007).

The lines of business being transferred also included 134 employees of the Parent Company, Milano Assicurazioni and Starvox, in respect of whom the discussion with trade unions was carried out as required by law, with a corresponding agreement being signed.

During March 2007, Milano Assicurazioni, Uniservizi and Starvox transferred their shareholdings in FonSAI ST to Fondiaria-SAI, in order to bring together the ownership of the vehicle company within Fondiaria-SAI, although the IT services that are the subject of the agreement between FonSAI ST and Uniservizi will be provided to Fondiaria-SAI Group companies that may not be parties to the agreement.

Provision has also been made for FonSAI ST to be transformed from a limited liability

company (S.r.l.) into a joint-stock company (S.p.A.), with the issuing of various categories of shares with different rights in terms of votes and sharing in profits and losses, in accordance with the aforementioned governance agreements.

IT agreement for Non-Life Bancassurance

During March 2007, RGI S.p.A. – a company listed in the Espandi segment and operating in the Information Technology sector for the world of insurance and banking – signed a contract with the Fondiaria-SAI Group to supply the Information System for the management of Non-Life Bancassurance under an outsourcing contract.

The project will support the sale of insurance products through the 3,000 or so bank branches throughout the country.

The value of the contract, which will be in force for three years, is €3.7m.

Merger by incorporation of Maa Finanziaria S.p.A. into Milano Assicurazioni S.p.A.

As part of the reorganisation of the corporate structure of the Fondiaria-SAI Group, the opportunity has arisen to proceed with a merger by incorporation into Milano Assicurazioni S.p.A. of Maa Finanziaria S.p.A., which is 100% owned by Milano itself.

Maa Finanziaria, which originally operated in the financial leasing of capital goods and financing, is currently a run-off company limited to managing a number of financing contracts already in its portfolio. Considering that Milano Assicurazioni owns 100% of Maa Finanziaria, the merger will take place in a simplified way, without any exchange taking place.

The merger deed already approved by the Boards of Directors is expected to be signed by the end of the current year once the period allowed by law for any objections by creditors has expired. Since this will be an inter-group transaction, it will have no effects on the asset and liability statement or the profit and loss account.

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

During April, the deed of merger by incorporation of Campo Carlo Magno Sport S.r.l. with Campo Carlo Magno S.p.A. was signed. The accounting and tax effects of the merger will run from January 2007. Since this was an inter-group transaction, it has no financial or equity-related effects.

ASSET AND FINANCIAL MANAGEMENT

Investments and available cash

As at 30/09/2007, the volume of investments had reached € 38,831m, an increase of 14.8% compared to the investments existing as at 31/12/2006 and of 6.6% compared to 30/06/2007.

The significant increase in the amount of investments is due to the change in the consolidation method applied to Bipiemme Vita from proportional to line-by-line, the effect of which, compared to 31/12/2006, amounts to € 1,803m (including € 724m of Financial assets available for sale and € 1,079m of Financial assets at fair value through profit or loss), as well as to the recent entry to the consolidation scope of BPV Vita, which contributes € 2,744m (including € 610m of Financial assets available for sale and € 2,134m of Financial assets at fair value through profit or loss) to the investments.

In uniform terms, therefore, the increase in investments would have been approximately 3%.

The following table shows the investments and available cash as at 30/09/2007, compared to the corresponding amounts as at 30/06/2007 and 31/12/2006

(€K)	30/09/2007	% Comp.	30/06/2007	% Comp.	%Var.	31/12/2006
INVESTMENTS						
Property investments	2,097,308	5.13	2,127,058	5.54	(1.40)	2,125,628
Shareholdings in subsidiaries, associated companies and joint ventures	274,381	0.67	275,445	0.72	(0.39)	155,921
Loans and receivables	1,199,787	2.94	1,250,993	3.26	(4.09)	1,305,863
Investments owned to maturity	-	-	-	-	-	-
Financial assets available for sale	24,263,269	59.37	23,838,916	62.05	1.78	23,067,611
Financial assets at fair value through profit or loss	10,996,657	26.90	8,942,106	23.28	22.98	7,157,453
Total investments	38,831,402	95.01	36,434,518	94.85	6.58	33,812,476
Tangible assets: property and other tangible assets	1,185,994	2.90	1,216,415	3.16	(2.50)	1,164,620
Total non-current assets	40,017,396	97.91	37,650,933	98.01	6.29	34,977,096
Net available cash and equivalents	855,189	2.09	763,348	1.99	12.03	723,032
Total non-current assets and available cash	40,872,585	100.00	38,414,281	100.00	6.40	35,700,128

Financial assets available for sale and financial assets at fair value through profit or loss consist of the following:

(€K)	30/09/2007	30/06/2007	% Var.	31/12/2006
Financial assets available for sale	24,263,269	23,838,916	1.78	23,067,611
Capital securities and unit trusts	4,040,932	4,538,784	(10.97)	4,204,911
Debt securities	20,219,410	19,297,705	4.78	18,859,785
Other financial investments	2,927	2,427	20.60	2,915
Financial assets at fair value through profit or loss	10,996,657	8,942,106	22.98	7,157,453
Capital securities and unit trusts	2,299,299	1,893,034	21.46	1,450,313
Debt securities	8,228,635	6,571,560	25.22	5,416,753
Other financial investments	468,723	477,512	(1.84)	290,387

The **Property Investments** item includes the property owned by the Group for the purpose of investment, and therefore intended to be leased to third parties or held for the purpose of investment. Their book value amounts to € 2,330.0m, which includes € 681.2m relating to land, while the value of the depreciation fund is € 232.7m. The fall that took place during the quarter is due to the value of the property held by the Tikal R.E. Fund at Piazzale Don Sturzo, Rome, which was sold in September, and to the aforementioned sale of the property at Piazzale dell'Industria, Rome.

The **Shareholdings in Subsidiaries, Associated Companies and Joint Ventures** includes shareholdings in associated companies, which are valued by the net equity method, in addition to the book value of a number of shareholdings in subsidiaries which are not fully consolidated, both because of their irrelevance for the purposes of providing a truthful and accurate representation, and because they are in the process of being restructured or are non-operational. Note in this respect the shares held by the Parent Company in the associated company Fin.Priv. S.r.l. of € 63.5m and by the subsidiary Saifin-Saifinanziaria in the associated company Finadin S.p.A. of € 41.6m.

The significant increase in the holdings in associated companies is due, among other things, to the acquisition by Immobiliare Lombarda, during the month of February last, of a 33.3% holding in the capital of IGLI S.p.A. (a holding company whose sole asset is a holding of approximately 29.9% in Impregilo S.p.A.) for a countervalue of € 87.2m. This acquisition was made partly with own resources and partly using a loan of € 38m obtained from Efibanca.

The **Loans and Credits** include debt securities of € 106m (€ 107m as at 31/12/2006), spot against forward transactions of € 47.7m (€ 65.8m as at 31/12/2006) and loans on life policies of € 71.5m (€ 70.7m as at 31/12/2006). Also included are the deposit accounts with ceding companies of € 32m (€ 35m as at 31/12/2006) and the credits towards new agents for repayment of compensation paid to ceased agents of € 209.4m (€ 213.7m as at 31/12/2006).

The item also includes the loans disbursed by Finitalia to its customers of € 160.5m (€ 152.7m as at 31/12/2006), receivables of the consolidated company BancaSAI from other banks for interbank deposits of € 104.5m (€ 199.1m as at 31/12/2006) and from banking customers of € 218.2m (€ 116.1m as at 31/12/2006).

Finally, the item also includes the credit of € 163m (€ 159m as at 31/12/2006) recorded in respect of the forward sale of Intesa SanPaolo shares owned by the Parent company via the mandatory convertible exclusively into Intesa SanPaolo shares, issued by the subsidiary SAINTERNATIONAL in September 2004. This loan was updated, considering the deadline for the

forward sale underlying the issue of the mandatory. The effect on the profit and loss account is positive by € 3.9m.

As regards **Investments held to maturity**, in accordance with the portfolio management strategy, the Group did not consider it appropriate to record any financial instruments under this heading.

The **Financial assets available for sale** include bonds and shares not classified elsewhere. Even though this is a residual category, it is the largest financial instrument category, which is consistent with the characteristics and purposes of the insurance business.

In particular, the item includes debt securities of € 20,219.4m (€ 18,859.8m as at 31/12/2006), shares of € 3,352.0m (€ 3,640.3m as at 31/12/2006), shares in collective investment undertakings of € 688.9m (€ 564.6m as at 31/12/2006) and other financial investments of € 2.9m (€ 2.9m as at 31/12/2006).

The **Financial assets at fair value through profit or loss** include securities held for trading and the ones designated by the group companies in this category.

This item includes the investments and financial instruments relating to insurance and investment contracts issued by insurance companies in respect of which the investment risk is borne by the insured.

The item therefore includes debt securities of € 8,228.6m (€ 5,416.8m as at 31/12/2006), capital shares of € 283.6m (€ 297.1 as at 31/12/2006), shares in collective investment undertakings of € 2,016m (€ 1,153m as at 31/12/2006) and other financial investments of € 469m (€ 290m as at 31/12/2006).

The **Tangible assets** item includes both directly used properties and property-related inventories to which the criteria of IAS 2 has been applied. In particular, this item includes € 752m (€ 741m as at 31/12/2006) relating to the property assets of the subsidiary Immobiliare Lombarda S.p.A. and its subsidiaries.

Management of Investments

This third quarter of 2007 was characterised by the critical effects of the US “subprime” problem of loans granted for property purchases to people with low credit scores.

In addition to this, other factors, such as the slowdown in the US property market, the increase in stocks of unsold houses, the reduction in the number of new builds and in the value of houses in many states of the Union, the excessive securitisation of loans, with the respective distribution of underlying risks among investors throughout the international financial world, contributed to depress the international financial system significantly, particularly during the second half of the month of August, a period when liquidity is traditionally scarce and any tensions become inflated.

In order to prevent the financial crisis having a serious effect on growth in the USA, the Central Bank drastically cut the Fed Fund from 5.25% to 4.75%. The action taken by the Fed wrong-footed the Central European Bank. The European economic situation, as stressed by Trichet in August, pointed to the possibility of an imminent increase in rates to 4.25%, but the disruptive effects on the European financial sector and a rapid drop in growth forecasts for the old continent, pushed the ECB, at its meeting in September, to maintain rates fixed at 4%.

In fact, because of the financial tensions and a strengthening of the euro, resulting mostly from a lack of trust in the American economy, European monetary policy has already undergone a surreptitious increase of approximately 50 b.p..

As regards “subprime” loans, we should point out that neither Fondiaria-SAI nor any of its group companies have any exposure in this respect, neither as disbursers of so-called “subprime” loans, nor as investors bearing their own risk, nor as managers of financial products having the said loans as underlying assets.

Following significant growth in the difference between medium-long and short term rates (“steepening”), caused by a rush for quality and certainty of short-term maturities, to the detriment of long-term ones, yield curve slopes fell partly, while corporates, which had fallen significantly in August, albeit slowly and with great selection among sectors, began to recover value.

At strictly operating level, financial activities in the third quarter of 2007, at Fixed Income level, were characterised by a slight reduction in overall duration for Fondiaria-SAI and Milano Assicurazioni, while trading activities attempted to make the most of market opportunities. The government variable rate component was slightly lighter, the best yields having been achieved in terms of coupons during the months when there were still expectations of an increase in interests by the ECB.

In the life sector, preference continued to be given to investments offering good ordinary profitability and low risk, trying to monitor and fill the duration gaps of the various separately managed funds at the most appropriate times. The Corporate component, consisting primarily of investment grade securities, was reduced slightly, prioritising high rating issues in sectors considered to be defensive in respect of the subprime crisis.

The equity market experienced a third quarter characterised by the rapid correction in August caused by the re-pricing of risk following the subprime crisis. In sectoral terms, financial securities have been the ones most significantly hit by the underlying situation, suffering the impact of the rates scenario as well as the impact of fears surrounding the property sector and the worsening of expectations about the quality of credit.

After the significant losses suffered in August, the share markets, sustained by levels of company debt that remained under control, attractive dividend yields and valuations, quickly recovered following intervention by the central banks. During this phase, securities selection activity became more important, and increased volatility opened up interesting trading opportunities. With this in mind, operations conducted by the Life equities desk aimed to increase its contribution at a time that was not easy on the rates front, achieving capital gains primarily on cyclical securities and re-directing the portfolio, as it has done in the past, towards high capitalisation securities.

In order to support the achievement of management targets, a call overwriting and put sales strategy was implemented which, by leveraging increases in volatility, produced a positive contribution of 2 b.p..

Currently the percentage of equity on Life stands at around 6%, while the latest investments were directed at short-term financial and insurance stock in order to seize opportunities that arose after the significant correction resulting from the subprime issues.

Derisking policies continued to be implemented in the non-life sector, reducing the overall exposure to equities and trading positions.

As regards the Parent Company, the Non-Life Sector consists of 77.1% fixed rate government and supranational bonds plus a remaining 21.8% at variable rate and a residual 1.1% in repurchase agreements. The portfolio duration is 1.85 with a profitability of 4.23%.

The Life Class has an asset allocation that is richer in fixed rate government and supranational bonds (83.0%) compared to variable rate bonds in the same asset class (17.0%), with total portfolio duration of 5.88 and profitability of 4.62%.

As regards the Parent Company, the Non-Life Sector consists of 84.8% fixed rate government and supranational bonds plus a remaining 13.9% at variable rate and a residual 1.3% in repurchase agreements.

The total duration of the portfolio is 1.91 and the profitability of the portfolio is 4.20%. The Life Class has an asset allocation in fixed rate government and supranational bonds (85.3%) that is higher than the variable rate bonds component (14.7%), with total portfolio duration of 5.67 and profitability of 4.62%.

Net technical reserves

(€K)	30/09/2007	30/06/2007	31/12/2006
Non-life Technical Reserves			
Premiums reserve	2,289,522	2,517,310	2,437,801
Claims reserve	8,615,200	8,476,991	8,529,076
Other reserves	10,481	10,731	10,501
Total Non-Life Reserves	10,915,203	11,005,032	10,977,378
Life Technical Reserves			
Actuarial reserves	15,095,549	14,381,832	13,538,101
Reserves for amounts payable	288,032	312,054	203,548
Technical reserves with investment risk borne by the insured	4,196,889	2,086,114	1,126,403
Other reserves	(99,559)	(23,214)	185,460
Total Life Reserves	19,480,911	16,756,786	15,053,512
Total	30,396,112	27,761,818	26,030,890

The non-life classes technical reserves as at 30/09/2007 include the premiums reserve of € 2,290m, calculated by the pro-rata temporis method, and the claims reserve of € 8,615m.

The other non-life classes technical reserves include the health class ageing reserve, calculated according to national legislative provisions. It is intended to cope with the worsening of the insurance risk resulting from the increasing age of policyholders.

The life classes technical reserves are the ones that relate to insurance and investment contracts with elements of discretionary participation governed by IFRS 4. This item does not include liabilities relating to the policies (primarily of the index and unit linked type) which, since they are contracts with no significant insurance risk, are governed by IAS 39 and recorded among financial liabilities.

We should point out that the entrance of BPV Vita into the consolidation scope has led to life technical reserves being recorded of € 2,403m, including € 1,758m relating to products with investment risk borne by policyholders.

We should point out finally that the life classes technical reserves have been reduced, compared to the value determined according to national accounting principles, by € 179.5m (€ 74.5m as at 31/12/2006), as a result of the recording of deferred liabilities towards policyholders, resulting from the application of the accounting method of shadow accounting under the terms of IFRS 4. The reduction in technical reserves achieved by recording a positive shadow accounting reserve is consistent with the undertakings given by the Group to life policyholders in terms of guaranteed minimums.

Financial liabilities

In the context of financial liabilities, the operating debts has been distinguished from the strictly financial debt. In particular, the operating debt relates to financial liabilities which are correlated with specific asset entries.

The following table shows how the financial liabilities are subdivided:

(€K)	30/09/2007	30/06/2007	31/12/2006
Financial liabilities			
Subordinate liabilities	814,770	817,815	807,386
Financial liabilities at fair value through profit or loss	5,582,491	5,589,508	4,842,032
Other financial liabilities	1,317,598	1,526,209	1,430,477
Total financial liabilities	7,714,859	7,933,532	7,079,895

For details of the item **Subordinate liabilities** see the section on Debts.

The item **Financial liabilities at fair value through profit or loss** includes € 5,421m as at 30/09/2007 (€ 4,624m as at 31/12/2006) of liabilities on financial contracts issued by insurance companies, treated with the deposit accounting method which, essentially, provides for only the profit margins to be posted to the profit and loss account, with the pure premiums plus revaluation for the period being recorded under financial liabilities. These include € 306m attributable to BPV Vita.

The item also includes approximately € 100.4m (€ 153m as at 31/12/2006) relating to hedging derivative transactions by the Parent Company and the subsidiary Milano, in respect of which the financial instruments owned by the group, consisting of capital securities, recorded the same positive variation with an effect on the profit and loss account.

The **Other financial liabilities** include € 320m (€ 203m as at 31/12/2006) relating to deposits placed by customers with the subsidiaries Banca Sai and Banca Gesfid, € 178.1m (€ 178.0m as at 31/12/2006) relating to the debt amounting to a nominal € 180.4m, taken out by the subsidiary Sainternational and repayable exclusively in shares in the fully-owned Intesa SanPaolo, € 105.9m relating to the loan taken out by the Tikal R.E. Closed Property Fund with Banca Intesa Sanpaolo.

The item also includes € 328m relating to deposits placed with reinsurers (€ 324 as at 31/12/2006) and € 15.8m (€ 12.8m as at 31/12/2006) relating to investment contracts entered into by life policy holders and valued according to the depreciated cost method. Also included are € 65.2m (€ 95.3m as at 31/12/2006) relating to spot against forward financing transactions with the subsidiary SAI Mercati Mobiliari.

Group Debts

For the purpose of ensuring correct representation of the items relating to financial debt alone, it is considered important to show separately the items relating to the financial debt, which is understood to be the total amount of financial liabilities for which no specific correlation with asset entries can be established. The situation is summarised in the following table:

(€m)	30/09/2007	30/06/2007	31/12/2006
Subordinate loans	814.8	817.8	807.4
Sainternational Mandatory	178.1	178.5	178.0
Debts owed to banks and other loans	366.7	465.5	402.2
Total debts	1,359.6	1,461.8	1,387.6

The **Subordinate loans** item includes the loan contracted by the Parent Company with Mediobanca in July 2003 with simultaneous early repayment of the loan previously taken out on

12/12/2002.

The loan, amounting to a nominal € 400m, had been taken out in order to increase the elements constituting the solvency margin.

As regards the subordinate loan of € 400m already existing with Mediobanca, the Parent Company agreed the following with the latter, with the authorisation of ISVAP:

- a number of contractual amendments to the subordinate loan itself, relating inter alia to a reduction in the interest rate from the 6-month Euribor + 265 basis points to the 6-month Euribor + 180 basis points;
- the signing of a new subordinate loan contract for twenty years, with a fixed expiry date, for a total of € 100m at an interest rate equivalent to the 6-month Euribor + 180 basis points, with the same subordination characteristics as the previous one.
- the signing, on 14 July 2006, of a further subordinate financing contract for a total of € 300m, half subscribed by Fondiaria-SAI and half subscribed by Milano Assicurazioni. This cost of this loan is also equivalent to the 6-month Euribor +180 basis points and the amount is repayable in five equal annual instalments starting on the 16th anniversary of its disbursement.

Finally, the "Subordinate loans" entry also includes the subordinate loans of BPM Vita received during 2003. These are four subordinate loans for a total of € 16m, half of which were taken out with Banca Popolare di Milano and half of which were taken out with Banca di Legnano. Two loans run out on 27 June 2008 and have an interest rate equal to the 12-month Euribor plus 0.75%, while the other two loans have no fixed expiry date and an interest rate equivalent to the 12-month Euribor plus 2.50%.

On 27/09/2004, the Luxembourg subsidiary Sainternational S.A. launched a Convertible Bonded Loan repayable exclusively by means of ordinary shares in Intesa Sanpaolo owned by Fondiaria-SAI, expiring on 29/09/2010. The securities serving the loan are listed on the Luxembourg Stock Exchange.

The bonds, which have a total nominal value of € 180,400K, will be repayable on expiry by delivering 44,000,000 ordinary shares in Intesa Sanpaolo, currently owned by Fondiaria-SAI, at the exchange price of € 4.10 per share, and therefore with a premium of 35.13% on the price of ordinary shares in Banca Intesa Sanpaolo at the time of establishment of the offer price.

The annual coupon on the bonds and the return at maturity amount to 6.10%.

As regards **Debts owed to banks and other financing organisations**, amounting to € 366.7m, here are the most significant amounts:

- € 250.5m relate entirely to the consolidated debt of the subsidiary Immobiliare Lombarda. The interest rate on the loans is variable and generally consists of the 6-month or 3-month Euribor plus a variable spread of between 0.5% and 0.9%. The expiry dates of non-current debts are variable between the present date and 2015. Note furthermore that during 2007 Immobiliare Lombarda signed a new loan agreement for approximately € 38m with Efibanca, in order to proceed with the purchase of the stake in IGLI. The interest rate on the latter loan consists of the Euribor plus a spread of 0.83% and the expiry date is 31 December 2012;
- € 105.9m relate to the loan taken out by the Tikal R.E. Closed Property Fund with Intesa Sanpaolo, the latter as the Organising, Agent and Financing Bank. The purpose of the loan is to improve the return on the shareholders' equity of the fund and therefore on the capital invested by participants. The amount disbursed, which does not exhaust the line of credit granted of a nominal € 280m, is used for both investments in new initiatives and to carry out improvement work with a view to future sales or increases in income. The cost of the loan is equivalent to the Euribor plus a variable credit spread of between 70 and 110 b.p.. Since the previous financial year, the Fund has made recourse to two derivative instruments on rates, implementing a policy of hedging the potential risk of an increase in rates on the loan taken out;

- €8.1m relate to the debt taken out with lending establishments by the subsidiary Scai;
- the rest relates to other debts of insignificant unitary value.

Own shares and shares in the parent company and its subsidiaries

As at 30/09/07 and 31/12/2006, the parent company held own shares and shares in the parent company Premafin Finanziaria, both directly and indirectly, according to the following table:

(€K)	30/09/2007		31/12/2006	
	Number	Book value	Number	Book value
Own shares registered to:				
Fondiarria-SAI	1,143,000	37,445	9,490,212	182,201
Milano Assicurazioni	7,828,723	192,200	6,802,557	149,440
Sai Holding	1,200,000	28,285	1,200,000	28,285
Grand total	10,171,723	257,930	17,492,769	359,926
Shares in the parent company registered to:				
Fondiarria-SAI	18,340,027	30,836	18,340,027	30,836
Milano Assicurazioni	9,157,710	12,196	9,157,710	12,196
Saifin - Saifinanziaria	66,588	141	66,588	151
Grand total	27,564,325	43,173	27,564,325	43,183

OTHER INFORMATION

Sales organisation and staff

We report that, as at 30/09/2007, the Fondiaria-SAI Group has 6,214 employees (6,130 as at 31/12/2006), of which 2,639 are employees of the parent company (2,649 as at 31/12/2006) and 3,575 employees of subsidiaries (3,481 as at 31/12/2006).

With reference to the third quarter 2007, the territorial distribution of the Fondiaria-SAI Agencies is as follows:

	SAI Authority	Fondiaria Authority	Total as at 30/09/2007	Total as at 31/12/2006
North	414	260	664	666
Centre	185	162	347	362
South	185	142	327	311
TOTAL	784	554	1,338	1,339

As at 30/09/2007, the Group's income was produced mainly by 4,029 agencies (4,012 as at 31/12/2006), which operate through 3,129 points of sale (3,169 as at 31/12/2006) representing the traditional sales channel.

Steps taken in the cultural and social arena to maintain the Company's image

A detailed description of the activities carried out in the first six months of the financial year can be found in the half-year report for 2007. The further activities carried out during the third quarter are described below.

Sponsorships and donations

Among the initiatives taken by the Parent Company in the social and cultural fields it is worth mentioning the **Rimini Meeting**. Now in its 28th year, the Rimini Meeting for friendship among peoples had as its central theme "Truth is the destiny for which we are made", a subject around which there was an intensive series of meetings among politicians, business leaders, scientists and international personalities from the worlds of religion, culture and art. Once again the event notched up the high figures that have characterised it for many years: 700,000 attendees, 118 meetings, 20 shows, 12 exhibitions, around 400 speakers, including the Managing Director of Fondiaria-SAI.

Fondiaria-SAI supported the **Agorà dei giovani italiani**, an initiative launched by the Italian Catholic Church and aimed at getting young people involved, introducing them to the principles of the Church and promoting a relaunch of pastoral care for the young, which ended in Loreto with a mass gathering that was also attended by Pope Benedict XVI.

In the cultural field, great artistic and media attention was attracted by the company's sponsorship of the international music festival **MITO SettembreMusica**, which united Milan and Turin throughout the month of September in a series of over 180 musical events, including concerts of

classical, contemporary, jazz, rock, pop and ethnic music, in addition to meetings, musical marathons, dedicated reviews and film showings, over 60% of which were completely free of charge. Building on the thirty-year experience gained by Torino Settembre Musica, the *MITO* Festival, now in its first year in Milan, was very positively welcomed by critics and attracted huge numbers of people, with a total of over 160,000 people attending the events.

In the field of sport, we should highlight the final of the prestigious Fondiaria-SAI Swing Cup golf tournament at the Tanka Village course in Villasimius, and the victory for the sixth year running by Fondiaria-SAI Atletica in Rome at the Italian championship finals.

Stock option plans, information about warrants and dividends

On 14 July 2006, the Board of Directors of Fondiaria-SAI resolved to allocate the options in the 2006-2011 stock option plans to the executive directors and management of Fondiaria-SAI, its subsidiaries and the parent company for the purchase of savings shares in Fondiaria-SAI itself. The assignment by the Board took place in accordance with the resolution of the Fondiaria-SAI AGM of 28 April 2006.

Meeting on 20 June 2007, the Board of Directors resolved to bring forward the expiry date of the vesting period established by the stock option plan regulations.

In particular, each tranche of options may be exercised one year early.

The decision to bring forward the expiry date of the vesting period is a result of the early achievement of a number of objectives in the Group's Business Plan for 2006-2008, to which the exercise of these options was subject, and of the different tax system to which the plans are now subject compared to their date of approval.

According to the amendments made to the plan regulations by the Board of Directors of Fondiaria-SAI on 20 June 2007, the options can only be exercised in the following way after a vesting period running from the date of assignment has expired:

- 40% of the options may be exercised as of 14 July 2007 (once 12 months have elapsed from the date of assignment);
- 30% of the options cannot be exercised until 24 months have elapsed from the date of assignment;
- 30% of the options cannot be exercised until 36 months have elapsed from the date of assignment;

On expiry of the vesting period, the beneficiaries have the following alternatives:

- maintaining the options until expiry;
- exercising the options, subscribing the shares and keeping them in the portfolio;
- exercising the options, subscribing the shares and selling them on the market;

In any case, options not exercised within 5 years of the date of the AGM will automatically be forfeited.

The power to exercise the option is in any case suspended for a period running between 10 days before the date of the Board of Directors meeting called to approve the accounts and the date of detachment of the dividend.

The Regulations also impose restrictions on the way in which options can be exercised and specifically:

- once the options have been exercised and the respective share subscription has taken place, no more than 10% or 15% (for the management plan and the executive directors respectively) of the daily average of volumes recorded in the third days preceding the date chosen for the sale may be sold every day;
- shares that result from the options being exercised cannot be traded during the month in

which the Board of Directors has been convened for approval of the accounts and of the half-year statement.

In the event that, due to changes in the current state of welfare and tax legislation and any other applicable law, or in the respective interpretation and application, implementation of the Plan should involve welfare, tax or other costs for the Company, the latter will be entitled to amend the Plan, or to withdraw from the Plan itself, without the beneficiaries having any right to compensation.

Finally, the Board has also resolved to make exercising the options conditional upon the achievement of the main objectives of the Group's Business Plan for 2006-2008, already made known to the market.

Consequently, pursuant to IFRS 2 "Share-based payments", the periods for which the implicit costs associated with the aforementioned stock option plan should be posted to the profit and loss account have again been determined taking this earlier exercise date into account. Appropriate valuation models have therefore been used to determine the fair value of the options. Consequently the cost of labour for the period in the consolidated balance sheet of Fondiaria-SAI (net of the options assigned to the parent company) has been increased as a counterpart to a net equity reserve of €17.7m, which includes €13.1m relating to the Parent Company.

Given that the plan also involves a number of executive directors and managers of the subsidiaries Milano Assicurazioni and Immobiliare Lombarda, the financial effects of the stock option plan are also recorded in the accounts of the aforesaid companies in the amounts that correspond to them. Vice versa, the consolidated accounts of Fondiaria-SAI do not record the cost of options allocated to executive directors and managers of the parent company. The total cost of the plan for the Fondiaria-SAI Group is estimated to be €36m.

(amounts in €)	Number of options granted	Residual life	Optional value	Total cost	Cost as at 30/09/2007
Tranche A	5,173,360	0	2.792	14,445,940	11,083,042
Tranche B	3,880,020	1	2.708	10,506,003	3,923,582
Tranche C	3,880,020	2	2.809	10,897,715	2,714,486
Total for Fondiaria-SAI Group	12,933,400			35,849,658	17,721,110
Options attributable to the parent company	2,066,600				
Total	15,000,000				

50,600 stock options were converted during the period, while between 1 January and 30 September 2007 661,956 warrants were presented for conversion. As a result of these options being exercised, 165,489 ordinary shares were issued (receiving € 2.08 per share, including a share premium of € 1.08, for a total of € 344K), and 50,600 savings shares (receiving € 21.546 per share, including a share premium of € 20.546, for a total of € 1,090K).

We should also point out that on 24 May 2007, following distribution of the profit for 2006, as resolved by the shareholders' meeting on 30 April 2007, a dividend of € 1 per ordinary share and € 1.052 per savings share was approved for payment.

SIGNIFICANT EVENTS THAT OCCURRED AFTER THE END OF THE QUARTER

On 15/10/2007, the Board of Directors of Fondiaria-SAI S.p.A. resolved to issue a perpetual (so-called "unredeemable") subordinated bonded loan, known as "Fixed Rate Perpetual Subordinated Notes" for an amount equal to a maximum of € 750,000,000, to be placed exclusively with qualified Italian and foreign institutional investors excluding the United States of America.

Provision has also been made for the bonds to be listed on the official market managed by the Luxembourg Stock Exchange.

The bonded loan will allow the Company to strengthen its equity in the medium to long term with the aim, among other things, of improving its rating.

The bonds will be open-ended and repayment, which can take place from the tenth year after issue, will only be possible on the initiative of Fondiaria-SAI, and subject to authorisation from ISVAP. In particular, repayment will always be possible as of the tenth year after issue.

Interest on the bonds will accrue and be payable annually, at a fixed annual rate to be determined at a time immediately prior to issue, up to the tenth year after issue, but which will in any case be in line with market rates prevailing at that time. Subsequently, if not repaid, the bonds will accrue variable interest payable on specific dates of the year, determined according to the Terms and Conditions of the loan.

The loan is unredeemable because there is no provision for repayment on the initiative of the bearers of the securities, but only an option for repayment on the initiative of the Company, or the possibility of repayment in the event of a liquidation of the latter. The loan is also defined as subordinated pursuant to article 2411, paragraph 1, of the Italian Civil Code.

The issue has already been authorised as required by ISVAP and has been assigned a rating of BBB- by Standard & Poor's. Note that the issuer's current rating is BBB+ with a positive outlook. The loan will be issued as soon as the conditions and performance of the financial markets allow the Company to optimise the cost of the provision.

BUSINESS OUTLOOK

Management actions and initiatives aimed at achieving the objectives of the strategic plan for the 2006-2008 triennium will continue in the final months of 2007.

The activities will pursue the following objectives in particular:

- being a leader in the Motor Classes and in the retail sector of the Non-Marine Classes in Italy;
- maintaining excellent levels of profitability;
- developing new initiatives for growth in Italy and, possibly, abroad;
- offering an attractive risk profile and return profile to shareholders.

In this context, initiatives are taking shape aimed at strengthening and training the sales network, while the development of the Non-Motor Classes will also include the launch and/or strengthening of agreements in the Non-life bancassurance sector. Leadership in the Motor Classes will in turn be confirmed by the relaunch of direct sales channels, to which resources will be dedicated aimed at ensuring the necessary amount of visibility and publicity.

Business in the Life Classes will continue with greater attention paid to maturing capital, prioritising commercial objectives that are more focused on the intrinsic value of the portfolio than on the volumes as such. Development will continue in the bancassurance channels, both through targeted sales agreements, and through subsidiaries establishing important partnerships with the banking world.

As regards the property business, activities will continued based on different risk profiles: as regards the Group's insurance companies, investment will continue in property offering significant returns for the benefit of technical reserves; Immobiliare Lombarda and the Tikal Fund will however be involved in development initiatives, both on their own and as part of joint ventures, with the aim of maximising returns on investments in the medium term.

Finally, action will continue aimed at strengthening equity in order to improve the rating, increasing the diversification of investments in order to reduce risk and increase profitability.

In a national market in which structural processes of change are taking place, such as the new direct compensation procedure in the Motor TPL sector or the new developments contained in the Bersani Decree, the Group intends to seize opportunities for development and profitability offered by the new scenarios.

In this context, even though we do not yet have objectively definite data regarding the economic effects of the changes recently introduced, we are confident that the result for 2007 will of an excellent standard.

Milan, 12 November 2007

*On behalf of
Board of Directors
The Chairman*

Signed Jonella Ligresti

**Statement pursuant to article 154-ii, paragraph 2, Legislative Decree
24/2/1998 no. 58**

The undersigned Pier Giorgio Bedogni, in his capacity as the executive assigned to drawing up the corporate accounting documents of Fondiaria-SAI S.p.A.

certifies

pursuant to the terms of the second paragraph of article 154-ii of the *Testo Unico in materia di intermediazione finanziaria* (Italian consolidation act on financial intermediation) that, to his knowledge, the Third Quarter Report as at 30/09/2007 corresponds to the contents of the accounting documents, books and records.

Milan, 12 November 2007

*Executive officer assigned to drawing up the corporate accounting documents
Signed Dr Pier Giorgio Bedogni*