
INTERIM REPORT FOR THE THIRD QUARTER 2008



FONDIARIA-SAI S.p.A.

FONDIARIA-SAI S.P.A. - REGISTERED OFFICE AND FLORENCE HEADQUARTERS - P.ZA DELLA LIBERTA 6 - TURIN
HEADQUARTERS - CORSO G. GALILEI, 12 - SHARE CAPITAL EURO 167,043,712 FULLY PAID-IN – TAX, VAT AND
FLORENCE COMPANY REGISTRATION NO. 00818570012 - COMPANY AUTHORISED TO UNDERTAKE INSURANCE
ACTIVITIES PURSUANT TO ARTICLE 65 R.D.L. NO. 966 OF APRIL 29, 1923, ENACTED INTO LAW NO. 473 OF APRIL
17, 1925

CORPORATE BOARDS 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>Chief Executive Officer - General Manager</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 of the Board and the Executive Committee</i> |

BOARD OF STATUTORY AUDITORS

| | |
|------------------------|--------------------------|
| Benito Giovanni Marino | <i>Chairman</i> |
| Giancarlo Mantovani | <i>Statutory Auditor</i> |
| Marco Spadacini | <i>Statutory Auditor</i> |
| Maria Luisa Mosconi | <i>Alternate Auditor</i> |
| Alessandro Malerba | <i>Alternate Auditor</i> |
| Rossella Porfido | <i>Alternate Auditor</i> |

INDEPENDENT AUDITOR

DELOITTE & TOUCHE S.p.A.

GENERAL REPRESENTATIVE OF THE SAVING SHAREHOLDERS

Sandro Quagliotti

GENERAL MANAGER

Fausto Marchionni

EXEUCTIVE RESPONSIBLE

for the preparation of the corporate accounting documents

Pier Giorgio Bedogni

** Members of the Executive Committee*

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

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

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

The Executive Committee has all the powers not already attributed to the Chairman and to the Chief Executive Officer, except for those which for law or the company by-laws are the exclusive competence of the Board of Directors, while providing that - in accordance with the principles of correct conduct in relation to operations with related parties approved by the Board of Directors' meeting of December 19, 2007 - the exclusive competence to this latter of all deliberations in relation to the transactions with related parties which for subject, payment, terms, conditions and time period may have effects on the safeguarding of the company assets or on the completeness and correctness of the information, including accounting, relating to the issuer, with the exclusion of the operations made between subsidiary companies and subsidiary companies with associated companies. The Committee reports to the Board of Directors at each meeting on the exercise of its powers.

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

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

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INTRODUCTION

The present quarterly report at September 30, 2008 (Interim report pursuant to article 154 ter of Legislative Decree No. 58/98) was prepared on a consolidated basis, in accordance with the provisions contained in the above-mentioned Legislative Decree as supplemented, as well as Consob Issuers' Regulations.

Based on EU Directive 109/2004 (Transparency) Consob issued a document for public consultation on July 7, 2008; while awaiting the final document and in accordance with the provisions of Consob communication No. 8041082 of April 30, 2008, it is considered appropriate to present the data in line with the provisions of the previous regulation in order to ensure comparability with the previous interim and annual financial statements.

In particular:

- In the preparation of the income statement and net financial position, consideration was taken of the instructions for the format of the consolidated financial statements as per Isvap Regulations No. 7/2007;
- All the data and accounting statements are prepared on a consolidated basis. The income statement data is compared with the relative data of the same period of the previous year; the balance sheet and financial position data are compared with the end of the previous quarter and the previous year. For the purposes of comparison, the accounting principles applied were those utilised for the preparation of the last consolidated financial statements, to which reference should be made, with the exception of that reported below relating to the amendment to IAS 39. The present report was prepared in accordance with International Accounting Standards IAS/IFRS issued by the IASB, approved by the European Union, and on the current interpretation by the official organisations;
- On October 13, 2008, the IASB issued an amendment to IAS 39 – Financial instruments: Recognition and Measurement and to IFRS 7 – Financial instruments: Disclosures, which permit, in particular circumstances, the reclassification of certain financial assets, other than derivatives and designated instruments at fair value through profit and loss, from the accounting category “fair value through profit and loss”.

The amendment is effective as of July 1, 2008. On this date, the Group reclassified a part of the assets held for trading from the category “fair value through profit and loss” to the category “available-for-sale”. In this manner it was possible to apply the provisions from the regulations, eliminating from the income statement the negative effects of the volatility on the financial markets in the period July 1 – September 30, 2008, which were of an absolutely exceptional nature. For reasons of transparency and while awaiting a more stable regulatory framework, it was considered appropriate to value the assets at fair value through equity, in order to quantify the fair value impact on the quarterly accounts. This reclassification resulted in a decrease in consolidated net equity, instead of in the income statement, of approx. Euro 22 million, taking into account, for the securities in the Life sector the shadow accounting effect, as well as the total tax effect.

It should be recalled that this choice was based on current regulations and best practice and therefore may be subject to modifications based on future regulatory amendments and accounting practices.

In consideration of the extensive ongoing debate on some significant aspects of IAS 39, the Group is reviewing the analysis and the monitoring of the positions, with particular attention to the debt securities segment, in order to evaluate, in accordance with the provisions of the regulations, the possibility of further reclassifications, valuing the Loans and Receivables and/or Investments held to maturity segments alternatively to the AFS segment.

The quarterly financial statements have not been audited.

All of the amounts are reported in millions or thousands of Euro.

Key Group data

(in Euro millions)

| | YTD 2008 | YTD 2007 | Q3 2008 | Q3 2007 |
|--------------------------------------|----------|----------|---------|---------|
| Net profit ^(*) | 385 | 463 | 124 | 125 |
| Total Gross premiums written | 8,143 | 8,681 | 2,216 | 2,500 |
| of which: | | | | |
| Gross Non-Life premiums written | 5,294 | 5,304 | 1,496 | 1,498 |
| Gross Life premiums written | 2,849 | 3,377 | 721 | 1,002 |
| Investment policies written | 273 | 131 | 17 | 48 |
| APE | 281 | 311 | 92 | 96 |
| Combined ratio – Non-Life sector | 95.45% | 94.19% | 92.54% | 93.07% |
| Expense ratio of the Non-Life sector | 21.02% | 20.23% | 20.44% | 18.50% |
| Expense ratio of the Life sector | 6.81% | 6.37% | 7.71% | 7.10% |

(in Euro millions)

| | 30/09/2008 | 30/06/2008 | 31/12/2007 |
|--------------------------------------------|------------|------------|------------|
| Investments | 34,509 | 34,803 | 38,021 |
| Net technical reserves - Non-Life division | 10,583 | 10,734 | 10,906 |
| Net technical reserves - Life division | 17,544 | 17,953 | 19,532 |
| Shareholders' equity ^(*) | 4,340 | 4,501 | 5,171 |

^(*) The result includes the minority interest share. Shareholders' equity includes the minority interest share and the consolidated result

ECONOMIC OVERVIEW AND THE INSURANCE MARKET

The financial crisis, sparked by the collapse of the subprime mortgages in August 2007, worsened in the last quarter, creating the basis - according to the International Monetary Fund - of the growing economic depression following the dangerous financial shock which saw strong declines in all the major world stock markets, returning to levels seen at the end of the last century.

The table below shows the forecasts contained in the latest Report on the World Economy by the International Organisation, which shows in brackets the changes in the values compared to the forecast made in July.

Tab 1 – Economic outlook

| | GDP 2008 (%) | | GDP 2009 (%) | |
|--------------------|--------------|-------------|--------------|--------|
| World | +3.9 | (-0.2) | +3.0 | (-0.9) |
| Advanced economies | +1.5 | (-0.2) | +0.5 | (-0.9) |
| USA | +1.6 | (+0.3) | +0.1 | (-0.7) |
| Euro Area | +1.3 | (-0.4) | +0.2 | (-1.0) |
| Germany | +1.8 | (-0.2) | 0.0 | (-1.0) |
| France | +0.8 | (-0.8) | +0.2 | (-1.2) |
| Italy | -0.1 | (-0.6) | -0.2 | (-0.7) |
| Spain | +1.4 | (-0.4) | -0.2 | (-1.4) |
| Great Britain | +1.0 | (-0.8) | -0.1 | (-1.8) |
| Japan | +0.7 | (-0.8) | +0.5 | (-1.0) |
| Russia | +7.0 | (-0.7) | +5.5 | (-1.8) |
| China | +9.7 | (unchanged) | +9.3 | (-0.5) |
| India | +7.9 | (-0.1) | +6.9 | (-1.1) |

Source: Il Sole24Ore and Ansa, on forecasts contained in the World Economic Outlook of the International Monetary Fund (September – October 2008).

A gradual recovery is expected towards the end of 2009 / beginning of 2010, thanks to the emerging countries which will continue to drive the world economy, the stabilisation in raw material prices and an end to the US real estate sector crisis - which should occur towards the end of next year. However, it should be noted that, given the exceptional uncertainty and volatility surrounding the current economic environment, the forecasts may be subject to significant review.

At the beginning of October, the principal monetary authorities agreed a cut in interest rates. The coordinated lowering of the cost of money reflects the gravity of the situation and is the first tentative response to the emergency created from the credit crisis, with the objective of injecting confidence into the financial markets. In the European Central Banks Council Meeting on November 6, interest rates were reduced further – a move also undertaken by the Bank of England – as part of a monetary expansion policy coordinated with the principal Central Banks of Europe.

Tab 2 - The cost of money worldwide

| Area | Rate % | Date of last change |
|---------------|---------------|----------------------------|
| Euro Area | 3.25 | 8/10/2008 |
| USA Fed Fund | 1.5 | 8/10/2008 |
| Great Britain | 3 | 8/10/2008 |
| Japan | 0.5 – 0.3 | 31/10/2008 |
| Canada | 2.5 | 8/10/2008 |

Source: il sole24Ore

In contrast to the slowdown in the US economy, the Euro Area - although having a limited capacity to react to the crisis – has certain advantages, such as: households traditionally have greater savings levels than in the rest of the world, the investment banking institutions operate and are subject to supervision criteria comparable with commercial banks, and finally the view towards the market is positive but more prudent - “conservative” and less inclined to excesses, particularly in Italy.

Among the economies in the Euro Area, Italy however is classified in the lower positions: it is now estimated that our country is in recession with a contraction in the GDP predicted by the International Monetary Fund of 0.1% and 0.2% respectively in 2008 and 2009. Also having a strong impact is the level of confidence and spending by businesses and households, although for this latter there will be a small increase in the real income related to the deceleration of consumer prices (from 3.5% in 2008 to 2.1% in 2009).

The decrease in the prices of raw materials in fact continued in recent months. In particular, in October petroleum (brent) accelerated its fall, reaching levels below \$70/barrel, due to the growing concerns of global recession, which would result in a decrease in energy consumption.

The worsening market conditions have also impacted upon the European automobile sector, with a decrease in registrations of 8.2% in September (1,304,583 new motor vehicles), the lowest level recorded since September 1998, and a slowdown of 4.4% in the first nine months of the year.

On the **national insurance market**, the data currently available shows that, in the first half of 2008 total premiums written in the Non-Life segment were in line with the first half of the previous year (Euro 18.9 billion, equal to -0.1%). In particular, the Non-Motor Classes recorded an increase in premiums of 3%. Although there was an increase in vehicles in circulation, the Motor TPL Class declined by 3%: the contraction recorded is the largest since 1969, when motor vehicle insurance became compulsory.

In the first half year, Life premiums written decreased by 16.3% compared to the same period of 2007 (amounting to Euro 29.1 billion): the decrease was particularly concentrated in the securitisation segment (Euro -5 billion), while there were also strong decreases for premiums in class I (Euro 500 million) and linked products (Euro 140 million).

In the first eight months, new Life premiums amounted to around Euro 1.7 billion, a decrease of approx. 18% on the same period of 2007.

In relation to the mutual investment funds, the net outflows in September were Euro 9.5 billion, with the bond segment recording the largest outflow amounting to Euro 4.5 billion, followed by flexible funds (Euro -1.3 billion) and by equity funds (approx. Euro -1.3 billion).

In September, the Chamber of Deputies Finance Committee held informal hearings on the problems within the insurance sector from the President of Ania and the President of Isvap.

In both cases it emerged that the overall Italian insurance sector, although affected by the current difficult economic downturn, is structurally solid and has only been impacted to a limited extent by the financial market crisis. In fact, at the end of 2007 the solvency ratios were around 1.9 and 2.7 times the minimum level respectively for the Life Classes and the Non-Life Classes. In addition, the exposure to the “subprime” mortgages was relatively contained, equal to around 0.2% of the technical reserves, for an amount of around Euro 1 billion.

Within this context, the rules governing the insurance market had a positive impact, in particular the Isvap provisions which, until 2003, prohibited indexation for the index-linked securities deriving from securitisation and from credit derivatives (circular 507/2003), as well as the regulation which discourages the provision of bond insurance to guarantee coupons/repayment of bonds (credit enhancement), in addition to the noted prudence of the investment policies by Italian insurance companies.

In the final weeks of the third quarter, the crisis of Lehman Brothers, the fourth largest investment bank worldwide - which in spite of its high credit rating (rating A) officially requested chapter 11 protection at the New York bankruptcy Court - added to the general uncertainty and volatility previously described.

An inquiry immediately undertaken by the Supervision Authority of the sector reported a moderate exposure of the insurance companies to the above-mentioned bank, amounting to approx. 0.4% of the technical reserves, for a total amount of approx. Euro 1.1 billion (of which Euro 0.2 billion in the Non-Life management and Euro 0.9 billion in the Life management).

Some bonds issued by this bank (for an amount of approx. 0.2% of all national insurance reserves) represent the underlying securities for index-linked policies, for which the credit risk is contractually borne by the policyholder. The amount in question is limited when compared with the total assets managed by the insurance sector, although the impact on the individual portfolios of the policyholders is not a negligible one.

Once again, although in adverse circumstances, the Italian insurance companies demonstrated that the underwriting policies and prices adapted to the risk, ensure the stability of the policyholders and the entire system.

In relation to the details on the Group policies, reference should be made to the paragraph “Lehman Brothers Holdings Inc.” within the section “Investment Management”.

In the current international financial situation and with reference to the impact which short selling may have on normal trading and the integrity of the market, the National Commission for Companies and the Stock Exchange (Consob) in September reminded all operators to fully comply with the regulations for trading and delivery of securities in the period established by the provisions of legislation and current regulations, and also deciding, at the end of October, to extend the measure until December 31, 2008.

Thus Consob intends to exercise fully and firmly its supervisory powers, to pre-empt and counter any abnormality or wrongdoing, in particular in relation to regulations on the obligations to deliver the securities in the required time period. In particular, Consob ruled that the sale of listed bank and insurance shares on Italian regulated markets must be made in the presence of the availability of the securities by the ordering party at the moment of the order and until the settlement date of the operation.

The company managing the settlements and payments will therefore adopt all measures to prevent speculative manoeuvres which could cause an abnormal reduction of the prices of the shares of banks and insurance companies. Consob will monitor market trends to constantly ensure compliance with this provision.

CONSOLIDATION SCOPE

At 30/09/2008, the Fondiaria-SAI Group, including the Parent Company, was made up of 121 Companies, of which 21 operated in the insurance sector, 2 in the banking sector, 50 in the real estate and agricultural sectors, 20 in the financial services sector and 3 in the SIM and SGR sectors; the remaining companies are various service companies.

The total number of subsidiaries fully consolidated is 90 and the number of companies consolidated under the net equity method is 17, while the remaining companies are maintained at carrying value given their immaterial significant to the Group.

There are 97 subsidiary companies, of which 41 are controlled directly by the Parent Company. The company has 19 overseas offices.

The full consolidation continues of the Tikal R.E. Closed Real Estate Fund in which the Group holds control and determines the management policies of the company. This treatment is in accordance with IAS 27 and in particular with its Basis for Conclusion.

The subsidiaries which due to their size or nature of activities are not relevant for the purposes of a true and fair representation of the present quarterly are excluded.

During the third quarter of 2008 the consolidation scope of the Fondiaria-SAI Group did not change significantly. The real estate company TRE TORRI CONTRACTOR S.c.r.l was set up and held 50% by Immobiliare Lombarda S.p.A. and the merger by incorporation of the company DDOR Vestans Doo into Ddor Auto Doo took place.

For the other changes in the first six months of 2008, reference should be made to the consolidated half-year report.

ACCOUNTING PRINCIPLES

The consolidated quarterly report applied the accounting standards utilised - consistent with international accounting standards - for the preparation of the last consolidated annual accounts and to which reference should be made. The only exception is that illustrated in the introduction relating to the reclassification with reference to the amendment to IAS 39 and IFRS 7 approved with EU Regulation No. 1004/2008 of October 15, 2008.

As the current report is for the quarterly period, the determination of some accounts includes the use of greater estimates and simplifications, whilst ensuring the correct application of the accounting principles.

For the valuation of the technical reserves of the Motor TPL Class, we recall that from February 1, 2007, a new direct compensation procedure was put in place which, in the case of road accidents, permits non-responsible claimants, or those only partly responsible, to be compensated directly by their insurance company. From January 1, 2008, the regulations for the calculation of the flat rate reimbursements were significantly modified. In particular, the single flat rate for the direct compensation convention was replaced by two separate flat rates, separately applied for material damage and for any personal injury to the driver. Shortly after the start-up of the new settlement procedures, a further element was introduced, which contributes to the difference in the historical data of the management indicators and requires further caution in expressing a definitive opinion on the economic impacts deriving from the new settlement regime.

In this context, the Motor TPL claims reserve was measured separately for the various types of management under the new regime. In particular:

- for the claims within the CARD Debtor regime, the valuation was made based on the differing flat rates, for 2007 and 2008, defined by the Technical Committee set up under Pres. Decree No. 254/2006;
- for the CARD Operator claims, the expected final cost was recorded net of the flat recoverable amounts;
- for the claims not covered by the new regime (essentially as they involve two vehicles or permanent personal injury greater than 9%), the valuation of the final cost of the claims in the current year was made revaluing the amounts indicated by the settlement offices, taking into account the average costs assumed for these type of claims, which are more costly. for the claims of previous years, already recorded in reserves, the trends relating to the claims settled in the period were noted, verifying the appropriateness of the reserves recorded at December 31, 2007.

In the other Non-Life Classes, for both the current generation and previous generations, the technical offices estimate was supplemented utilising the parameters already utilised for the 2007 annual accounts, where there were not significant statistical changes compared to the consolidated trends.

The reinsurers' technical reserves are calculated based on the portion ceded for the proportional reinsurance and analytically for the excess claims and stop-loss reinsurance, on the basis of the information available and utilising the same criteria for the direct premium reserves, taking into account the contractual clauses.

OPERATING PERFORMANCE

The consolidated net profit for the first nine months of 2008 amounted to Euro 385 million, a decrease of 17% on the Euro 463 million recorded in the same period of the previous year. The result, although largely positive, was affected by the recent turbulences on the financial markets and which had an impact on the normal operating activity. The technical indicators of the Non-Life Division remain substantially positive, although in decline, while the Life Division was affected by the negative performance of the financial markets and the general economic environment with consequent negative effects on the premiums written and on redemptions.

The operating performance for the quarter and for the first nine months compared to the same periods in the previous year is shown below:

| (Euro thousand) | Jan.-Sep. 2008 | Jan.-Sep. 2007 | Q3 2008 | Q3 2007 |
|-------------------------------------------------------------------------------------|--------------------|--------------------|--------------------|--------------------|
| Net premiums | 8,086,923 | 8,603,698 | 2,377,351 | 2,669,721 |
| Commission income | 73,526 | 89,946 | 19,904 | 29,699 |
| Net Income from financial instruments recorded at fair value through profit or loss | (443,495) | (138,561) | (40,110) | (136,549) |
| Income from investments in subsidiaries, associates and joint ventures | 41,185 | 21,786 | 11,011 | 2,748 |
| Income from other financial instruments and property investments | 966,213 | 1,041,296 | 290,087 | 386,916 |
| - Interest income | 668,097 | 626,972 | 231,616 | 222,985 |
| - Other income | 206,836 | 192,451 | 24,496 | 41,684 |
| - Profits realised | 90,762 | 221,717 | 33,903 | 122,181 |
| - Valuation gains | 518 | 156 | 72 | 66 |
| Other revenues | 280,732 | 252,622 | 79,631 | 33,734 |
| TOTAL REVENUES | 9,005,084 | 9,870,787 | 2,737,874 | 2,986,269 |
| Net charges relating to claims | (6,080,669) | (7,021,550) | (1,845,464) | (2,155,048) |
| Commission expenses | (36,835) | (50,859) | (8,685) | (17,903) |
| Charges from investments in subsidiaries, associates and joint ventures | (3,736) | (3,039) | (173) | (579) |
| Charges from other financial instruments and property investments | (352,954) | (237,685) | (167,547) | (90,194) |
| - Interest expense | (105,182) | (90,413) | (32,319) | (26,491) |
| - Other expenses | (48,781) | (38,288) | (15,888) | (7,163) |
| - Losses realised | (133,190) | (81,576) | (75,552) | (47,267) |
| - Valuation losses | (65,801) | (27,408) | (43,788) | (9,273) |
| Management expenses | (1,421,679) | (1,351,421) | (430,000) | (421,264) |
| - Commissions and other acquisition expenses on insurance contracts | (1,077,398) | (1,075,038) | (315,794) | (320,863) |
| - Investment management charges | (12,233) | (14,341) | (2,378) | (8,282) |
| - Other administration expenses | (332,048) | (262,042) | (111,828) | (92,119) |
| Other costs | (568,887) | (484,320) | (120,170) | (104,147) |
| TOTAL COSTS | (8,464,760) | (9,148,874) | (2,572,039) | (2,789,135) |
| PROFIT BEFORE TAXES | 540,324 | 721,913 | 165,835 | 197,134 |
| Income taxes | (155,332) | (259,007) | (42,118) | (72,427) |
| NET PROFIT | 384,992 | 462,906 | 123,717 | 124,707 |
| LOSS FROM DISCONTINUED OPERATIONS | - | (197) | - | - |
| CONSOLIDATED PROFIT | 384,992 | 462,709 | 123,717 | 124,707 |
| GROUP NET PROFIT FOR THE PERIOD | 306,691 | 372,558 | 98,262 | 95,741 |
| MINORITY INTEREST SHARE | 78,301 | 90,151 | 25,455 | 28,966 |

In the first nine months of 2008, the key results of the Group were as follows:

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- The **consolidated profit** was Euro 385 million compared to Euro 463 million in the first nine months of 2007;
 - The **Non-Life Insurance Division** reported a decrease of 0.2% in premiums and a pre-tax profit of Euro 463 million (Euro 533 million in the first nine months of 2007). The segment technical account, recorded in accordance with the traditional reporting statements, reports a profit of approx. 183 million (Euro 295 million in the first nine months of 2007). The decrease of the technical management is due to lower premiums and lower savings from the release of reserves of previous years and the impact of the amortisation on the long-term commissions. In particular, this latter was not offset by a similar flow of new securitisations in consideration of the commercial decision taken by the Group to no longer make advance commission payments against long-term contracts. The Motor TPL Class remains positive, although adversely affected by the contraction of the premiums written. In addition profitability decreased on the Land Vehicle class, which has seen high levels of competition. The Other Classes report good performance and did not report any particular problems in the quarter, with the exception of the Health class;
 - The **Life insurance sector** recorded a decrease in premiums of 15.6%. The result includes the sale, and the relative deconsolidation, of 50% of Po Vita: on like-for-like terms the decrease would have been 2.2%. As a consequence of the financial market conditions, the distribution trend of the large securitisation products for institutional Clients (banking and financial foundations, co-operatives etc.) has decreased strongly. The decrease compared to the same period of the previous year is due to the reduction of the profits to be realised on investment securities, taking into account also that the result for the period includes the realisation of the gain (Euro 29 million) deriving from the sale of the subsidiary Po Vita. The pre-tax profit was Euro 72 million (Euro 136 million in the first nine months of 2007);
 - The **Real Estate Division** reports a pre-tax loss of Euro 14 million (Euro 25 million profit in the first nine months of 2007), due to management costs and interest expense. In the first nine months of 2008, the real estate activity reported limited levels of activity due to the difficult economic environment, which did not permit the realisation of significant gains;
 - The **Other Activities sector**, which includes the companies operating in the financial and asset management sectors, report a pre-tax profit of Euro 21 million (Euro 27 million in the first nine months of 2007). The result is in part due to brokerage and management commission income, following a good result from financial assets;
 - **Management expenses** amounted to Euro 1,422 million from Euro 1,351 million in the first nine months of 2007, an increase of 5.2%. Excluding the investment management expenses, the total amount was Euro 1,409 million. In the Non-Life sector these expenses amounted to Euro 1,161 million and represent 22.1% of the premiums (20.4% in the first nine months of 2007), while in the Life sector the total amount of the expenses was Euro 193 million and accounted for 6.8% of premiums (6.4% in the first nine months of 2007);
 - Excluding the contribution of the financial instruments recorded at fair value through profit or loss and interest expense, the **total net income from investments** amounted to Euro 718 million (Euro 894 million in the first nine months of 2007). This amount consists of Euro 668 million of interest income, Euro 158 million of other income and net losses to be realised on real estate and securities of Euro 42 million. Net valuation gains and losses was a loss of approx. Euro 65 million;
 - **Interest expense** amounting to approx. Euro 105 million (Euro 90 million in the first nine months of 2007) refers almost entirely to financial debt;

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- **Financial instruments recorded at fair value through profit or loss** amounted to a loss of Euro 443 million (a loss of Euro 139 million in the first nine months of 2007). This account includes the net income from financial assets where the risk is borne by the policyholders (negative for Euro 597 million although offset by the correlated decrease in net charges relating to Life Division claims) and a significant amount of dividends on shares classified for trading in the Non-Life Division, as well as the adjustment to the fair value of financial instruments belonging to the sector.
 - **Income from investments in subsidiaries, associated and joint venture companies** refers for Euro 29 million to the above-mentioned gain realised on the sale of the investment in the subsidiary Po Vita and to the equity valuation of the associated company IGLI for Euro 11 million;
 - **Other revenues and costs** amounted to a net charge of Euro 288 million (net charge of Euro 232 million in the first nine months of 2007). This residual balance includes technical and non-technical income and charges not classified elsewhere, in addition to depreciation other than on investment properties, prior year income and charges as well as net changes in risk provisions. The account includes amortisation and depreciation on intangible and fixed assets totalling Euro 64 million;
 - Finally, the **tax rate for the period** decreased, due to a reduction in the income tax rates and to the tax exemption on gains in the period.

The table below shows the profit before taxes in each sector. The real estate sector principally refers to the results of the Immobiliare Lombarda Group, of the subsidiary Nit, as well as from the Tikal R.E. Closed Real Estate Fund. The Other Activities sector relates to the subsidiary companies operating in the financial services and banking sector, among which Banca SAI, Banca Gesfid, SAI Mercati Mobiliari, Saifin-Saifinanziaria and Sainernational.

| (Euro thousand) | Non-Life | Life | Real Estate | Others Activities | Inter sector | Total |
|----------------------------------------------------------------------------------------------|--------------------|--------------------|------------------|----------------------|------------------|--------------------|
| Net premiums | 5,256,485 | 2,830,438 | | | | 8,086,923 |
| Commission income | | 37,941 | | 36,785 | (1,200) | 73,526 |
| Income and charges from financial instruments at fair value through profit or loss statement | 171,350 | (621,137) | (9) | 6,301 | | (443,495) |
| Income from investments in subsidiaries, associates and joint ventures | 362 | 29,833 | 10,990 | | | 41,185 |
| Income from other financial instruments and property investments | 359,952 | 523,944 | 33,673 | 98,238 | (49,594) | 966,213 |
| Other revenues | 119,197 | 37,615 | 96,080 | 217,791 | (189,951) | 280,732 |
| TOTAL REVENUES AND INCOME | 5,907,346 | 2,838,634 | 140,734 | 359,115 | (240,745) | 9,005,084 |
| Net charges relating to claims | (3,739,715) | (2,340,954) | | | | (6,080,669) |
| Commission expenses | | (23,391) | | (13,444) | | (36,835) |
| Charges from investments in subsidiaries, associates and joint ventures | (202) | | (3,187) | (347) | | (3,736) |
| Charges from other financial instruments and property investments | (178,550) | (118,501) | (54,890) | (50,779) | 49,766 | (352,954) |
| Management expenses | (1,166,773) | (198,613) | (154) | (56,139) | | (1,421,679) |
| Other costs | (359,156) | (85,518) | (96,666) | (217,592) | 190,045 | (568,887) |
| TOTAL COSTS AND CHARGES | (5,444,396) | (2,766,977) | (154,897) | (338,301) | 239,811 | (8,464,760) |
| PROFIT BEFORE TAXES | 462,950 | 71,657 | (14,163) | 20,814 | (934) | 540,324 |
| Income taxes | | | | | | (155,332) |
| NET PROFIT | | | | | | 384,992 |
| PROFIT FROM DISCONTINUED OPERATIONS | | | | | | |
| CONSOLIDATED PROFIT | | | | | | 384,992 |
| Group share | | | | | | 306,691 |
| Minority share | | | | | | 78,301 |
| Pre tax result at 30/09/2007 | 533,188 | 136,282 | 25,409 | 27,034 | | 721,913 |

NON-LIFE INSURANCE SECTOR

The Fondiaria-SAI Group, in the first nine months of 2008, recorded premiums of Euro 5,295 million (-0.17% on the first nine months of 2007). The breakdown by class is shown in detail in the following table:

| (Euro thousand) | YTD 2008 | YTD 2007 | Cge. % | HY 2008 |
|------------------------------------------|------------------|------------------|---------------|------------------|
| Accident & Health | 498,360 | 475,206 | 4.87 | 356,303 |
| Marine, aviation and transport insurance | 150,718 | 149,284 | 0.96 | 107,248 |
| Fire and other property damage | 583,776 | 511,152 | 14.21 | 422,791 |
| General TPL | 332,906 | 327,244 | 1.73 | 247,247 |
| Credit & Bonds | 66,354 | 60,914 | 8.93 | 47,429 |
| General pecuniary losses | 19,366 | 19,229 | 0.71 | 14,467 |
| Legal expenses | 13,499 | 11,949 | 12.97 | 9,483 |
| Assistance | 32,916 | 28,809 | 14.26 | 22,929 |
| TOTAL OTHER NON-LIFE DIVISION | 1,697,895 | 1,583,787 | 7.20 | 1,227,897 |
| Land vehicle TPL | 3,032,807 | 3,153,487 | (3.83) | 2,156,527 |
| Motor vehicles – other classes | 556,229 | 559,750 | (0.63) | 401,778 |
| TOTAL MOTOR | 3,589,036 | 3,713,237 | (3.34) | 2,558,305 |
| TOTAL DIRECT PREMIUMS | 5,286,931 | 5,297,024 | (0.19) | 3,786,202 |
| INDIRECT PREMIUMS | 7,787 | 6,886 | 13.08 | 12,148 |
| TOTAL NON-LIFE DIVISION | 5,294,718 | 5,303,910 | (0.17) | 3,798,350 |

The premiums written in the quarter amounted to Euro 1,496 million and represent 28.3% of all premiums in the first nine months of 2008.

The Parent Company in the first nine months of 2008 recorded total direct premiums of Euro 2,726 million (-2.06%), of which 1,873 million (-5%) in the Motor Classes.

The subsidiary Milano Assicurazioni S.p.A. contributed direct premiums at group level of Euro 1,814 million (-6.0%), recording a decrease of 8.0% in the Motor Classes and of 0.67% in the other Non-Life Classes.

The premiums written in the first nine months of 2008 include the premiums of the subsidiary DDOR Novi Sad which is consolidated from the date of acquisition of control at the end of January.

The contribution to premiums written was approx. Euro 114 million.

Therefore, on a like-for-like consolidation basis, total premiums would have decreased by approx. 2.3%.

From the present quarterly report, the Fondiaria-SAI Group has revised the presentation of some of its technical efficiency ratios among which the Combined Ratio, the Combined Operating Ratio and the Expense Ratio, excluding from the calculation the amortisation of the long-term commissions capitalised in previous years.

In fact the abolition, due to the Bersani bis Decree, of the long-term contract obligation on the Other Class policies results in higher charges for the amortisation of these commissions - charges which in turn are not offset by new capitalisation.

It is evident that this factor introduces, in the trend of the technical indicators, distortive elements and provides discontinuity which does not adequately allow the analysis of the operational activities. In line with the decision adopted for the present year, the 2007 ratios were restated to provide uniform figures.

The claims/premium ratio in the period was 71.14%, in line with the previous year. The management expenses ratio on premiums rose.

The Combined Ratio was approx. 95.45%. (94.19% in the first nine months of 2007).

The table below shows these ratios:

| <i>Data shown in %</i> | 30/09/2008 | 30/09/2007 |
|--------------------------|-------------------|-------------------|
| Loss ratio | 71.14 | 71.22 |
| Expense ratio | 21.02 | 20.23 |
| Combined operating ratio | 92.16 | 91.45 |
| OTI ratio (*) | 3.29 | 2.74 |
| Combined ratio | 95.45 | 94.19 |

(*) Includes the balance of the other technical accounts.

A breakdown of the claims reported and paid on direct Italian business, including the expenses directly attributable to the claim and indirect expenses relating to the settlement structure are shown below:

| | Claims paid (Euro thousand) | | | Claim reported Number | | |
|--------------------------------------|---------------------------------------|------------------|---------------|---------------------------------|------------------|---------------|
| | 09/2008 | 09/2007 | Cge. % | 09/2008 | 09/2007 | Cge. % |
| Accidents | 154,575 | 149,761 | 3.21 | 74,587 | 73,584 | 1.36 |
| Health | 136,822 | 132,976 | 2.89 | 164,590 | 159,015 | 3.51 |
| Railway | 250 | - | - | - | - | - |
| Aviation | 337 | 868 | (61.18) | 40 | 26 | 53.85 |
| Maritime | 5,428 | 7,725 | (29.73) | 359 | 404 | (11.14) |
| Merchandise transport | 13,969 | 12,913 | 8.18 | 2,057 | 2,394 | (14.08) |
| Fire and other natural elements | 160,606 | 145,293 | 10.54 | 62,722 | 49,124 | 27.68 |
| Other property damage | 178,580 | 163,393 | 9.29 | 110,321 | 101,752 | 8.42 |
| Aviation TPL | 1,353 | 87 | 1.455.17 | 11 | 71 | (84.51) |
| Maritime TPL | 436 | 240 | 81.62 | - | 82 | (100.00) |
| General TPL | 256,323 | 246,941 | 3.80 | 75,164 | 75,496 | (0.44) |
| Credit | 218 | 641 | (65.99) | 3 | 1 | 200.00 |
| Bonds | 25,634 | 41,267 | (37.88) | 1,033 | 936 | 10.36 |
| Pecuniary losses | 4,874 | 3,609 | 35.05 | 3,654 | 5,390 | (32.21) |
| Legal expenses | 1,331 | 1,333 | (0.15) | 1,689 | 1,596 | 5.83 |
| Assistance | 13,346 | 12,490 | 6.85 | 67,987 | 62,419 | 8.92 |
| TOTAL OTHER NON-LIFE DIVISION | 954,082 | 919,537 | 3.76 | 564,217 | 532,290 | 6.00 |
| Motor TPL | 2,579,366 | 2,457,480 | 4.96 | 691,493 | 722,298 | (4.26) |
| Land vehicles | 305,133 | 268,555 | 13.62 | 246,499 | 211,176 | 16.73 |
| TOTAL MOTOR | 2,884,499 | 2,726,035 | 5.81 | 937,992 | 933,474 | 0.48 |
| TOTAL NON-LIFE DIVISION | 3,838,581 | 3,645,572 | 5.29 | 1,502,209 | 1,465,764 | 2.49 |

With reference to the operating performance of the Motor TPL Class, the new direct compensation procedure, which commenced in the previous year, resulted in a series of operational and organisational compliance measures which permitted the adjustment of the IT systems and the training of the personnel involved.

The number of claims of the Parent Company Fondiaria-SAI registered in the period was 357,171, a decrease of 1.6%. The number of claims paid was 357,751 (+10.1%).

The claims/premiums ratio, net of the costs for the Guarantee Fund for Road Victims, was 78% for the current quarter and 77.4% at global level.

The speed of settlement of the current generation on the claims managed (No Card Claim + Managed Card Claims) was 70.5% for the claims in the first nine months of 2007 and 64.7% for the claims in previous years. On the claims caused, the speed of settlement was 62.4% for the current quarter and 59.8% for the previous years.

In the first nine months of 2008, the claims reported and accepted from our policyholders (including late claims) within the new compensation regime (so-called CARD managed claims system) amounted to 208,894, of which 161,873 were fully paid.

The reported claims from the clearing houses with CONSAP, in relation to the claims in which our policyholders were in full or in part responsible (so-called CARD debtor) amounted to 216,121 - of which 154,676 gave rise to the full payment of the indemnity and 74,777 resulted in the recording of a reserve.

For accounting purposes, up to September 30 recharges were received for a value of Euro 340 million from the clearing house. The amount of the credits received was Euro 341 million.

The Motor Classes were affected by the significant contraction in the registration of new motor vehicles, which in the first nine months of 2008 amounted to -11.33%, by the strong competitive pressures following greater price flexibility, the customisation of products and the diversification of tariffs, as well as by the effect on the Bonus Malus classes of Law No. 40 of April 2, 2007, known as the Bersani bis decree. This resulted in a reduction in the premiums from new acquisitions and in a significant reduction in the average premium.

For the Motor Vehicle TPL class, from a regulatory viewpoint, in compliance with Isvap Regulation No. 2590, new regulations were introduced on merit assignment class, defined based on the number of claims with principal responsibility paid and the number of times that the “cumulative” equal responsibility for the claims paid reached at least 51%. Over the long-term period this provision will result in lower premium rises for the policyholders involved in claims with non principal responsibility.

In addition, we report that on June 30 the “Contract for young drivers” was underwritten by ANIA, the Road Police and the Association of Consumers. The initiative has the objective of engendering a culture of road safety within young people, through an agreement which awards responsible driving behaviour with the offer of special policies for policyholders between 18 and 26 years.

From October 1, Fondiaria-SAI and Milano Assicurazioni signed up to the “Contract for young drivers” with their own initiative: drivers possessing a motor vehicle with a GPRS device with an accelerometre (black box) recognised by the Company, may obtain a discount on the price of the Motor TPL guarantee through signing the “Contract for young drivers”.

Premiums in the Other Classes recorded good growth (+5.6%) following the drive given to the retail sector, with greater profitability opportunities, while the corporate sector is still impacted by a rigid acquisition policy aimed at achieving a substantial technical equilibrium.

In relation to the subsidiary **Milano Assicurazioni**, the non-life division recorded a pre-tax profit of Euro 227.5 million, compared to a pre-tax profit of Euro 253.9 million in the first nine months of 2007.

The technical performance of the direct business remains satisfactory however, on levels substantially in line with the same period in 2007. In particular, the Motor TPL Class reports a technical result in substantial equilibrium, in a market context in which the premiums written are affected by the causes cited above.

The technical performance of the Land Vehicle Class continues to be largely positive, although the greater competitive pressures on prices within the market reduce the excellent profitability recorded in previous years.

Direct premiums written in the Non-Life Division amounted to Euro 1,814.1 million, of which Euro 1,298.4 million relate to the Motor Classes, a decrease of -8% and Euro 515.7 million relate to the Other Classes, which recorded a decrease of 0.7%. The premiums in the Motor Class suffered from the above stated issues, although the restructuring of the multi-claim portfolio undertaken in the previous year in accordance with the industrial plan continues to be beneficial.

In the other Non-Life Classes the underwriting policy continues to combine growth and profitability protecting the good quality level of the portfolio acquired. The retail sector particularly offers greater profitability opportunities while, in the corporate sector, the continued extremely competitive market conditions and the difficult underwriting performance in some sectors requires a prudent underwriting policy with the application of rigorous technical parameters.

In the third quarter of the year, 168,509 claims were reported, a decrease of 1.2% on 170,526 claims reported in the third quarter of 2007. The claims reported in the first nine months of the year were 529,474, compared to 545,297 in the same period of the previous year (-2.9%). In the Motor TPL class the claims reported in the first nine months of 2008 were 263,823, compared to 299,747 in the first nine months of the previous year (-12%). In the third quarter of 2008, the claims reported were 68,057, a decrease of 22.1% on the third quarter of 2007.

In the first nine months, the claims reported within the new compensation regime (so-called CARD managed system) amounted to 162,903, of which 125,997 were fully paid. The reported claims accepted from the clearing houses with CONSAP, in relation to the claims with which our policyholders were in full or in part responsible (so-called CARD debtor) amounted to 166,226 - of which 110,148 gave rise to the full payment of the indemnity and 56,124 resulted in the recording of a reserve.

From a financial viewpoint, at September 30, 2008 a total of 181,719 recharges were received from the clearing house, for a total value of Euro 270.8 million. The total amount of cases credited were 181,345, for a total value of Euro 270 million.

The claims paid in the first nine months of 2008, gross of outward reinsurance, amounted to Euro 1,462.3 million, compared to Euro 1,361.2 million in the first nine months of 2007 (+7.4%).

Within the Milano Group the growth continues of the subsidiary **Dialogo** - a company principally operating in the placement of motor products through telephone and Internet channels.

In order to sustain the development of the Company, following the advertising campaign in the previous year, a new advertising campaign commenced in May 2008. As in the previous year, the advertising campaign for 2008 will involve the use of television, although in a selective manner.

The total cost for the new campaign will be approx. Euro 7 million, of which approx. Euro 4.9 million in the first nine months of 2008 were expensed in the income statement.

Total gross premiums written in the first nine months amounted to Euro 14.3 million, a strong increase on Euro 9.7 million in the same period of the previous year (+47.6%).

The company reported a loss in the first nine months of 2008 of Euro 6.4 million, a deterioration on the third quarter of 2007 (Euro 4.9 million), due to the above-mentioned advertising costs in the period.

The subsidiary **Sasa Assicurazioni** recorded premiums in the first nine months of the year of Euro 303.8 million (Euro 286.1 million in the first nine months of 2007, +6.2%).

Claims paid in the first nine months amounted to Euro 197.2 million, a decrease on Euro 210 million in the previous year.

The technical balance recorded an improvement (Euro 3.6 million) compared to the third quarter of 2007 (Euro 0.8 million).

Total technical reserves (direct and indirect business) amounted to Euro 579.5 million (Euro 613.2 million at 31/12/2007).

The result for the period was a profit of approx. Euro 13.2 million (Euro 8.2 million in the first nine months of 2007).

In relation to the subsidiary **Liguria Assicurazioni**, the premiums written in the third quarter recorded strong growth of 31.0% (+35.7% in the Motor TPL class, +29.6% in the Land Vehicle class and +18.8% in the Non-Motor classes) following the development initiatives taken in previous years. In particular, in relation to the claims trend, there was an increase of 42.8% as follows: +51.4% in the Motor TPL class, +71.2% in the Land Vehicle class, while the Non-Motor Classes reported a decrease (-3.1%).

For these latter, the good technical result which improved overall on the third quarter of 2007 is also reported. In relation to this, the good performance of the Health, Other property damages and Bond classes is particularly noted.

The technical result of the Motor TPL Class recorded a small improvement in the S/P generation ratio which amounted to 77.0% compared to 77.4% in 2007.

Overhead costs as a percentage of premiums written amounted to 5.9% (6.2% in the third quarter of 2007), confirming the efficiency of the containment actions and the rationalisation undertaken.

With reference to the subsidiary **SIAT S.p.A.**, the operational performance in the first nine months of 2008, compared to the same period in the previous year, reports a slight worsening of the technical balance, from Euro 2.9 million to Euro 2.6 million. In fact, the positive performance of the S/P ratio recorded in the Transport Classes, which confirmed that recorded in the first half year of 2008, offset a lower contribution of the spread between commission income and expense, which reduced due to the increased average retention on the business underwritten (from 23% to 26%). Overall general expenses remained stable. In general, the “Transport” market continues to be characterised by strong competition (in particular, for the Goods segment) and from a small decrease in the premiums (less evident in the Land vehicle sector).

In relation to the claims, the first nine months of 2008 did not report any particularly serious events, with substantial stability in the amounts paid (Euro 121.1 million in the first nine months of 2008, Euro 119.8 million in the first nine months of 2007).

In the Hull sector, there was a general increase in the costs of ship repair, consequent of the shipyards’ sustained request for new constructions.

In relation to the outward reinsurance, there were no changes from the recent past, with the continued interest of the professional operators in the technical aspects of the policies underwritten.

Gross premiums amounted to approx. Euro 139 million, a significant decrease compared to the same period of the previous year (approx. Euro 152 million). The principal reasons for this change was the issue in the first half of 2007 of an important policy of 18 month duration, which was entirely recorded in this period. The relative renegotiation will be in the fourth quarter of the current year.

The results further confirm the exclusive concentration in the “Transport” segment and the disengagement from the Motor and other classes.

Finally, we recall that on January 1, 2008, the Parent Company purchased 83.32% of the Serbian insurance company **DDOR NOVI SAD**. The company is the second largest insurance company in the Serbian market with a market share of approx. 30% and expected premiums written in 2007 of over Euro 159 million.

With reference to the data in the third quarter of 2008, the income statement is consolidated from the date of acquisition of control. The insurance company, in the period under examination, recorded gross premiums of Euro 111.7 million, equal to 95% of the total amount expected for the year 2008. The plan for the full year 2008 has been largely reached in relation to the Other Classes, such as Fire and Other Property Damage and Injury and Health, which are respectively approx. 2.9% and approx. 1.6% above forecast.

The Company has also recorded total claims of Euro 57.6 million, with a significant increase in the Motor TPL classes (approx. +17%), Civil Responsibility (approx. +30%) and Injury and Health (approx. +13%).

At September 30, 2008, the total volume of investments amounted to Euro 35.8 million and is composed for approx. 57% available-for-sale financial assets and for approx. 26% financial assets recorded at fair value through Profit and Loss.

The gross technical reserves amount to Euro 141.7 million, already slightly above that forecast for the entire 2008 (approx. +1.6%). In particular, the total claims reserve (direct and indirect business) amounting to Euro 55.3 million increased by approx. 32%, with the greatest increase in the Motor TPL class (approx. +19%).

The result for the period was a profit of Euro 8.2 million and includes the first effects of the balance sheet strengthening following the acquisition by the Fondiaria-SAI Group.

We also point out that the Serbian company DDOR, in accordance with the principles already adopted for the other companies, entered the reinsurance plan of the Group with adequate protection of its requirements.

LIFE INSURANCE SECTOR

The premiums written in the Life Division amounted to Euro 2,848.7 million, a decrease of 15.6% compared to the first nine months of 2007.

The premiums written in the first nine months of 2008 no longer include the contribution (equal to 50% of the premiums written) of the subsidiary Po Vita as the company was sold in the first quarter of 2008. The period however saw the new partnership with Banco Popolare Group become fully operational, through the subsidiary Popolare Vita, which recorded premiums written of Euro 1,365.8 million.

The details by class compared to the first nine months of 2007 are shown in the table below:

| (Euro thousand) | 30/09/2008 | 30/09/2007 | Cge. % | 30/06/2008 |
|-----------------------------------------------------------------------------|------------------|------------------|----------------|------------------|
| I – Insurance on human life expectancy | 1,099,041 | 925,940 | 18.69 | 797,239 |
| III – Insurance to which classes I and II are connected to investment funds | 1,512,589 | 1,908,154 | (20.73) | 1,148,277 |
| IV – Health insurance as per art. 1 letter d) EU Dir. 79/267 | 115 | 87 | 32.18 | 145 |
| V – Securitisations as per art. 40, Legislative decree 174/95 | 234,796 | 538,305 | (56.38) | 181,252 |
| TOTAL | 2,846,541 | 3,372,486 | (15.60) | 2,126,913 |
| INDIRECT PREMIUMS | 2,230 | 4,741 | (52.96) | 1,339 |
| TOTAL | 2,848,771 | 3,377,227 | (15.65) | 2,128,252 |

The Parent Company recorded direct premiums of Euro 662 million, a decrease on the first nine months of 2007 (Euro 829 million).

Total premiums written by bank branches amounted to Euro 1,844 million and represents 65% of the total direct premiums written (61% in 2007).

The total premiums in the sector also includes Euro 273 million (Euro 131 million in the first nine months of 2007) on investment contracts which may not be included in application of IFRS 4 and therefore not included under premiums written but according to the deposit accounting technique.

Charges relating to claims, net of reinsurance, amounted to Euro 2,341 million (Euro 3,288 million in the first nine months of 2007).

The management expenses, excluding those relating to the management of the investments, amounted to Euro 193 million (Euro 214 million in the first nine months of 2007), 6.8% of premiums.

Net technical reserves amount to Euro 17,544 million, a decrease of Euro 1,988 million on the end of the previous period: the change is due to the continual rise in financial market interest rates, with a consequent rise in advance redemptions.

The new business, according to the “Annual Premium Equivalent” (“APE”) for the Fondiaria-SAI Group, relating to the products covered by the application of IFRS 4, excluding therefore the contracts treated under the “deposit accounting” method, recorded a decrease of 15.1%, amounting to Euro 256.7 million compared to Euro 302.4 million in the first nine months of 2007. Bancassurance contributed Euro 191.7 million compared to Euro 212.2 million in the first nine months of 2007 (-9.6%).

Relating to the basis of the calculation of the APE, consideration was taken of the amount of new annual premiums and 10% of the single premiums.

The total new business in the segment, which takes account of the investment contracts not included within the scope of IFRS 4, amounted to Euro 280.6 million compared to Euro 311.2 million in the first nine months of 2007, a decrease of 9.9%.

In the first nine months of 2008, the individual life premiums written by the distribution network were concentrated largely on the products related to the Separated Management single premiums and, from April, also on annual premiums, as characterised by a guaranteed minimum return and protection of the investment, with particular attention paid to the important segment of the life and annuity capital maturity policies and the Index Linked policies, of which the WORLD CUP edition of March and WORLD CUP 2 in June were popular with customers, generating a particularly satisfactory result.

In relation to the complementary pension segment, implemented through the Individual Pension Plans, in the first nine months of the year there was a strong increase in the new business on the previous year.

In September, the financial crisis relating to Lehman Brothers particularly affected the two Index-Linked policies marketed in 2002 and 2005 by both Fondiaria-SAI and Milano Assicurazioni:

- WORLD TITANS 50, expiry in December 2008, the Group will make the payments in accordance with the policy as it directly guarantees the amounts assured.
- 5 STELLE, expiry in 2011, has Lehman’s as the underlying security, exclusively for the optional part, to cover the yield.

The technical reserves relating to these products amount respectively to Euro 18.2 million for Fondiaria-SAI and to Euro 9.2 million for Milano Assicurazioni.

Towards the end of September, the marketing began of a new product Vita VALORE CERTO specifically to cover contractual commitments, which was well received by the agency networks and by our clients, and for which a new edition is planned in the final months of the year.

In the third quarter, the “corporate” segment continued its activity in the “pre-existing” pension funds with insurance management.

Having almost concluded the incentive operation related to the conferment of the employee leaving indemnity to the funds, protecting market share continued through the proposal to the funds - with a view to diversification of the investment - of the new unit-linked product, with categories of units reserved to the collectivity, offered alongside classic insurance products.

Although within a period not suitable for investments with significant risk components, the product appears to have received good interest from Fund managers who wish to offer their subscribers the possibility of an alternative/additional financial vehicle to those currently available, and related to our special management.

Also with a view to protecting market share in this sector, including through the loyalty of the subscribers, a global consultation procedure was realised on fondiweb, which permits, with appropriate access keys, the consultation of one's pension position; this procedure will be gradually rolled out to our pension fund clients.

In relation to the three Open Pension Funds, in the first nine months of the year, the Company recorded a contained rise in the number of subscribers, achieving an increase in contribution flows, principally consequent to the subscriptions made in the previous year.

The products related to the provisions for employee leaving indemnity (VALORE TFR and VALORE TFM), although within the migration of the employee leaving indemnity towards Pension Funds, maintained distribution levels, although in the presence of signs of slowdown; with particular reference to the Valore TFM, product dedicated to the provisions for end of mandates and consultants which, historically, record growth in the second half of the year, this was also made available through the global consultation procedure on fondiweb.

In relation to the securitisation products, unfortunately the advance redemption continues on the contracts in portfolio, due both to the trend in interest rates and to the current complex market situation; to counter this trend, targeted action has been implemented on individual clients with significant holdings.

The risk coverage segment recorded good results on the institutional sector of insurance deriving from collective negotiation; in particular, various Pension Funds required coverage for their members.

The Life Classes of the subsidiary **Milano Assicurazioni** amounted to Euro 718 million (+12.52%; Euro 638 million in the first nine months of 2007). This increase in premiums is principally due to the change in the consolidation method of Bipiemme Vita (50% proportional until the first half of 2007, full consolidation subsequently). On a like-for-like basis, and therefore simulating the full consolidation of Bipiemme Vita also for the first half of 2007, the decrease was 8.1%.

This decrease is principally due to both the requirement of adequate profit margins on the underwriting of pure securitisation products, especially with institutional entities, and to the current financial crisis and uncertainty on interest rate direction, which has led the clientele to consider alternative uses of liquidity, often for short and very short-term periods, while awaiting for the international macroeconomic environment to settle.

The sector income statement reports a pre-tax profit of Euro 19.2 million (Euro 70.7 million in the first nine months of 2007). The decrease in the result is also principally due to the lower contribution of financial income, which decreased to Euro 132 million compared to Euro 172 million in the first nine months of 2007. Higher charges related to the amortisation of the in force business of Bipiemme Vita also affected the result following the change in the income statement consolidation method stated above.

In the first quarter, the new Term-Life insurance tariff DEDICATA was launched which introduced the differentiation of the policyholders according to their smoking behaviour and the marketing began in the second quarter of a new revaluable constant single premium product OPEN PIU', featuring a bonus related to the loyalty of clients which was reasonably well received by the agency network and our clients. All the price lists of the revalued policies related to the separated management MILASS RE were renewed.

With reference to the indirect subsidiary **Bipiemme Vita S.p.A.**, the company maintained its leadership in the insurance market, focusing its activity on the rationalisation of the product portfolio, renewed and simplified to better meet the needs of the customers, in spite of the turbulence on the financial markets. The net profit for the period was Euro 0.9 million (Euro 12.3 million in the first nine months of 2007) and the total premiums written were Euro 454 million (Euro 442 million in the first nine months of 2007).

Finally, in relation to the financial difficulties related to the Icelandic banks, we report that Bipiemme Vita has the following index-linked products in portfolio:

- Single Best issued on July 26, 2005 with expiry on July 26, 2012 having, as underlying assets, financial instruments issued by Glitnir Bank hf;
- Crescita Più Minimo issued on November 30, 2005 with expiry on November 30, 2010 and having, as underlying assets, financial instruments issued by Kaupthing Bank hf.

It is recalled that on July 26, 2005 the rating attributed to Islandbanki hf (subsequently Glitnir Bank hf) by Moody's and by Fitch were respectively A1 and A and at November 30, 2005 the ratings attributable to Kaupthing Bank hf by Moody's and by Fitch were respectively A1 and A.

Recently, the ratings attributable to the above-mentioned Icelandic banks by the principal agencies worsened considerably and, currently, are as follows:

| | <u>Moody's</u> | <u>S&P</u> | <u>Fitch</u> |
|-------------------|----------------|----------------|--------------|
| Glitnir Bank hf | Caa1 | CC | D |
| Kaupthing Bank hf | Baa3 | -- | D |

As these policies do not guarantee minimum yields or repayment of the capital by Bipiemme Vita, the investment risk connected to the solvency of the issuers is contractually borne by the policyholder. The payment of the services by Bipiemme Vita is in fact subordinated to the capital solidity of the issuers and the repayment capacity of the underlying debt securities by the entities. The Company therefore wrote down the values of the assets and liabilities related to these policies, which at June 30, 2008 offset each other for approx. Euro 92 million, while continuing to attentively follow the situation relating to Glitnir Bank hf and Kaupthing Bank hf in order to constantly monitor the impact on the positions of the policyholders as well as evaluate possible solutions.

In the third quarter of 2008 the subsidiary **Popolare Vita S.p.A.** recorded a profit of Euro 11.6 million (loss of Euro 2.8 million for the full year 2007), principally due to the significant increase in premiums written. Gross premiums written amounted to Euro 1,367.7 million (Euro 73.7 million in 2007). The management expenses in the first nine months of 2008 amounted to Euro 90.3 million, relating essentially to acquisition costs.

The gross technical reserves amounted to Euro 2,688 million (Euro 2,438 million in 2007) and were composed of Euro 2,206 million (Euro 1,880 million in 2007) of class D reserves and the remaining Euro 482 million (Euro 558 million in 2007) of class C reserves.

At 30/09/2008, total investments reached Euro 3,107 million, compared to Euro 2,536 million at 31/12/2007 with over 82% consisting of financial assets recorded at fair value through profit or loss.

Net alignments were made on the security portfolios relating to two Lehman Brothers securities held, for a value of approx. Euro 2.2 million.

The distribution network of the Company consists of 1,694 bank branches belonging to the Banco Popolare Group and, in relation to the post-sales, 33 branches of Credito Emiliano.

In relation to the subsidiary **Novara Vita**, the third quarter of 2008 recorded a profit of Euro 9 million in accordance with IAS/IFRS (profit of Euro 2.4 million in the first nine months of 2007).

The premiums written in the first nine months of 2008 amounted to Euro 9.7 million (Euro 1,373 million in the first nine months of 2007). The gross technical reserves amounted to Euro 1,786.8 million, of which Euro 1,239.5 million referred to investment fund and market indices contracts (Euro 3,640.1 million and Euro 2,977.1 respectively at 31/12/2007).

At 30/09/2008, total investments reached Euro 2,888.4 million, compared to Euro 3,778 million at 31/12/2007 with over 79% consisting of financial assets recorded at fair value through profit or loss.

The management expenses in the first nine months of 2008 amounted to Euro 4 million and principally related to administration expenses.

Finally, in relation to the financial difficulties consequent of the insurance contracts with underlying Lehman Brothers securities it is reported that the Company, at September 30, 2008, held debt financial instruments issued by the US investment bank for a total book value of Euro 119 million, of which Euro 116 million classified in the FVTPL segment and Euro 3 million classified in the AFS segment.

These amounts take account of the adjustments recorded in the income statement under valuation losses for Euro 4.4 million relating to the AFS segment and for Euro 92.3 million to the FVTPL segment.

The total premiums of **Liguria Vita** in the third quarter amounted to Euro 14.8 million compared to Euro 12.6 million in the third quarter of 2007, an increase of 17.4%. Of these premiums, Euro 3.4 million relate to class III contracts (not present in the previous year). The claims paid and the reserve for sums to pay amount to Euro 6.8 million (Euro 6.3 million in 2007), an increase of 8.4%.

The net financial income amounts to Euro 1.9 million compared to Euro 2.3 million in the third quarter of 2007 and is affected by value adjustments totalling Euro 0.7 million, in addition to value adjustments on class D assets for Euro 0.2 million. The technical reserves amount to Euro 90.9 million, of which Euro 4.8 million are class D.

The total investments amount to Euro 93.4 million (of which Euro 4.9 million class D investments). The result in the third quarter was a loss of Euro 0.08 million (loss of Euro 0.3 million in the third quarter of 2007).

In relation to **Sasa Vita**, premiums written in the first nine months of 2008 amounted to Euro 54.3 million, an increase of 3.2% on the same period of the previous year.

The sales data confirms a good trend, reporting growth rates above the domestic market, driven by the T.M.C. campaign.

The result for the period was Euro 1.3 million, in line with the first nine months of 2007.

On October 8, 2008, the Icelandic Bank Glitnir Banki Hf (formerly Islandbanki Hf) was placed in administration under the control of the Icelandic State financial authorities, following the serious crisis within the international banking system. SASA VITA issued an index-linked type insurance-financial product, with underlying security a bond issued by Glitnir HF called “Metal & Oil” with expiry on November 28, 2011. The “index-linked” policy having as underlying asset the bond Metal & Oil does not provide contractually any minimum yield guarantee or repayment of the nominal capital on expiry and during the contract period. SASA VITA is monitoring closely the development of the Bank’s situation, and also through its own legal advisors, is awaiting clarification from the Supervision Authority on the effective legal position of the issuer. Finally, the Company will also evaluate whether and what actions to undertake to minimise the contractual risks placed on the policyholders, once the situation is definitively clarified, also in relation to the occurrence or otherwise of the insolvency of the issuer.

Sale of the investment held in the company Po Vita S.p.A.

With a letter dated January 17, 2008, Cassa di Risparmio di Parma e Piacenza (hereafter: CRPP) exercised the purchase option of the shareholder agreement relating to the holding in the share capital of Po Vita S.p.A. (divided 50% between CRPP and the subsidiary of Fondiaria-SAI S.p.A., SAI Holding Italia S.p.A.), designated the buyer of the investment as Crédit Agrigole Assurance Italia Holding S.p.A..

The sale became effective on March 31 after obtaining all the authorisations from the buyer: the transfer of the shares took place at the beginning of April.

As an exception to the shareholder agreement, the parties agreed to a determination of the relative price at 50% of the holding in Po Vita S.p.A., established at Euro 105 million, in addition to the right of SAI Holding Italia S.p.A. to receive the dividend approved on February 25, 2008 by the Board of Directors of Po Vita S.p.A. amounting to Euro 1 million. From the sale, the Fondiaria-SAI Group realised a significant gain before taxes of Euro 29 million.

Merger by incorporation of Novara Vita S.p.A. into Popolare Vita S.p.A.

In April 2008, the Board of Directors of the Company approved the merger by incorporation of Novara Vita S.p.A. into Popolare Vita S.p.A., companies owned by the Fondiaria-SAI Group and Banco Popolare Group. Within the complex agreements with Banco Popolare for the implementation of a partnership for the placement of Life Class insurance products, in fact, Popolare Vita S.p.A. (formerly BPV Vita S.p.A.) was appointed as the sole vehicle for the undertaking of this partnership.

On October 8, the Extraordinary Shareholders' Meeting, with prior authorisation from the Supervision Board, approved the merger by incorporation of the Company into Popolare Vita S.p.A.
The signing of the merger deed is expected in the second half of December.

REAL ESTATE SECTOR

Although not the same dynamics of countries such as the United States or the United Kingdom, the residential real estate market of the major Italian urban areas reported signs of slowdown with sales/ purchases decreasing by 12.5% in the first half of 2008, longer selling periods, increased supply and greater negotiation margin for buyers.

In the first months of 2008, there was a decrease in prices of 2.7% in the large cities while, in the exclusive residential areas (such as for example the historical centre of Milan and Rome), there was in fact an increase in average prices of 6.3%-6.4%.

There were also signs of weakness in the rental market: in the first half of 2008, rents in large cities decreased by 0.8% for one bedroom apartments and by approx. 1% for two bedroom apartments.

After nine years of consecutive growth, the construction sector has also entered a period of difficulty, with a reduction in the level of production of 1.1% in 2008 (Euro 155,281 million) and estimated around -1.5% in 2009.

The sectors encountering greatest difficulties are new residential buildings (-2.8% in 2008 and -3% in 2009) and public works (-3.7% in 2008 and -4.7% in 2009), although the former driven until 2010 by fiscal deductions of 36% for the restoration of buildings and 55% on energy savings on buildings.

Household mortgages for the purchase of homes, in the first half of 2008, decreased by 10.18% on the same period of 2007.

It is therefore estimated that, at the end of 2008, the total growth of household financing will be around 2.5%-3%: the slowdown of the real estate cycle and the gradual increase in the cost of credit resulted in a decrease in the growth of the mortgage sector, against a greater increase in consumer credit.

It is also expected that the tensions in the financial market will see a preference for the provision of fixed rate loans: in October, approx. 70% of the new mortgages were in this category, in spite of the intervention by the European Central Bank which reduced interest rates.

The results of the real estate sector include the **Immobiliare Lombarda Group**, the subsidiary **Nit S.r.l.** and other minor companies, as well as the **Tikal R.E.** Closed Real Estate Fund.

The key data of the real estate sector is summarised below:

| (Euro thousand) | YTD 2008 | YTD 2007 |
|---------------------|----------|----------|
| Profits realised | 44 | 42,575 |
| Total revenues | 140,735 | 152,021 |
| Interest expense | 17,953 | 17,836 |
| Result before taxes | (14,163) | 25,409 |

| (Euro thousand) | 30/06/2008 | 31/12/2007 |
|-----------------------|------------|------------|
| Investment property | 1,144,167 | 973,317 |
| Financial liabilities | 441,964 | 396,215 |

The pre-tax result of the sector was a loss of Euro 14.2 million compared to a profit of Euro 25.4 million in the same period of 2007. The result includes the depreciation and interest expense for the period, not offset by any income to be realised.

The principal operations of the Fondiaria-SAI Group in the third quarter of 2008 were:

- the subsidiary **Meridiano Risparmio** acquired from the related party IM.CO. Costruzioni S.p.A. the building for hotel use located at Varese, via Albani, 41 at a price of Euro 62 million. This relates to a new greenfield site, for the construction of a hotel and congress centre which will be developed on two levels underground and 4 levels above ground. A fairness opinion by an independent expert was provided to support the terms of the above-mentioned operation;
- the subsidiary **Immobiliare Lombarda S.p.A.** sold to the subsidiary Meridiano Quinto S.r.l. real estate for office use at the following buildings:
 - Turin, Corso Svizzera 185, at a price of Euro 2.8 million;
 - Milan, Viale Restelli 3, at a price of Euro 2.15 million.

Progetto City Life

With particular reference to the real estate investments, within the realisation of the “Nuovo Polo Urbano Citylife” (“NPUC”), IMMOBILIARE LOMBARDA S.P.A. and LAMARO APPALTI S.P.A. (“LAMARO”), owner of a little less than half the share capital of CITYLIFE S.R.L. (of which IMMOBILIARE LOMBARDA holds only 26.66%), tendered themselves jointly as General Contractor for the realisation of the NPUC.

IMMOBILIARE LOMBARDA and LAMARO, in order to present to CITYLIFE their candidature as General Contractor, created on July 23, 2008, a Temporary Association of Enterprises (“ATI”) held equally by the parties. IMMOBILIARE LOMBARDA, within this ATI, assumed the role of mandatee with representative powers.

Simultaneously to the incorporation of the ATI, IMMOBILIARE LOMBARDA and LAMARO set up the company “TRE TORRI CONTRACTOR Società Consortile a Responsabilità Limitata”, equally held 50% without either party having control, which will have the operational role in the management of the tender.

On July 30, CITYLIFE and ATI signed the tender contract indicating the commencement date as September 1, 2008.

The contract divides into two separate phases the activities requested of the General Contractor. The first phase has duration of 11 months from September 1, 2008 and covers general activities relating to the realisation of all the lots present in the NPUC (“Phase A”). The second phase commences, for each lot, from the delivery date to the General Contractor of the individual projects defined until the delivery date of the work to the Buyer (“Phase B”).

During the course of Phase A, the Buyer will pay to the General Contractor an amount equal to the sum of the direct costs incurred by this latter and an all inclusive flat fee of Euro 16 million. In relation to the remuneration of the activities of Phase B, the Buyer will recognise to the General Contractor an amount equal to the value of the direct costs of Phase B increased by a mark up negotiated as 23%. The payment for the activities of Phase B is a turnkey fee which will be negotiated for each lot at the reception of the respective definitive project and will be contained in separate additional contracts (“Additional Contracts”).

From a financial viewpoint, the consortium company will directly incur the costs for the execution of the tender and will recharge these to their shareholders who, in turn, will recharge them, increased by an agreed margin, to CITYLIFE.

On the signing of each Additional Contract, the General Contractor must deliver to CITYLIFE, as guarantee of compliance with that agreed and in accordance with the contract and the Additional Contract, an “Execution Guarantee” for an amount equal to 10% of the turnkey price established by the Additional Contracts. The amount of these guarantees may be reduced by 5% and 2% respectively 30 days from the signing of the definitive inspection minutes and by the expiry of the making good defects period (24 months from the definitive inspection).

Meridiano Secondo S.r.l.

In July, the subsidiary Meridiano Secondo obtained authorisation for the construction of a high standard hotel at Milan in the Garibaldi-Repubblica area. The construction work is expected to commence within one year while completion is expected within 3 years.

Renewal of the shareholder agreement relating to IGLI S.p.A.

On March 12, 2008, Immobiliare Lombarda S.p.A. signed an agreement with Autostrade per l’Italia S.p.A. and Argo Finanziaria S.p.A which governs, among other matters, the renewal until June 12, 2009 of the shareholder agreement signed on March 8, 2007, whose expiry was originally fixed at June 12, 2008, relating to the respective holdings in IGLI S.p.A., a company which has a 29.548% holding in the ordinary share capital of Impregilo S.p.A., listed on the Milan Stock Exchange.

It is recalled that Immobiliare Lombarda S.p.A. has a total holding in the company IGLI S.p.A. of 33.3% of the share capital and that the shareholder agreement relates to the governance of IGLI S.p.A. as well as rights deriving from the holding of IGLI S.p.A. in the share capital of Impregilo S.p.A.

The efficacy of the renewal of the agreement was subject to the European Commission by June 12, 2008 informing Immobiliare Lombarda S.p.A., Autostrade per l’Italia S.p.A. and Argo Finanziaria S.p.A that the agreement is not a concentration pursuant to EU Regulation No. 139/2004, or alternatively, having informing the parties that the agreement is a concentration pursuant to EU Regulation No. 139/2004, adopting an authorisation measure.

On May 6, 2008, the European Commission informed Autostrade per l'Italia S.p.A., Immobiliare Lombarda S.p.A. and Argo Finanziaria S.p.A. that this agreement does not constitute a concentration under EU Regulation No. 139/2004. Consequently, having complied with the suspensive conditions to the renewal of the agreement, the shareholder agreement was renewed until June 12, 2009.

Launch by Fondiaria-SAI of a share swap public offer on the shares of Immobiliare Lombarda for payment of shares in Milano Assicurazioni, for the purpose of the delisting of Immobiliare Lombarda.

Fondiaria-SAI Group corporate/industrial restructuring project

In the meeting of January 30, 2008, following a careful examination of the current strategic commercial position of the Group on the market, in view of the numerous acquisitions in recent years which has changed the competitive scenario (also due to recent regulations), as well as the recent trend in the financial markets, the Board of Directors of Fondiaria-SAI examined an overall industrial/corporate reorganisation project of the Group concerning the real estate activities managed by the subsidiary Immobiliare Lombarda S.p.A., in addition to the activities of some subsidiary insurance companies.

In particular, the possibility was examined of undertaking a project to internalise all of the real estate activities managed by the subsidiary Immobiliare Lombarda through a market operation to acquire all of the share capital of the company, the delisting of the company and the subsequent restructuring of the real estate activities within Fondiaria-SAI and Milano Assicurazioni.

The complex project, as previously described, also includes a restructuring of the non-listed companies with a direct commercial presence on the market, concentrating the activities undertaken by the subsidiaries SASA Assicurazioni e Riassicurazioni S.p.A. (hereafter: SASA), SASA VITA S.p.A. (hereafter: SASA VITA) and Liguria Assicurazioni S.p.A. (hereafter: LIGURIA), into the subsidiary Milano Assicurazioni, through the conferment/merger of these companies.

In the above-mentioned meeting of January 30, 2008, the Board therefore approved the launch by Fondiaria-SAI of a voluntary public purchase and exchange offer (hereafter "Offer" or "Public and Exchange Offer") concerning all of the ordinary shares of Immobiliare Lombarda not held by the Group (and therefore with exclusion of the holdings held by Fondiaria-SAI, equal to 50.1%, and of the subsidiary Milano Assicurazioni, equal to 11.1%) and corresponding to a share of approx. 38.8% of the share capital of the company.

The Board meeting of February 19, 2008 of Fondiaria-SAI therefore approved the Offer document pursuant to articles 102 and thereafter of Legislative Decree No. 58/98 and the subscription procedure to the Offer which were filed at Consob on the same date.

On March 14, 2008, Consob authorised publication of these documents, as well as the communication of Immobiliare Lombarda, pursuant to article 103 of Legislative Decree No. 58/98, as commented upon below. All of these documents included the amendments and additional information required by Consob in their review phase.

The Offer period, as agreed with Borsa Italiana S.p.A., commenced on March 18, 2008 and terminated on April 17, 2008.

On the completion of the Public Offer and Exchange, on April 17, 2008, Fondiaria-SAI communicated to the market to have a shareholding of above 90%, but below 95%, of the share capital of Immobiliare Lombarda. However, Fondiaria-SAI did not reconstitute the floating capital and is obliged to acquire the remaining shares from the shareholders of Immobiliare Lombarda who make a request, at a price determined by Consob in accordance with law, as outlined in greater detail below.

Through a notice published in the newspaper “Il Sole 24 Ore” on April 23, 2008, Fondiaria-SAI announced the definitive data relating to the number of Immobiliare Lombarda ordinary shares subscribing to the Offer and the number of residual shares, the date and procedure for publication of further notices which provided information on the terms and conditions with which the Bidder will comply with the compulsory purchase as well as, where applicable, the exercise of the purchase right pursuant to article 111 of the Consolidated Finance Act.

Therefore, taking account of the definitive data relating to the subscription of the Offer and of the Immobiliare Lombarda shares already held, Fondiaria-SAI held as a result of the same Offer, directly and indirectly, a total of 3,695,830,683 ordinary shares of Immobiliare Lombarda, equal to 90.02% of the share capital.

Some aspects of the Offer and the underlying reasons for the operation are outlined below.

The overall project was studied with the assistance of KPMG Corporate Finance, a division of KPMG Advisory S.p.A. (hereafter KPMG) and by Studio d’Urso Gatti e Associati, as financial and legal advisors of the operations respectively.

In particular, Fondiaria-SAI recognised each subscriber to the Offer, for every 46 shares in Immobiliare Lombarda, a consideration subdivided as follows:

- (i) One Milano Assicurazioni ordinary share valued by the Bidder on the basis of the official price at January 29, 2008 of Euro 4.918, corresponding to approx. 74% of the payment (so-called cash equivalent);
- (ii) Euro 1.752 (approx. 26% of the payment) in cash.

The Offer values the shares of Immobiliare Lombarda at Euro 0.145 per share with:

- A premium of approx. 22% on the official share price registered on January 29, 2008, the day prior to the Board meeting of Fondiaria-SAI which approved the launch of the Offer;
- A premium of 25% on the average official share price recorded in January;
- A discount respectively of 8% on the average official price at 120 days and 24% on the average official price at 252 days;
- A discount of 11% on the book net equity at September 30, 2007 and of 22% on the Net Asset Value.

Fondiaria-SAI recognised therefore, on the completion of the Offer by the holders of the shares within the terms outlined above, a payment as follows:

- (i) 25,665,598 Milano Assicurazioni ordinary shares equal to a share of 5.7% of the ordinary share capital
- (ii) Euro 44.9 million in cash.

The payment was determined by the Board of Directors of Fondiaria-SAI, also with the assistance of its financial advisor KPMG, on the basis of the performance of the share price of Immobiliare Lombarda (Stock Exchange Quotation Method) in the last six months, three months and one month prior to January 29 inclusive (last stock exchange day prior to the announcement of the launch of the Offer). In particular, the total payment was determined analysing the average stock exchange prices of the shares of Immobiliare Lombarda for each of the above-mentioned periods offering a premium on the official price of January 29, 2008 which the Board of Directors of Fondiaria-SAI considered fair, taking into consideration the reasons and the strategic importance of the operation for the Company, also in view of the analysis undertaken by the advisor KPMG with regard to comparable offers made in recent years.

The successful bid allowed Fondiaria-SAI to acquire the minority shareholdings in Immobiliare Lombarda at reasonable values (discount on net equity and on Net Asset Value), availing of an asymmetry of valuations on the prospects of activities of Immobiliare Lombarda expressed, on the one hand, by the share price - which in this historic phase significantly penalises the real estate sector - and on the other hand, from valuations made with reference to the prospective valuations of the assets and real estate development initiatives undertaken by Immobiliare Lombarda.

Moreover, the delisting of Immobiliare Lombarda will allow Fondiaria-SAI to obtain further advantages:

- Undertake replacement between listed shares in portfolio and the relative underlying assets, with a consequent reduction of the potential negative effect on the Fondiaria-SAI share price, due to the volatility of the listed share prices in the real estate sector compared to the market values of the underlying assets;
- Achieve greater efficiency compared to the current situation in the allocation of capital within the group, of the risks and returns of the three principal business areas which characterise the activities of Immobiliare Lombarda: Facility management, property management and project development;
- Simplification of the operating management of the company, in terms of reduced compliance and typical charges of listed companies with cost savings.

In order to maintain in all phases of the operation the controlling interests of Fondiaria-SAI on Milano Assicurazioni, indispensable to maintaining the requisites for the tax consolidation and the inter-group VAT liquidation procedure, Fondiaria-SAI has acquired, through equity loan operations at market conditions authorised by Isvap, the temporary availability of Milano Assicurazioni shares held by the subsidiary Fondiaria Nederland BV and SAI Holding Italia S.p.A., for a total holding of 2.47% of the share capital.

We also report that the Board of Directors of Immobiliare Lombarda, in the meeting held on February 26, 2008, examined, among other matters:

- The Offer documents approved by the Board of Fondiaria-SAI on February 19, 2008 and transmitted them to Consob on the same date, as well as made them available to Immobiliare Lombarda;
- The fairness opinion given by the financial advisor Leonardo & Co. S.p.A. appointed by the Board of Directors of Immobiliare Lombarda.

On the completion of the examination of this documentation, the Board of Directors of Immobiliare Lombarda, in order to provide the shareholders of this latter and the market with all the necessary information to assess the Offer as well as its own valuation on the Offer, approved the communication pursuant to article 103, paragraph 3, of the Consolidated Finance Act and article 39 of the Issuers' Regulations. This communication, modified and supplemented in accordance with the requests of Consob, was published as an attachment to the Offer document.

In particular, as announced to the market by Immobiliare Lombarda on February 26, 2008, the Board of Directors of Immobiliare Lombarda agreed with the following opinion of its financial advisor:

“... Leonardo & Co. S.p.A. is of the opinion that at the present date, the Payment of the Offer in terms of offer price and share swap with the Milano Assicurazioni shares, is not fair and just for Immobiliare Lombarda from a financial viewpoint.

However, for completeness of analysis, in order to provide the Board of Directors with all the relevant matters for a full appreciation of the financial conditions of the Offer, as well as the implicit share swap, the following matters should be taken into consideration:

- *Expected dividends: Against the Immobiliare Lombarda share price, whose profit estimates do not allow the forecast of the distribution of dividends in the short term period, also in consideration of the necessity of self financing by the Company of its development projects, the Milano Assicurazioni share price has a significant historical dividend yield, which has been in constant growth over the last 5 years and has good dividend prospects for the coming years. The share price also appears to be better value compared to shares of comparable companies; it in fact presents a price/earnings ratio of approx. 7.7, the lowest among listed Italian insurance companies.*
- *The Immobiliare Lombarda share price: The prospects on the performance of the Immobiliare Lombarda share price are characterised by strong uncertainty related (i) to the general negative trend of real estate, and for which an expansive phase in the short/medium term period is not expected (ii) to the characteristics of the Immobiliare Lombarda real estate portfolio, with a strong project development component, which results in fluctuations of the share price more than proportional to the fluctuations in the real estate market (iii) to the fact that the current stock exchange performance incorporates the positive effects of the offer, rendering therefore the estimates of the performance of the share price at the end of the offer period uncertain;*

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- *Liquidity of the Immobiliare Lombarda share price: Analysing volumes, quantities and prices over a 6-month period, the Immobiliare Lombarda share price has scarce “liquidity” (turnover ratio equal to 34.8%). The operation under examination would also result in a further contraction of the floating capital and therefore would render the sale of significant quantities on the market difficult without having a negative effect on the share price.”*

Following the reaching, on the completion of the Bid, of the threshold of 90% of the share capital of Immobiliare Lombarda, on July 21, 2008, Consob issued the resolution concerning the determination of the consideration for compliance with the compulsory purchase on the ordinary shares of Immobiliare Lombarda, pursuant to article 108 of Legislative Decree No. 58/98.

The contents of the resolution were published to the market by Consob on July 21 and the Company issued a press release on July 22 before the opening of the markets.

In particular, Consob determined the following consideration: for every 28 Immobiliare Lombarda shares sold:

- 1 ordinary share of Milano Assicurazioni and
- €Euro 1.3392 in cash;
or rather, where the holder of the securities requires payment in cash in full:
- €Euro 0.1659 in cash.

The price is substantially in line with the net equity per share of Immobiliare Lombarda at December 31, 2007, date of the last financial statements approved by the company.

In particular, Consob determined the price defining first the value, in monetary terms, of each Immobiliare Lombarda share as the weighted average of three parameters (offer price, adjusted net equity adjusted to current value, average price of the last half year) and converting, subsequently, this value into the same form of the consideration of the Offer (Milano shares and cash) on the basis of the average official price recorded of the Milano Assicurazioni shares in the month preceding the determination of the consideration for the compulsory purchase (Euro 3.3).

The maximum payment in the case of full subscription to the compulsory purchase in cash is approx. Euro 68 million.

In the case of full subscription in the same form of the consideration of the Offer (Milano shares and cash), the maximum number of shares for the compulsory purchase is 14,625,323 Milano Assicurazioni shares (3.23% of the share capital), with a maximum cash payment of approx. Euro 20 million.

Consob firstly considered application of article 50 (old) of the Issuers' Regulations in relation to “provisions to be implemented concerning the offer, which are not incompatible with article 108 of the CFA (as subsequently modified) also with reference to the parameters to be taken into account for the determination of the consideration”.

Based on the literal meaning of article 108, paragraph 4 of the CFA, which provides that Consob in the determination of the consideration must take account “also the market price of the last half year or of any consideration previously offered”, the Commission identified “in addition to the two elements directly determined by law, other elements, such as those indicated in article 50 (old) of the Issuers’ Regulations, and that the weight of these elements can be from time to time, determined in relation to the specifics of the situation to be valued”.

After having ascertained that the subscriptions to the voluntary bid were above 70% of the shares subject to the offer, a threshold above which article 50, paragraph 5 (old) of the Issuers’ Regulations provides that “Consob determines the price equal to the consideration of this offer, except where justified reasons render necessary recourse to the further elements indicated in paragraph 3”, the Commission considered the existence of the “justified reasons” as the following elements:

- 1) opinion of non appropriateness of the consideration offered, made by Banca Leonardo, on behalf of Immobiliare Lombarda;
- 2) the fact that the above-mentioned threshold of 70% was exceeded also due to the subscription to the Bid by Premafin, Raggruppamento Finanziario and IM.CO., which contributed 5.09% of the share capital of Immobiliare Lombarda.

The verification of the “justified reasons” therefore permitted Consob not to apply the principal determination criteria of the indicated price in the (old) Issuers’ Regulations, comprising the consideration of the voluntary offer and to make recourse to “further elements”, with the weighting, for the determination of the consideration of the residual offer of the elements as follows:

- 50% to the monetary value of the consideration proposed in the Bid (Euro 0.1357) “based on the level and quality of the subscriptions”;
- 45% to net equity adjusted to current value of Immobiliare Lombarda (Euro 2.027) “based on the quality of the valuation elements provided”;
- 5% to the parameter comprising the weighted average market price of the Immobiliare Lombarda shares in the last six months (Euro 0.1362), “in consideration of the reduced trading on the residual share float”;
- 0% to the parameter comprising the performance and earnings prospects of Immobiliare Lombarda in that “the strategic plans of Immobiliare Lombarda are not representative of the future developments of the activities of the company, in view of the delisting of the company and of the programmes contained within the reorganisational plan of the Fondiaria-SAI Group”.

For comparative purposes, Consob also utilised the most recent valuations of the Immobiliare Lombarda share price.

The presentation period of the requests commenced on July 28, 2008 and was concluded following successive extensions by Consob and the Regional Administrative Court of Lazio, on September 29, 2008.

On July 24, 2008, the relevant Supplementary Document to the Offer Document was filed at Consob, containing the procedures for compliance, by the Company, of the compulsory purchase of the remaining shares of Immobiliare Lombarda and for the exercise of any successive purchase right (“squeeze-out”), where necessary.

In August, the Committee for the Protection of Minority Shareholders of Immobiliare Lombarda (“Codamil”) petitioned the Regional Administration Court of Lazio to cancel, with prior suspension of the effectiveness, the above-mentioned Consob resolution fixing the price for the compulsory purchase of Immobiliare Lombarda shares by Fondiaria-SAI.

The Regional Administrative Court of Lazio’s decision of September 17 rejected the suspension petition of the Consob resolution.

As at September 29, 2008, last date for the presentation of the requests for sale by the shareholders of Immobiliare Lombarda, Fondiaria-SAI had received sales requests of 356,777,583 Immobiliare Lombarda shares, equal to 87.12% of the shares subject to the compulsory purchase procedure and equal to 8.69% of the share capital of the issuer.

Taking account of the definitive data relating to the sales requests received and of the Immobiliare Lombarda shares already held, Fondiaria-SAI therefore holds, directly and indirectly, a total of 4,052,608,266 ordinary shares of Immobiliare Lombarda, equal to 98.72% of the share capital.

In view of the above, and in accordance with law, Fondiaria-SAI has the right to purchase, within the so-called sell out/squeeze out procedure, all 52,731,461 Immobiliare Lombarda shares still held by the market, corresponding to 1.28% of the share capital.

With regard to this purchase right, as agreed between Fondiaria-SAI and Borsa Italiana, from October 7, 2008 and up to October 27, 2008, the shareholders of Immobiliare Lombarda exercised their right to choose between the full payment in cash or the part payment in cash and part in Milano Assicurazioni shares, in accordance with the measures determined by Consob in relation to the above-mentioned resolution to determine the compulsory purchase payment by Fondiaria-SAI.

The sell out/squeeze out procedure terminated on the fifth stock exchange trading day subsequent to October 27, 2008, or rather November 3, 2008, the date in which Fondiaria-SAI made the payment.

In particular, on this date Fondiaria-SAI made:

- (i) the payment, through Banca-SAI S.p.A., of the full consideration in cash - of Euro 0.1659 for each Immobiliare Lombarda share - relating to 32,111,634 Immobiliare Lombarda shares for which payment was expressly requested through cash, for a total amount of Euro 5,327,320.08;
- (ii) the payment in exchange of 1 ordinary share of Milano Assicurazioni S.p.A. and Euro 1.3392 in cash for every 28 Immobiliare Lombarda shares held, for the residual 20,619,827 Immobiliare Lombarda shares for which the payment in cash was not expressly requested. for these purposes, Fondiaria-SAI deposited at Banca SAI a total of Euro 986,216.87 as well as a total of 736,423 Milano Assicurazioni shares.

Consequently, on November 3, the transfer of the ownership of all 52,731,461 Immobiliare Lombarda shares to Fondiaria-SAI took place, with the relative registration in the Immobiliare Lombarda share register.

Finally, Borsa Italiana S.p.A., with resolution No. 6069 of October 27, 2008, revoked the quotation of the Immobiliare Lombarda shares effective as of November 3.

On the examination of the second phase of the project, as previously described, in the Board meeting of January 30, 2008 approving the Bid, the Board of Directors of Fondiaria-SAI examined and approved the guidelines of the corporate/industrial reorganisation of the Fondiaria-SAI Group, which concerns the activities of some insurance companies belonging to the Group and the real estate activities managed by Immobiliare Lombarda.

The possibility was examined to undertake a restructuring of the non-listed companies of the Fondiaria-SAI Group with a direct commercial presence on the market concentrating the activities undertaken by SASA, SASA VITA and LIGURIA in Milano Assicurazioni through conferment/merger of these companies.

Specifically, the project provides:

1. The merger by incorporation into Milano Assicurazioni of SASA, held 99.9% by Fondiaria-SAI, and of SASA VITA, held 50% by SASA and the residual 50% by Fondiaria-SAI;
2. A share capital increase of Milano Assicurazioni with exclusion of the pre-emptive right, in accordance with article 2441 of the civil code, fourth paragraph, reserved to the parent company Fondiaria-SAI, to be paid through conferment in kind of the entire holding held by this latter in LIGURIA;
3. A share capital increase of Milano Assicurazioni with exclusion of the pre-emptive right, in accordance with article 2441 of the civil code, fourth paragraph, reserved to the parent company Fondiaria-SAI, to be paid through conferment in kind of the holding held by Fondiaria-SAI in Immobiliare Lombarda, from the Bid equal to 27.88%.

The above operations were approved by the Board of Directors of the companies concerned, on April 23, on the basis of the financial statements as at December 31, 2007 and therefore, approved by the relative extraordinary shareholders' meetings.

The industrial advantages which these operations will create are as follows:

- Rationalise the commercial presence of the entire Group in the market, in view of the numerous acquisitions made in recent years and the increased level of competition in the marketplace, also due to regulatory amendments introduced, with the final objective to more efficiently achieve the strategy of creation of value which will permit growth in the coming years;
- Identify a specific mission for the two listed companies:
 - Fondiaria-SAI, as insurance parent company, with strategic and operational functions of the networks which belong to the two historic brands FONDIARIA and SAI;
 - Milano Assicurazioni, as holding of the assets from the strong expansion by external lines realised by the Group in recent years.

Within Milano Assicurazioni, there will be an even greater concentration of the coordination of the brands of the distribution networks of non-listed companies, with a direct commercial presence on the market in order to combine:

- The benefits deriving from the synergies/optimisation of the costs expected from the merger of SASA and SASA VITA and from the conferment of LIGURIA. With regard to LIGURIA, a conferment is preferable to a merger also due to the conditions contained in the purchase contract of this latter, agreed approx. two years ago;
- The competitive/organisational benefits from the application of SASA and LIGURIA of the know-how within Milano Assicurazioni in valuing the agency networks of the Group connected to matters in terms of brand and/or agency mandate and/or territorial presence;
- The maintaining of the commercial identity and of the appropriate autonomous operations in order to preserve the typical flexible approaches to the markets which characterises these companies and which has permitted a loyal agency network and achievement of excellent results in terms of premium growth.

The operations relating to SASA, SASA VITA and LIGURIA will therefore take place with the integration of the further conferment into Milano Assicurazioni of the direct investments held by Fondiaria-SAI in Immobiliare Lombarda from the Bid. The realisation of this operation, as well as the delisting of Immobiliare Lombarda following the successful takeover Bid launched, will permit the Fondiaria-SAI Group to achieve greater efficiency compared to the current situation in the internal allocation of capital and of the risks and returns of the three principal business areas of Immobiliare Lombarda: facility management, property management and project development.

We recall that, on the completion of the Purchase and Exchange Offer, concluded on April 17, 2008, the holding in Immobiliare Lombarda subject to conferment amounted to 27.88%.

Furthermore, the Board of Directors of Milano Assicurazioni, in the meeting of January 30, 2008, examined the industrial/corporate restructuring project mentioned above and approved the guidelines, emphasising also the strategic importance for Milano Assicurazioni and taking into account, in particular, that the operation would also permit Milano Assicurazioni to obtain the following additional benefits:

- Significant increase in the capitalisation of Milano Assicurazioni following the merger/conferment, with consequent improvement in the liquidity of the share and the re-rating of the share within the Midex;
- Increase of the consolidated premiums written by Milano Assicurazioni of approx. Euro 700 million without any financial investment by the Company and shareholders.

The Fondiaria-SAI Board of Directors' meeting of February 27, 2008 appointed KPMG Advisory S.p.A. and Mediobanca S.p.A. as advisors to the Company in the operation, in order to undertake an evaluation of the share swap ratio of the merger by incorporation of SASA and SASA VITA into Milano Assicurazioni and the value of LIGURIA and, where applicable, of Immobiliare Lombarda for the conferment to Milano Assicurazioni, by Fondiaria-SAI, of investments in LIGURIA and Immobiliare Lombarda, in accordance with the project described previously.

The Milano Assicurazioni Board of Directors' meeting of February 26, 2008 appointed Morgan Stanley and Credit Suisse as advisors, in order to undertake the above-mentioned valuation activities. In particular, the company Morgan Stanley was appointed on the proposal of the independent directors and during the assignment the advisor chosen by them met with the management and the advisor and discussed in detail the activities undertaken. This activity was undertaken in order to guarantee not only adequate and complete information, which could have been undertaken by only one advisor, but in particular so that the independent directors may, where considered appropriate, in the interests of the Company and in accordance with best market practices, have a detailed exchange of opinion with their chosen advisor, including during the preparation of the opinion.

The Board of Directors of Fondiaria-SAI, SASA, and SASA VITA, on April 23, 2008, decided to share the results of the advisors KPMG Advisory S.p.A. and Mediobanca and, in particular, the conclusions made by these in relation to the estimate of the share swap ratios between the shares of Milano Assicurazioni and SASA and SASA VITA, expressing a favourable opinion of the following share swap ratios:

- 0.82 ordinary shares of Milano Assicurazioni for every SASA share;
- 0.42 ordinary shares of Milano Assicurazioni for every SASA VITA share,

which are within the ranges presented by the advisors from the application of the principal methods as set out by KPMG Advisory S.p.A.

The Board of Fondiaria-SAI also decided to share the results of the advisors KPMG and Mediobanca and, in particular, the conclusions made by these latter in relation to the estimate of the number of newly issued ordinary shares of Milano Assicurazioni for the conferment operations of the investments in LIGURIA and Immobiliare Lombarda:

- 1.10 ordinary shares of Milano Assicurazioni for every LIGURIA share, corresponding to 11 Milano Assicurazioni ordinary shares for every 10 LIGURIA shares;
- 34 Immobiliare Lombarda shares for every Milano Assicurazioni share,

which are within the ranges presented by the Advisors and corresponding to the central values from the application of the principal methods as set out by KPMG.

The Milano Assicurazioni Board of Directors' meeting of April 23, 2008 decided to share the results of the advisors Morgan Stanley and Credit Suisse and in particular the conclusions in relation to:

- (i) the range of the share swap ratios between the shares of Milano Assicurazioni and SASA and SASA VITA shares, expressing therefore a favourable opinion on the following share swap ratio:
 - 0.82 ordinary shares of Milano Assicurazioni for every SASA share;
 - 0.42 ordinary shares of Milano Assicurazioni for every SASA VITA share,

which are within the ranges presented by the advisors;

(ii) the identification of the number of newly issued ordinary shares of Milano Assicurazioni for the conferment operation, in particular:

- 25,291,333 Milano Assicurazioni ordinary shares for the conferment in kind of 22,992,121 LIGURIA shares (corresponding to 99.97% of the share capital);
- 33,660,132 Milano Assicurazioni ordinary shares for the conferment in kind of 1,444,444,487 Immobiliare Lombarda shares (corresponding to 27.88% of the share capital), which are within the ranges presented by the advisors.

The share swap relating to the merger results in a share capital increase of Milano Assicurazioni for the merger of Euro 23,979,115.68.

The numbers, as reported above, of newly issued ordinary shares of Milano Assicurazioni for the conferment operation results in:

- A share capital increase of Milano Assicurazioni, without pre-emptive rights, to be paid through the conferment by Fondiaria-SAI of the above-mentioned holding in LIGURIA, for a nominal amount of Euro 13,151,493.16, in addition to a total share premium of Euro 137,901,231.84, and thus for a total amount of Euro 151,052,725;
- A share capital increase of Milano Assicurazioni, without pre-emptive rights, to be paid through the conferment by Fondiaria-SAI of the above-mentioned holding in Immobiliare Lombarda, for a nominal amount of Euro 17,503,268.64, in addition to a total share premium of Euro 154,872,652.36, and thus for a total amount of Euro 172,375,921.

All the valuations were communicated to the market on April 23, 2008.

The Milan Court appointed Reconta Ernst & Young as the common expert pursuant to article 2501 of the civil code for the preparation of the fairness report of the share swap as well as, where necessary, the appointment of an expert for the preparation of the estimate of the assets of the company incorporated as per article 2343 of the civil code in relation to the share capital increase for the share swap.

The Milan Court also appointed Reconta Ernst & Young as expert to prepare the sworn estimate of the investments conferred pursuant to articles 2440 and 2343 of the civil code.

Finally, in accordance with the combined provisions of article 2441, paragraph 6, of the civil code and article 158, paragraph 1, of Legislative Decree No. 58/98, the audit company Deloitte & Touche S.p.A. provided an opinion on the appropriateness of the issue price of the new shares of Milano Assicurazioni for the above-mentioned conferment.

The Shareholders' Meeting of Milano Assicurazioni, held on October 8, 2008 resolved:

- 1) a paid-in share capital increase, without pre-emptive rights:
 - for a nominal value of Euro 13,151,493.16 through the issue of 25,291,333 ordinary shares of a nominal value of Euro 0.52 each, with a total share premium of Euro 137,901,231.84, reserved to Fondiaria-SAI S.p.A., to be paid through conferment in kind of 22,992,121 Liguria Assicurazioni S.p.A. shares held, equal to 99.97% of the share capital;
 - for a nominal value of Euro 17,503,268.64 through the issue of 33,660,132 ordinary shares of a nominal value of Euro 0.52 each, with a total share premium of Euro 154,872,652.36, reserved to Fondiaria-SAI S.p.A., to be paid through conferment in kind of 1,144,444.487 Immobiliare Lombarda S.p.A. shares held, equal to 27.88% of the share capital;
- 2) approval of the merger by incorporation of Sasa Assicurazioni e Riassicurazioni S.p.A. ("Sasa") and Sasa Vita S.p.A. into Milano Assicurazioni, through cancellation without share swap of all the shares of Sasa Vita held by Sasa and the share capital increase of Milano Assicurazioni for Euro 23,979,115.68, through the issue of 46,113,684 ordinary shares of a nominal value of Euro 0.52 each to be assigned to the shareholders of Sasa (99.99% subsidiary of Fondiaria-SAI) and to the only shareholder of Sasa Vita other than Sasa, that is Fondiaria-SAI.

The merger was also approved, on the same date, by the shareholders' meetings of SASA and SASA VITA. It is expected that the merger deed, after the period established by the civil code without any opposition from the creditors, will be signed in the second half of December.

OTHER SECTORS

This sector includes the companies of the Group operating in the asset management sector, the financial services companies and the subsidiaries Banca SAI and Banca Gesfid.

The profit before taxes of the sector was Euro 21 million (Euro 27 million in the first nine months of 2007), thanks to the positive contribution of the financial companies in particular Saifin, Fondiaria Nederland and Italiberia in addition to the contribution of Banca Gesfid.

Banca SAI reported a quarterly net profit of Euro 240 thousand, an improvement on the same period of the previous year (loss of Euro 2.3 million).

During the period, the centralisation project of the Fondiaria-SAI Group securities portfolio continued at the bank. The above activities resulted in an increase in the amount of securities in custody from Euro 795 million (book value at December 31, 2007) to approx. Euro 11,000 million (mark to market value).

The number of current accounts increased from 14,261 at the end of 2007 to 14,470. The loans due from clients, net of the relative doubtful debts, amounted to Euro 527 million, compared to Euro 415 million at the end of the previous year. The customer funds from clients in the period amounted to Euro 698 million (Euro 547 million at the end of 2007).

In addition, the placement of financial services continued (mutual funds, SICAV, securities and fund asset management), which recorded a strong decrease compared to the previous year both in terms of gross amounts (from Euro 187 million to Euro 87 million) and negative net flows (from Euro 71 million to Euro 84 million).

The brokerage margin increased in the period from Euro 14 million to Euro 19 million; the increase is principally due to the increase in the interest margin for Euro 4 million and treasury activities for Euro 1 million. The improvement in the interest margin derives from the increase in the loans to both retail clients and corporate clients.

In addition the service “I - POS” was officially launched which is a response by the Bank to the financial management needs of the Insurance Agents of the Group. The service package provides for two separate current accounts (“agency account” and “office account”) as well as one or more evolved POS terminals. The POS terminals of Banca SAI are differentiated from the market standard due to an innovative function which permits the “dematerialisation” of the bank cheques of the Client.

In relation to the commercial structure of the Financial Promoters, the rationalisation activity, required by the new MIFID regulation and by instructions from the Supervision Authority, will result in a drastic reduction in the number of promoters from 1,286 at December 31, 2007 to 508 at the end of 2008 and reducing to 300 during 2009.

Among the significant events after the end of the quarter, we report that during October a bond issued by Banca SAI at variable interest rate with expiry in 2010 for a nominal amount of Euro 10 million was placed on the financial promoters network and a residual part in the Parent Company. In the same month, the new Milan Branch was opened, located in via Fara, which will have the objective to develop activity in Milan and Lombardy, as well as manage the Companies of the Group in the Lombardy area.

Agreements with Banca Italease

Fonditaria-SAI and Banca Italease on January 8, 2008, following the changed prospects of the industrial partnership resulting from the well documented matters concerning the Italease Group and of the position taken by the Bank of Italy, jointly resolved the sales/purchase contract and the related agreements, signed on April 26, 2007, which provided for:

- The initial acquisition by Banca Italease of a share of 50% in the share capital of BANCASAI;
- The acquisition by Banca Italease of a share of 80% in the share capital of SAI Asset Management SGR;
- The incorporation of an insurance joint venture in the Life division through the initial acquisition by Banca Italease of a minority share in the share capital of Systema Vita S.p.A..

Within the complex agreements which resulted in the joint resolution of the above-mentioned contracts, Fonditaria-SAI and Banca Italease signed, also on January 8, 2008, a new agreement which provides for the exclusive distribution of the Life insurance products of the Fonditaria-SAI Group through the branches and networks of the agents and conventioned intermediaries of the Banca Italease Group. This commercial agreement refers to Life products prevalently in classes I, III, and V and for a duration of 5 years, renewable for a further 5 years.

Sistemi Sanitari S.c.r.l.

On July 1, 2008, the activities commenced of the company Sistemi Sanitari S.c.r.l., a consortium company, within the Fonditaria-SAI Group, for the realisation of a single integrated and specialised centre for the direct management of the claims in the health class.

The Company was incorporated in April 2008, with prior authorisation from Isvap, held by Fonditaria-SAI and Milano under the name of Servizi Salute e Malattia S.c.r.l and subsequently changed the name of the company and increased the share capital with the entry of other Group companies.

Effective from July 1, 2008 Sistemi Sanitari S.c.r.l. acquired from the EDS Group, which previously undertook in outsourcing the payment of the claims in the health class, the business unit comprising personnel and equipment necessary for the undertaking of the service.

Sistemi Sanitari S.c.r.l. also undertakes complementary activities for the Fonditaria-SAI Group within the Health Care Management organisation, thus generating new synergies on overheads, resources, operating models and professional expertise.

ASSET AND FINANCIAL MANAGEMENT

Investments and liquidity

At September 30, 2008, the volume of investments amounted to Euro 34,509 million, a decrease of 0.85% on June 30, 2008.

The reduction in investments was principally due to the deconsolidation of the subsidiary Po Vita, which contributed investments of Euro 2,027 million in 2007.

The residual decrease is principally due to the negative performance of the financial markets in the third quarter, with consequent reduction of the book value of the financial instruments valued at fair value, which contributed significantly to the reduction.

The investments, tangible fixed assets and liquidity at 30/09/2008 compared to 30/06/2008 and 31/12/2007 are shown below.

| (Euro thousand) | 30/09/2008 | Comp. 09/08 | 30/06/2008 | Comp. 06/08 | Cge. % | 31/12/2007 |
|------------------------------------------------------------|-------------------|---------------|-------------------|---------------|---------------|-------------------|
| INVESTMENTS | | | | | | |
| Investment property | 2,381,872 | 6.57 | 2,257,836 | 6.16 | 5.49 | 2,142,923 |
| Investments in subsidiaries, associates and joint ventures | 297,794 | 0.82 | 283,673 | 0.78 | 4.98 | 270,025 |
| Investments held to maturity | - | - | - | - | - | - |
| Loans and receivables | 2,069,121 | 5.71 | 1,682,906 | 4.59 | 22.95 | 1,333,262 |
| Available-for-sale financial assets | 21,516,392 | 59.36 | 20,318,161 | 55.46 | 5.90 | 23,335,001 |
| Financial assets at fair value through profit or loss | 8,243,389 | 22.74 | 10,260,494 | 28.00 | (19.66) | 10,939,541 |
| Total investments | 34,508,568 | 95.20 | 34,803,070 | 94.99 | (0.85) | 38,020,752 |
| Tangible fixed assets: buildings and other fixed assets | 1,229,933 | 3.39 | 1,242,998 | 3.39 | (1.05) | 1,201,862 |
| Total non-current assets | 35,738,501 | 98.59 | 36,046,068 | 98.38 | (0.85) | 39,222,614 |
| Cash and cash equivalents | 510,360 | 1.41 | 592,399 | 1.62 | (13.85) | 701,195 |
| Total non-current assets and cash equivalents | 36,248,861 | 100.00 | 36,638,467 | 100.00 | (1.06) | 39,923,809 |

The available-for-sale financial assets and the financial assets valued at fair value through profit or loss are as follows:

| (Euro thousand) | 30/09/2008 | 30/06/2008 | Cge. % | 31/12/2007 |
|--------------------------------------------------------------|-------------------|-------------------|----------------|-------------------|
| Available-for-sale financial assets | 21,516,392 | 20,318,161 | 5.90 | 23,335,001 |
| Equity securities | 1,791,220 | 2,268,380 | (21.04) | 3,096,783 |
| Fund units | 826,342 | 798,913 | 3.43 | 842,180 |
| Debt securities | 18,895,979 | 17,248,043 | 9.55 | 19,393,263 |
| Other financial investments | 2,851 | 2,825 | 0.92 | 2,775 |
| Financial assets at fair value through profit or loss | 8,243,389 | 10,260,494 | (19.66) | 10,939,541 |
| Equity securities | 82,917 | 237,550 | (65.09) | 286,123 |
| Fund units | 1,067,280 | 1,177,888 | (9.39) | 1,793,540 |
| Debt securities | 6,557,404 | 8,168,570 | (19.72) | 8,323,615 |
| Other financial investments | 535,788 | 676,486 | (20.80) | 536,263 |

The account **Investment property** includes the buildings held by the Group for rental to third parties or investment purposes. The gross carrying value was Euro 2,679.7 million, of which Euro 726.1 million related to the land component, while the depreciation provision amounted to Euro 297.8 million.

The account **Investments in Subsidiaries, Associates and Joint Venture Companies** includes the investments in associated companies, which were valued under the equity method, in addition to the carrying value of some investments in subsidiaries which are not fully consolidated, either due to the insignificant value for the purposes of a true and fair presentation of the accounts or as the companies are under restructuring or are non operating. In relation to this, we highlight the investments held by the subsidiary Immobiliare Lombarda in IGLI S.p.A. for Euro 117.6 million and in City Life S.r.l. for Euro 49.5 million, by the subsidiary Saifin-Saifinanziaria in the associated company Finadin S.p.A. for Euro 41.6 million and by the Parent Company in the associated company Fin.Priv. S.r.l. for Euro 38.3 million.

Loans and receivables are summarised in the table below:

| (Euro thousand) | 30/09/2008 | 31/12/2007 | Cge. % |
|--------------------------------------------|------------------|------------------|----------------|
| Non quoted debt securities | 100,337 | 102,327 | (1,990) |
| Time deposits | 479,700 | 29,820 | 449,880 |
| Loans on life policies | 64,584 | 66,858 | (2,274) |
| Deposit accounts with reinsuring companies | 31,584 | 32,272 | (688) |
| Receivables from agents for recoveries | 212,111 | 208,846 | 3,265 |
| Interbank deposits | 240,866 | 167,935 | 72,931 |
| Client deposits | 427,230 | 304,243 | 122,987 |
| Other loans and receivables | 434,012 | 420,471 | 13,541 |
| Other financial investments | 78,697 | 490 | 78,207 |
| Total Loans and receivables | 2,069,121 | 1,333,262 | 735,859 |

Other Loans and receivables includes loans provided by Finitalia to its clients for Euro 181.8 million (Euro 169.4 million at 31/12/2007) and the receivable of Euro 169 million (Euro 165 million at 31/12/2007) against the forward sale of Intesa SanPaolo shares owned by the Parent Company through the mandatory convertible exclusively in Intesa SanPaolo shares, issued by the subsidiary SAINTERNATIONAL in September 2004. This receivable was discounted, considering the time period of the maturity of the underlying forward sale of the mandatory issue. The positive effect on the income statement for the period was Euro 3.9 million.

With reference to the **Investments held to maturity**, the Group did not consider it appropriate, in line with the management strategy of the portfolio, to record any financial instrument under this category.

The **Available-for-sale financial assets** include bonds and equity securities not otherwise classified. Although a residual category, they represent the largest category of financial instruments, in line with the characteristics and purposes of the insurance activities.

In particular, the account includes debt securities of Euro 18,896.0 million (Euro 19,393.3 million at December 31, 2007), equity securities of Euro 1,791.2 million (Euro 3,096.8 million at December 31, 2007), as well as units in investment funds of Euro 826.3 million (Euro 842.2 million at December 31, 2007) and other financial investments of Euro 2.9 million (Euro 2.8 million at December 31, 2007).

The **Financial assets valued at fair value through profit or loss** includes the securities held for trading as well as those designated by the group in this category.

This account includes the investments and the financial instruments relating to insurance contracts or investments issued by insurance companies for which the investment risk is borne by the policyholders.

The account therefore includes debt securities of Euro 6,557.4 million (Euro 8,323.6 million at December 31, 2007), equity securities of Euro 82.9 million (Euro 286.1 million at December 31, 2007), units in investment funds of Euro 1,067.3 million (Euro 1,793.6 million at December 31, 2007) and other financial investments of Euro 535.8 million (Euro 536.3 million at December 31, 2007). Approx. Euro 1,502.2 million was reclassified in the available-for-sale assets segment in application of the previously mentioned amendment to IAS 39.

In relation to the **Tangible fixed assets**, they include both buildings for direct use and property inventories for which the criteria of IAS 2 were applied. In particular, this account includes Euro 743.9 million (Euro 746.2 million at December 31, 2007) relating to the investment properties of the Immobiliare Lombarda S.p.A. Group.

The table below shows the results of the financial and real estate activities for the third quarter of 2008 compared with the same period in the previous year:

| (Euro thousand) | Q3 2008 | Q3 2007 | Change |
|--------------------------------------------------------------------------------------------|----------------|----------------|------------------|
| Net income from financial instruments recorded at fair value through profit or loss | (443,495) | (138,561) | (304,934) |
| Net income from investments in subsidiaries, associates and joint ventures | 37,449 | 18,746 | 18,703 |
| Income from other financial instruments and property investments of which: | | | |
| Interest income | 668,097 | 626,972 | 41,125 |
| Other income | 206,836 | 192,451 | 14,385 |
| Profits realised | 90,762 | 221,717 | (130,955) |
| Valuation gains | 518 | 156 | 362 |
| Total income | 560,167 | 921,481 | (361,314) |
| Charges from other financial instruments and property investments of which: | | | |
| Interest expense | 105,182 | 90,413 | 14,769 |
| Other charges | 48,781 | 38,288 | 10,493 |
| Losses realised | 133,190 | 81,576 | 51,614 |
| Valuation losses | 65,801 | 27,408 | 38,393 |
| Total interest expense and charges | 352,954 | 237,685 | 115,269 |
| TOTAL NET INCOME | 207,213 | 683,796 | (476,583) |

The net income from financial instruments recorded at fair value through the profit and loss includes net charges relating to contracts in the Life sector whose risk is borne by the policyholders for Euro 597 million (net charges of Euro 139 million in Q3 2007).

Management of the investments

The third quarter of 2008 saw a heightening of inflationary fears worldwide and a further worsening of the credit crisis following the deterioration of the US real estate market and an increase of defaulting mortgages, which has affected almost all the global financial system.

At the beginning of July, due to the weakness of the Dollar which resulted in an across the board increase in commodity prices (and in particular oil), the European Central Bank increased its base interest rate to 4.25% in an attempt to offset inflationary fears created in the Euro Area at the end of June.

In order to reassure the world financial community on the continued vigilance of the American government in avoiding, in a period of strong uncertainty and disorder, massive sales of securities which could generate an increased risk of market instability, in the second half of July the US Government and the Federal Reserve undertook a series of coordinated actions to strengthen the financial position of Fannie Mae and Freddie Mac, the two principal holders of mortgage portfolios in the United States.

Thereafter, the bankruptcy of Lehman Brothers, absolutely unimaginable only a few months earlier, was merely the latest event which brought to light a series of structural problems in the world financial system, with consequent strong losses on the world's stock markets.

We recall, for example, the acquisition of Merrill Lynch by Bank of America, the rescue of AIG (American International Group – the largest American insurance company, present in 130 countries with 116,000 employees and total premiums of USD 110 billion at the end of 2007, USD 40 billion in the Non-Life Classes) through a “bridging loan” and the transformation into commercial banks of the two American Investment Banks, Morgan Stanley and Goldman Sachs, which carried the obligation to comply with stricter state and federal regulations.

At the beginning of October, the Central Banks of the leading economies, in a simultaneous and coordinated move, reduced the discount rate by 0.5 percent (for further information, reference should be made to the macroeconomic overview at the beginning of the report). To counter the spreading financial market crisis, it was decided to increase the liquidity of the system in order to avoid the insolvency and bankruptcy of intermediaries and enterprises and extreme consequences for the real economy.

At strictly operational level, the financial activities developed by the Company in the third quarter of 2008 at Fixed Income level saw, parallel to the increased tensions on the global financial system, a constant monitoring of the corporate positions held, together with an increase of the purchases of short-term government bonds, in consideration of the actions to decrease the interest rates by the European Central Bank, due to the overall slowdown and worsening of the financial markets, which would lead to a rise in the yield curve, with a good performance for the securities acquired.

In relation to the equities market, the weak recovery after the second half of July, related to the reduced inflationary tendencies thanks to the generalised correction of the commodities and the strengthening of the Dollar, saw a dramatic correction caused by the American financial situation which spread to Europe. September will be remembered as one of the most critical periods for the equity markets, with world indices which lost between 30% and 40% from the beginning of the year and a crisis comparable with that of 1929. The losses were across all sectors, but in particular in the financial, raw materials and cyclical sectors.

Given the high volatility and strong uncertainty on the markets, the level of activity developed at operational level was maintained at underweight Equity since the beginning of the year. This reduction was prevalently in sectors related to the economic and financial cycle.

Currently, the overall view on equity remains prudent in the short-term period given the recent downward trend and the still strongly negative outlook of investors.

In relation to the Parent Company, the bond sector represents, at the end of the third quarter of 2008, 71.4% of the total portfolio, with a total duration of approx. 4.8 years.

The Non-Life Division is composed of 59.7% of fixed income bonds, 36.5% at variable rate and a residual 3.8% in Time Deposits.

The total duration of the Non-Life portfolio is 1.60 years and the return is 4.57%.

The Life Division has a higher fixed rate asset allocation (84.2%), compared to the variable quota of the same asset class (15.8%), with a total duration of the portfolio of 5.97 years and a return of 5.09%.

In relation to the subsidiary Milano Assicurazioni, the bond sector represents, at the end of the third quarter of 2008, 80.2% of the total portfolio, with a total duration of approx. 3.6 years.

The Non-Life Division is composed of 73.1% of fixed income bonds, 19.5% at variable rate and a residual 7.4% in Time Deposits.

The total duration of the Non-Life portfolio is 1.74 years and the return is 4.42%.

The Life Division has an asset allocation with a fixed rate of 78.2%, a variable rate of 21.8% with a total duration of the portfolio of 5.16 years and a return of 5.34%.

Lehman Brothers Holdings Inc.

As widely reported, Lehman Brothers Holdings Inc. filed for “Chapter 11” bankruptcy on September 15, 2008 at the New York Bankruptcy Court.

The Chapter 11 procedure, also known as the reorganisation procedure, permits the debtor to continue the ordinary exercise of their activities and to restructure the business, where permitted, with the prospect of implementing a company restructuring, through the approval of a plan by the creditors and guaranteed by the US judicial authorities.

The procedure also allows for the automatic freezing of assets as protection from creditor judicial actions in the reorganisation attempt.

Similar administration procedures - in accordance with current national legislation where Lehman Brothers operates - was undertaken for locally registered companies.

In relation to this, it is noted that the Group at September 30, 2008, held debt financial instruments issued by Lehman Brothers for a total book value of Euro 138.6 million, of which Euro 124.7 million classified as class D investments.

These amounts include value adjustments already recorded for Euro 131.1 million, of which Euro 108.8 million relating to class D. These adjustments take into account the best possible estimates currently available of the recoverable value of the Lehman assets in portfolio which do not have subordination clauses (for these latter, the entire carrying value was written down).

In an attempt to reconcile the needs of the policyholders, in particular for the positions where the investment risk was borne by the policyholder, a project is currently being studied, together with banking partners, which will respond to three fundamental elements: not to create precedence which invalidates the nature and the classification of the investment, not to penalise the shareholders and protect, at the same time, the investments of the policyholders.

We also report that Ania is preparing a coordinated legal action against Lehman Brothers, to protect clients of the Italian insurance companies which subscribed to index-linked policies with these underlying securities. The Italian insurance companies therefore will take the appropriate legal action to recover the receivable due to their clients to the greatest extent possible.

Net technical reserves

| (Euro thousand) | 30/09/2008 | 30/06/2008 | 31/12/2007 |
|------------------------------------------------------------------------|-------------------|-------------------|-------------------|
| Non-Life technical reserves | | | |
| Unearned premium reserve | 2,378,108 | 2,622,836 | 2,498,348 |
| Claims reserve | 8,188,524 | 8,093,828 | 8,393,164 |
| Other reserves | 16,145 | 16,901 | 14,463 |
| Total Non-Life reserves | 10,582,777 | 10,733,565 | 10,905,975 |
| Life technical reserves | | | |
| Reserve for sums to pay | 236,838 | 430,603 | 277,110 |
| Actuarial reserves | 13,292,469 | 13,488,813 | 14,804,316 |
| Technical reserves where the investment risk is borne by policyholders | 4,339,675 | 4,352,223 | 4,559,320 |
| Other reserves | (325,017) | (318,527) | (108,964) |
| Total Life Reserves | 17,543,965 | 17,953,112 | 19,531,782 |
| Total | 28,126,742 | 28,686,677 | 30,437,757 |

The technical reserves of the Non-Life Division at 30/09/2008 include the unearned premium reserve of Euro 2,378 million, calculated under the pro-rata basis, and the claims reserve of Euro 8,189 million.

The other technical reserves of the Non-Life Division include the ageing reserve of the health division, calculated in accordance with the national regulations: this is created against the greater insurance risk due to the ageing of the policyholders.

The technical reserves of the Life Division are those relating to insurance contracts and investment contracts with discretionary participation elements as per IFRS 4. This account does not include the liabilities relating to the policies (prevalently index and unit-linked) which, having an insignificant insurance risk, are governed by IAS 39 and are therefore recorded under financial liabilities.

The technical reserves of the Life Division decreased, compared to the value calculated in accordance with Italian GAAP, by Euro 449.4 million (Euro 262.8 million at 31/12/2007) due to the accounting of the deferred liabilities towards policyholders, consequent of the application of the shadow accounting technique as per IFRS 4.

Financial liabilities

Within the financial liabilities a separation was made between operating debt and financial debt. In particular, the operating debt relates to the financial liabilities where there is a correlation with a specific asset account.

The breakdown of the financial liabilities is shown below:

| (Euro thousand) | 30/09/2008 | 30/06/2008 | 31/12/2007 |
|------------------------------------------------------------|------------------|------------------|------------------|
| Financial liabilities | | | |
| Sub-ordinated liabilities | 1,046,979 | 812,836 | 820,007 |
| Financial liabilities at fair value through profit or loss | 3,564,407 | 3,858,838 | 5,031,453 |
| Other financial liabilities | 1,929,669 | 1,780,699 | 1,334,227 |
| Total financial liabilities | 6,541,054 | 6,452,373 | 7,185,687 |

For the **Subordinated liabilities** account, reference should be made to the section on debt.

The account **Financial liabilities at fair value through profit or loss** includes at 30/09/2008 Euro 3,488 million (Euro 4,950 million at 31/12/2007) relating to liabilities from financial contracts issued by insurance companies, treated under the deposit accounting method which, substantially, requires the recognition in the income statement of only the profit margins and the recording under financial liabilities of the premiums, increased by the revaluations in the period.

Other financial liabilities include Euro 372 million (Euro 354 million at December 31, 2007) relating to client deposits at the subsidiaries Banca SAI and Banca Gesfid, Euro 200 million (Euro 181 million at December 31, 2007) relating to debt securities issued which include nominal payables of Euro 180.4 million contracted by the subsidiary Saiinternational and repayable only in Intesa SanPaolo shares owned.

The account also includes Euro 14 million (Euro 16 million at December 31, 2007) relating to investment contracts signed by life policyholders valued in accordance with the amortised cost method. It also includes Euro 315 million (Euro 51 million at December 31, 2007) relating to time deposit operations on loans agreed by the subsidiary SAI Mercati Mobiliari.

The residual refers principally to deposits with reinsurers.

Fondiarria-SAI Group debt

In order for a correct representation of the accounts under examination, information is provided below of the financial payables, which is the total amount of the financial liabilities for which it is not possible to establish a correlated specific asset account.

The situation is summarised in the table below:

| (in Euro millions) | 30/09/2008 | 30/06/2008 | 31/12/2007 |
|---------------------------|----------------|----------------|----------------|
| Subordinated loans | 1,047.0 | 812.8 | 820.0 |
| Mandatory Sainernational | 178. | 186.4 | 180.7 |
| Bank and other borrowings | 680.1 | 668.5 | 346.6 |
| Total debt | 1,905.8 | 1,667.8 | 1,347.3 |

The account Subordinated loans include the following loans of the Parent Company with Mediobanca, with Isvap authorisation:

- A subordinated loan of Euro 400 million, agreed and issued on July 23, 2003. Following some contractual modifications in December 2005, the interest rate is Euribor at 6 months +180 basis points and repayable in five equal annual instalments from the 16th anniversary of the loan. This loan was obtained in order to increase the constituting elements of the solvency margin.
- A subordinated loan of Euro 100 million agreed on December 20, 2005 (received on December 31, 2005), with the same subordination characteristics of the previous loan. The interest rate is Euribor at 6 months +180 basis points and is repayable in five equal annual instalments from the 16th anniversary of the loan.
- A subordinated loan of Euro 300 million agreed on June 22, 2006 (received on July 14, 2006), subscribed 50% by Fondiarria-SAI and the other 50% by Milano Assicurazioni. This loan provides for interest at Euribor at 6 months +180 basis points and is repayable in five equal annual instalments from the 16th anniversary of the loan. In particular, this latter contract contributes to a further improvement in the solvency margin available to the Group for the part provided by the subsidiary Milano Assicurazioni. On July 14, 2008, Milano Assicurazioni made a partial advance repayment of this loan for Euro 100 million.
- A hybrid subordinated loan with a perpetual duration of Euro 250 million agreed and paid on July 14, 2008 by Fondiarria-SAI. The interest rate is Euribor at 6 months +350 basis points for the first 10 years and thereafter 450 basis points. The repayment should be made in one repayment after 10 years. This loan was agreed to increase the constituting elements of the solvency margin.

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- A hybrid subordinated loan with a perpetual duration of Euro 100 million agreed and received on July 14, 2008 by Milano Assicurazioni. The interest rate is Euribor at 6 months +350 basis points for the first 10 years and thereafter 450 basis points. The repayment should be made in one repayment after 10 years. This loan was agreed to increase the constituting elements of the solvency margin.
 - Subordinated loans of BPM Vita received during 2003 for a nominal value of Euro 8 million divided 50% with Banco Popolare di Milano and 50% with Banca di Legnano. It is recalled that these loans have an indefinite expiry and interest rates of Euribor at 12 months increased by 2.50%.

With reference to the subordinated loan of Euro 400 million, the entire position is fully hedged by interest rate swap operations in order to neutralise the risk related to the above-mentioned loan, stabilising on an annual basis the interest streams to be paid to the counterparty. For further information, reference should be made to the Consolidated Half-Year Report 2008.

On September 27, 2004, the Luxembourg subsidiary Sainternational S.A. issued a Convertible and Repayable Bond exclusively with Intesa SanPaolo ordinary shares owned by Fondiaria-SAI, with maturity on September 29, 2010 and listed on the Luxembourg Stock Exchange. The bonds, of a total nominal value of Euro 180.4 million, will be repayable on maturity through the delivery of 44,000,000 Intesa SanPaolo ordinary shares, formally owned by Fondiaria-SAI, at the exchange price of Euro 4.10 per share, and therefore with a premium of 35.13% compared to the prices of the Intesa SanPaolo ordinary shares at the moment of the definition of the offer price. The annual coupon of the bonds and the return on maturity are 6.10%.

With reference to Bank payables and other lenders, amounting to Euro 680.1 million, the most significant amounts are reported below:

- Euro 249.8 million refers to a senior loan signed on January 11, 2008 between Fondiaria-SAI S.p.A. and Mediobanca for a nominal amount of Euro 250 million in order to temporarily support the financial needs of the Parent Company, while awaiting more favourable market conditions for the placement of the hybrid bond which has already been described in the section relating to debt at December 31, 2007. The loan was received in one single amount on January 25, 2008;
- Euro 208.7 million refers entirely to the consolidated debt of the subsidiary Immobiliare Lombarda. This relates to the re-negotiation of the debt of Immobiliare Lombarda in 2005. The interest rate on the loan is Euribor plus a spread of 0.9%. The maturity dates are variable up to December 31, 2012. In the first quarter of 2007, Immobiliare Lombarda agreed a loan of approx. Euro 38 million with Efibanca, in order to acquire the investment in IGLI. The interest rate on the latter loan is at Euribor plus a spread of 0.83% and the expiry date is December 31, 2012;
- Euro 165.3 million refers to the loan of the Tikal R.E. Closed Real Estate Fund with Intesa SanPaolo, with this latter as Bank Organiser, Agent and Lender. The purpose of the loan is to improve the return on own capital and therefore the capital invested by the participants.

The amount involves a total credit line of Euro 280 million, utilised for investments in new projects and to undertake improvements in view of future sales and incremental returns.

The cost of the loan is Euribor plus a variable credit spread between 70 and 110 b.p. The Fund, since the previous year, has utilised two credit instruments, in application of a hedging policy on the potential risk of an increase in interest rates on the loan granted;

- Euro 34 million refers to short-term loans for fixed use (so-called “hot money”) obtained by the subsidiary Finitalia from various credit entities;
- Euro 21 million refers to the bonds issued in 2008 by Banca SAI in part variable interest rate and in part fixed interest rate, with variable expiry from 2011 to 2014;
- The residual amounts relates to other insignificant payable positions.

TREASURY SHARES, SHARES OF THE HOLDING COMPANIES AND ITS SUBSIDIARIES

At 30/09/2008 and at 31/12/2007, the Parent Company held treasury shares and shares in the parent company Premafin Finanziaria as shown in the table below:

| (Euro thousand) | 30/09/2008 | | 31/12/2007 | |
|-----------------------------------------------|-------------------|----------------|-------------------|----------------|
| | Number | Book value | Number | Book value |
| Treasury shares held by: | | | | |
| Fondiaria-SAI | 2,814,500 | 58,428 | 1,780,000 | 60,352 |
| Milano Assicurazioni | 8,382,557 | 209,900 | 8,382,557 | 209,900 |
| Sai Holding | 1,200,000 | 28,306 | 1,200,000 | 28,306 |
| Total | 12,397,057 | 296,634 | 11,362,557 | 298,558 |
| Saving treasury shares held by: | | | | |
| Fondiaria-SAI | - | - | 568,051 | 12,403 |
| Total | - | - | 568,051 | 12,403 |
| Shares of the holding company held by: | | | | |
| Fondiaria-SAI | 18,340,027 | 23,273 | 18,340,027 | 35,671 |
| Milano Assicurazioni | 9,157,710 | 11,621 | 9,157,710 | 17,812 |
| Saifin - Saifinanziaria | 66,588 | 85 | 66,588 | 130 |
| Total | 27,564,325 | 34,979 | 27,564,325 | 53,613 |

SHAREHOLDERS' EQUITY

Shareholders' equity at 30/09/2008 was as follows:

| (Euro thousand) | 30/09/2008 | 30/06/2008 | 31/12/2007 |
|-------------------------------------------------------|------------------|------------------|------------------|
| Shareholders' equity | 4,339,794 | 4,501,389 | 5,170,935 |
| Group Net Equity | 3,286,423 | 3,430,647 | 3,857,752 |
| Share capital | 167,044 | 168,693 | 168,534 |
| Capital reserves | 209,947 | 208,942 | 207,785 |
| Retained earnings and other reserves | 3,088,762 | 3,129,280 | 2,807,956 |
| Treasury shares | (296,635) | (330,604) | (310,961) |
| Translation reserve | 807 | (107) | (1,623) |
| Profit or loss on available-for-sale financial assets | (258,975) | (35,822) | 415,143 |
| Other gains and losses recorded directly in equity | 68,782 | 81,836 | 63,952 |
| Group profit | 306,691 | 208,429 | 506,966 |
| Minority interest equity | 1,053,371 | 1,070,742 | 1,313,183 |
| Minority capital and reserves | 1,087,164 | 1,068,822 | 1,157,681 |
| Gains and losses recorded directly in equity | (112,094) | (50,926) | 42,417 |
| Minority interest profit | 78,301 | 52,846 | 113,085 |

OTHER INFORMATION

Sales organisation and personnel

The personnel of the Fondiaria-SAI Group at 30/09/2008 is broken down as follows:

| | 30/09/2008 | 31/12/2007 |
|-----------------------------------|--------------|--------------|
| Italian companies | 5,707 | 6,101 |
| of which Parent Company: | 2,671 | 2,623 |
| Foreign companies | 2,272 | 90 |
| Fondiaria-SAI S.p.A. Group | 7,979 | 6,191 |

The significant increase in the number of employees in 2008 is due to the acquisition of the company DDOR Novi Sad on January 31, 2008, which contributed 2,178 employees.

In addition, the employees of the foreign companies include 508 brokers.

With reference to the third quarter of 2008, the national distribution of the Fondiaria-SAI Agents was as follows:

| | SAI Mandate | Fondiaria Mandate | Total 30/09/2008 | Total 31/12/2007 |
|--------------|------------------------|------------------------------|-----------------------------|-----------------------------|
| North | 409 | 249 | 658 | 664 |
| Centre | 147 | 164 | 311 | 312 |
| South | 219 | 140 | 359 | 362 |
| TOTAL | 775 | 553 | 1,328 | 1,338 |

With reference to the Group it is noted that in the third quarter of 2008 there were 3,903 agencies (3,769 at December 31, 2007), operating through 2,939 sales points (2,934 at December 31, 2007) representing the traditional distribution channel.

The increase in the number of agencies is also due in this case to the acquisition of the company DDOR Novi Sad which in the third quarter of 2008 had 80 agencies.

Cultural and Social Initiatives

In relation to the activities of the first six months of the year, reference should be made to the detailed information provided in the 2008 half-year report. Further interventions and initiatives in the third quarter of the year are reported below.

External Communications

The revisory work on the formal codes of “client communication”, which commenced in the first half of the year and guided by the general principles of greater clarity and transparency, was first utilised in the study project of the new product range Retail Più, which is expected to be completed by 2009, with exclusive distribution by the Fondiaria-SAI networks.

The communication project, which commenced in the third quarter, identifies the communication guidelines, paying particular attention to the modernisation of language and focussing on conveying usefulness and convenience to the client.

The project relates to both the commercial communication instruments and to contractual and legislative communication, with emphasis on the language (verbal and visual) and to a greater extent, on the brand image.

Great visibility is also given to the company Auto Presto & Bene and to the motor insurance policy of the same name, which together provide a complete and innovative format of services and unique advantages for the clients of the Group, competitiveness and loyalty value. The communication reached the market through the agency channels and the repair centre networks present on the ground and, finally, through the setting up of the Internet site www.autoprestoebene.it on October 1.

Adequate support and visibility to the initiatives developed by the corporate business centres and the Companies belonging to the Group has also been guaranteed, particularly:

- support to the Motor Department in the realisation of new direct motor marketing programmes;

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- the start-up of communication projects for the new company Sistemi Sanitari;
 - realisation of the communication project for the Fondiaria-SAI Foundation and the commencement, on October 1, of the Internet site www.fondazionefondiariasai.it

Finally, the Agencies were guaranteed the necessary ongoing assistance in the realisation of local communication instruments, based on the specific local marketing needs and pursuant to Isvap Circular 533/d which requires the prior authorisation by the insurance Company of all communications of a commercial nature by intermediaries.

The utilisation of the portal ComunicAgenzia, which began at the beginning of 2008 for the optimal management of assistance requests of the Agencies, grew by over 200% on the same period of the previous year.

Internal Communications

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

Among the most important activities we report:

- sharing information through the NEWS newsletter and the TEAM house organ, which are distributed to all employees and distribution networks;
- the development of ad hoc Communications Plans (specifically for Milano Assicurazioni with which collaboration is also taking place for the study of a new print publication) and the realisation of communications projects targeted at the Group's different companies;
- creating customer loyalty among the best clients (Club Assicurati) through the creation of a quarterly magazine, LINEA DIRETTA CLUB;
- the distribution of 2008/2009 Free Catalogues for all employees and distribution networks to manage the Group's promotional offerings;
- the continuation of the integration of the Intranet system;
- the management of the large billboards and agency signs for all the Group;
- the planning of events targeted at employees and agency networks.

Public Relations

In order to increase and consolidate the institutional role and visibility of the Fondiaria-SAI Group in Turin and Piemonte, the Group has continued to provide support and collaborate with the following cultural institutions during the period:

- the Fondazione Teatro Regio di Torino (Royal Theatre of Turin Foundation) of which Fondiaria-SAI is a founding partner and member of the Board of Directors;
- the Museo Nazionale del Cinema (National Cinematic Museum) - of which Fondiaria-SAI is a member of the Management Committee;

-
- the Committee for the promotion of the Beni Artistici e Culturali di Torino (Artistic and Cultural Heritage of Turin), of which Fondiaria-SAI is founding member and a member of the management board;
 - the Turin Industrial Association's Conference Centre
- and many other institutions operating in social and cultural areas.

Specifically, in order to continue the Group's commitment as a promoter of a high-level artistic-cultural setting and its continued willingness to create a strong relationship with the city of Turin, during the month of September, significant support was provided for the traditional MITO-September Music event (which saw Fondiaria-SAI acting in the cities of Turin and Milan at the same time) and on October 5, for the fifth year in a row, the opening night (featuring Luigi Cherubini's *Medea*) at the Royal Theatre of Turin, which is now acclaimed by the public and receives excellent media coverage.

Customer relations

The number of complaints received by the Company pursuant to Isvap circular No. 518/03 in the first nine months of 2008 decreased by 25.4%. In particular, the ordinary claims decreased by 41.5%, while Isvap claims recorded a contained increase of 5.9%.

The number of complaints, as indicated above, was due in particular to the following factors:

- the first effects of the initiatives undertaken by the Working Group following the concerning increase in the number of sanctions issued by Isvap;
- the stabilisation of complaints following the entry into force of the Bersani Law, one of the principal reasons for the increase in the previous year;
- the consolidation of the Direct Compensation procedure;
- the channelling directed at the "pre-complaint" correspondence.

In relation to sanctions, Isvap transmitted a total of 324 formal notifications in accordance with the application of the Private Insurance Code; the Supervision Authority also issued 278 notices in relation to cases which had been previously transmitted by the Notification Act.

These injunctions amounted to Euro 3,452,451.93.

In order to identify the causes which could have determined the increase in sanctions we have continued the study on the claims on which a dispute arose, thanks to which it is possible to identify the shortcomings.

This monitoring system in fact allows the mapping out of the responsibilities of the various bodies involved in the management of the damage.

We highlight that a study is underway for a complete computerisation of this process to improve the efficiency and timing.

With reference to the customer loyalty programmes, the second of the two-year operations of the new club "Assicurati" began, an offer which is accessible both on the institutional site and through a specific insertion attached to the Linea Diretta Club magazine. The insertion this year is called "Best for You" and the offers available, extracted from the institutional catalogue, have seen increasing interest from the policyholders.

Further new events of the Club 2008/2009 are:

- the creation of an “Elite Under 30” category, for which ad hoc initiatives to award young customers in particular are proposed;
- the offer through a Pronto Assistance Guarantee package based upon the category (Private, Elite or Elite under 30).

The Club Assicurati members are the best Clients reported by the agencies of the Sai division, the employees of Fondiaria-SAI that wished to join the initiative, those belonging to the Sai seniors division and the clients of Fondiaria-SAI, Milano, Nuova Maa and Previdente involved in the Private Insurance.

With reference to the future activity for the remaining part of the year we report:

- the Retail Più project, with the continuation of the activities relating to the launch of the first products of the new range, planned for the beginning of 2009;
- the preparation for the 4th number of Vision, the Group magazine dedicated to marketing and communication;
- the re-definition project of the brand profile and any up-dating of the Group's visual identity system;
- the preparation of the communication equipment for the participation at the Matching trade fair event;
- the new internal Communication project for the Companies of the Group;
- the social events for the end of the year;
- the study of initiatives aimed at eliminating the deficiencies which caused clients to make complaints;
- the constant monitoring of the situation relating to the sanctions notified by Isvap;
- the improvement in the time period of response to complaints, following the entry into force of the new Isvap regulation No. 24 of May 19, 2008.

Sponsorship and donations

Within the social-cultural sphere, in the third quarter of 2008 Fondiaria-SAI held the first edition of the Fiuggi Family Festival: sponsored by the Forum for the Family Associations, this was the first cinema festival entirely dedicated to families. During the festival, film previews, reviews, meetings “for families” and an international competition to promote films for a family audience were undertaken. For the duration of the Festival, the Group had its own stand where qualified personnel from the local network were available to the large public audience to promote Famiglia Più, the new insurance product for large families and other protection and security dedicated to the family and to the household.

The support of the Rimini Meeting was renewed. Having reached its XXIX edition, the meeting for friendship among people was entitled “Either leader or nobody”, a theme which involved entrepreneurs, politicians, religious, cultural, scientific and artistic personalities in 120 debates and meetings. Among these, “The Person and the Business value and merit”, in which the CEO of the Fondiaria-SAI Group also contributed.

Our participation at the event this year involved a stand in which all the insurance solutions of the Group concerning individuals, households and families were presented, particularly close to the needs of the public at the Meeting. Products dedicated for small and medium enterprises were also offered, considering the participation of Compagnia delle Opere and approx. 200 associated enterprises.

In the cultural field, the sponsorships continued of MITO SettembreMusica. In its second edition, the International Music Festival for the entire month of September united Milan and Turin in a busy calendar of over 200 music events, among which classical music concerts, contemporary, jazz, rock, pop and ethnic, in addition to meetings, music marathons, dedicated reviews and film projections, over 60% of which totally free, thanks to the support from the sponsors.

Among the social projects, we note the support to the Vittorio di Capua Equestrian Rehabilitation Centre, a structure belonging to the Niguarda Cà Granda Hospital at Milan, which for more than 25 years has been a reference point for medical rehabilitation which utilises the horse as a rehabilitation instrument for individuals with physical handicaps. Currently, the centre helps approx. 100 patients with a wide variety of pathologies (for example, child cerebral palsy, skull trauma, psychiatric issues, etc.). The contribution of Fondiaria-SAI was used for the purchase of a horse for the rehabilitation of younger patients.

In the sporting arena, the sponsorship was reconfirmed of the prestigious golf event Fondiaria Sai Swing Cup and of the women's athletic squad, the Fondiaria-SAI Atletica di Roma, which this year won its seventh successive title. A record in Italian athletics, this important victory captured the attention of the media which normally gives little coverage to this sport.

Rating Standard & Poor's

On July 22, 2008, Standard & Poor's improved its rating on the long-term financial stability of Fondiaria-SAI from "BBB+" to "A-". The outlook was confirmed as stable.

This improvement, according to the agency's report, "takes into consideration the stronger competitive position of the Life division, the leadership and good operating performance in the Non-Life division, the strong capitalisation and the continued improvement in the Risk Management Enterprise".

The stable outlook was based on the assumption that the competitive position of the Group and the Non-Life operating performance, currently recognised to the Fondiaria-SAI Group, is maintained although in a more competitive environment. A further improvement may occur in the near future if the Life division's profitability increases and if the implementation of the ERM continues at a sustained pace.

A relatively high concentration of the equity portfolio remains in a small number of strategic investments, although an adequate reduction of the market risk is recognised through hedging operations on the most important holdings.

The new Standard & Poor's valuation is of great satisfaction for the Group and confirms the strategies adopted and the efficiency of the work undertaken in recent years and takes a positive outlook on the market challenges ahead and the achieving of the objectives set for the coming years.

SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER

Public purchase offer of the residual ordinary shares DDOR

On October 9, Fondiaria-SAI S.p.A. ("Fondiaria-SAI") launched – in accordance with the obligations assumed pursuant to the purchase contract of the shares representing approx. 83.32% of the share capital of the Serbian insurance company DDOR Novi Sad "DDOR", completed on January 31, 2008, as announced to the market – a public purchase offer on all the residual 352,701 DDOR ordinary shares, representing approx. 16.68% of the share capital of DDOR (the "Bid").

The consideration for the purchase was determined, in accordance with the provisions of applicable Serbian law, as 10,336.32 Serbian Dinar per share; the Bid was not subject to conditions and, in particular, was not subject to the reaching of a minimum subscription threshold. The maximum payment for Fondiaria-SAI therefore amounted to approx. Euro 47.5 million (exchange rate at October 2, 2008), for a total investment – taking into account the shares already acquired – of approx. Euro 267.5 million.

The duration of the Subscription period was 21 calendar days from October 9, 2008, in accordance with the provisions of applicable Serbian law.

The Bid was authorised, on October 7, 2008, by the Serbian Republic Securities Commission.

On October 29, 2008, the subscription period to the Offer ended: sales requests were received for a total of 336,590 ordinary shares of DDOR, equal to 15.92% of the share capital (the "Shares Subject to Sales Requests").

In accordance with applicable Serbian laws, the final payment for the purchase was determined as 10,581.42 Serbian Dinars per share; the payment by Fondiaria-SAI in relation to the Shares Subject to Sales Requests amounted to Euro 3,561.6 million Serbian Dinars (Euro 42 million at the exchange rate of October 29). The total investment– taking into account the DDOR shares already acquired by Fondiaria-SAI – amounts to Euro 262 million.

Taking into account the outcome of the Offer, as well as the number of DDOR shares already held, Fondiaria-SAI will have a total holding of 99.24% of the share capital of DDOR. As a consequence of reaching a holding above 95% of the share capital of DDOR, Fondiaria-SAI will have the right to purchase the remaining DDOR shares within 120 days from October 29, at a price per share equal to that established for the Offer (so-called squeeze out: the "Purchase Right"). In addition to the Purchase Right of Fondiaria-SAI, this latter will also have the obligation to purchase the remaining shares of the shareholders of DDOR who make a request within 180 days from October 29, 2008.

Finally, it is announced that, having exceeded 95% of the share capital of DDOR at the conclusion of the Offer, Fondiaria-SAI will undertake, in accordance with the requirements of current Serbian law, the necessary communications to the Serbian supervisory authorities.

Capitalia Assicurazioni

On October 29, the Board of Directors of Fondiaria-SAI and UniCredit approved the modifications to be made to the existing agreements concerning their holdings in Capitalia Assicurazioni.

Fondiaria-SAI and Capitalia S.p.A. signed non-life bancassurance agreements between June and September 2006. In particular, Fondiaria-SAI acquired 51% of Capitalia Assicurazioni from the Capitalia Group, which maintained 49% of the share capital. Capitalia Assicurazioni in turn signed long-term distribution agreements with the banks of the Capitalia Group, Banca di Roma, Banco di Sicilia, Bipop Carire and FinecoBank.

Following the merger of Capitalia into UniCredit – in which the UniCredit Group sub-entered into the above-mentioned agreements – and the restructuring of the networks of the Group, the agreements in force concerning Capitalia Assicurazioni were modified and/or updated in a manner that the subsidiary:

- will maintain its potential distribution within the new structure of the UniCredit Group, placing products through the UniCredit Banca di Roma and Banco di Sicilia networks;
- will continue in the expansion of its product range in line with the overall non-life bancassurance offer of the UniCredit Group.

The agreement reached will strengthen the partnership between the two Groups and promote the development of the subsidiary, increasing its competitiveness.

OUTLOOK

In this phase of considerable economic change, dominated by strong tension within the international financial markets, the increased level of competition introduced by the new regulations relating to the insurance sector requires even greater focus on the technical performances and on the efficiency of the processes.

For example, the introduction of the “direct compensation” mechanism created recent operating implications, such as to require the Fondiaria-SAI Group to undertake a revision of its strategic guidelines. The Fondiaria-SAI Group has therefore decided to meet this new opportunity relating to the Non-Life Classes, increasing the channelling of the claim, operating in the “supply chain” with agreements with repair workshops and spare part suppliers and monitoring the level of the service, both through the unification of standard response times and prices and thanks to the statistical analysis of the experts’ evaluations and monitoring of the application of the conventions agreed.

It is within this context that the new company “Auto Presto & Bene” started up in recent months, which has the objective of strengthening the level of service offered and reducing at the same time the average cost of repair, rationalising the processes of the auto repairs and benefiting from the volumes of claims settled and from commercial agreements with a network of trusted operators.

With reference to the “non Motor” segment, in order to increase business through the banking channel, the development of the Non-Life bancassurance will continue, through distribution agreements and joint ventures.

In relation to the Life Classes, the equilibration of the Group portfolio will continue, in order to balance the contribution provided by the traditional Networks, by the collective networks and by the bancassurance segment, with the aim of improving cost synergies and further maintaining the profitability of the segment. The historic “Corporate” presence on the market will be further strengthened with initiatives relating to the Trading Funds and the development of the Open Funds, in order to benefit from the opportunities generated from the Complementary Pension reform, with particular attention to the provision of annuities.

Cross-selling operations will continue to be defined on the portfolio of the companies with guaranteed employee leaving indemnity policies, with greater focus on the market of the employee benefit guarantees (such as death, permanent invalidity, long-term care), requested on the renewal of national contracts or company negotiations.

Finally, considering the unfavourable global economic prospects, the Group financial management will maintain its traditional strategy aimed at achieving the best equilibrium between risk and return, reducing, where necessary, the exposition of the equity component of the asset classes and adopting policies capable of hedging the share portfolio.

In order to protect the levels of excellence which have always characterised our Group in terms of combined ratio, also within a recessionary period, the action which will be taken for the immediate future will principally be based on:

- the rationalisation of the operating structure in order to achieve maximum cost efficiencies;
- the elimination of all inefficient positions both on the ground and in the various business lines;
- benefiting from the value chain, leveraging the large amount of investments made in recent years,

in order to increase management efficiency of the Group, which must be capable of absorbing without repercussions also the charges deriving from the Bersani reform, continuously offering better services to Clients at even more competitive prices.

Although expecting a confirmation of the good technical results registered to date, the current extremely difficult economic environment does not allow a forecast on the contribution to the results for the year 2008 from the financial management.

Milan, November 12, 2008

*For the
Board of Directors
The Chairperson*

Ms. Jonella Ligresti

**DECLARATION IN ACCORDANCE WITH ART. 154 BIS, PARAGRAPH 2, OF LEGISLATIVE
DECREE 24/02/1998, N. 58**

The undersigned Pier Giorgio Bedogni, as Executive Responsible for the preparation of corporate financial documents of Fondiaria-SAI S.p.A.

affirms

pursuant to the provisions of article 154 bis of the “Finance Act for financial intermediaries” that the Interim Report as at September 30, 2008 corresponds to the underlying accounting documents, records and accounting entries.

Milan, November 12, 2008

*The Executive Responsible for
for the preparation of the corporate accounting documents*

Mr. Pier Giorgio Bedogni

DECLARATION PURSUANT TO ART. 39 OF CONSOB REGULATION NO. 16191/2007 AND ART. 2.6.2., PARAGRAPH 15 OF THE MARKET REGULATIONS OF BORSA ITALIANA S.P.A.

Pursuant to article 39 of the Market Regulations (approved by Consob resolution No. 16191 of April 29, 2007 and subsequently modified with resolution No. 16530 of June 25, 2008) and article 2.6.2., paragraph 15, of the Market Regulations of Borsa Italiana, the obligations as per article 36, paragraph 1 of the above-mentioned Market Regulations, with reference to Subsidiaries constituted and regulated by laws outside of the European Union are not applicable to Fondiaria-SAI.