
CONSOLIDATED HALF-YEAR REPORT AT JUNE 30, 2008



FONDIARIA-SAI S.p.A.

FONDIARIA-SAI S.P.A. - FLORENCE OFFICE - P.ZA DELLA LIBERTA' 6 - TURIN OFFICE - CORSO G. GALILEI, 12
- SHARE CAPITAL €169,623,712 FULLY PAID-IN - TAX AND
VAT CODE AND FLORENCE COMPANY REGISTRY OFFICE NO. 00818570012 - AUTHORISED TO PRACTICE
INSURANCE IN ACCORDANCE WITH ART.65 R.D.L. OF APRIL 29, 1923 N. 966, CONVERTED INTO LAW NO. 973 OF
APRIL 1925

CORPORATE BOARDS FONDIARIA-SAI S.p.A.

THE BOARD OF DIRECTORS

Salvatore Ligresti

Honorary Chairman

Jonella Ligresti*

Chairman

Giulia Maria Ligresti*

Vice Chairman

Massimo Pini*

Vice Chairman

Antonio Talarico*

Vice Chairman

Fausto Marchionni*

Chief Executive Officer - General Manager

Andrea Brogginì

Mariella Cerutti Marocco

Maurizio Comoli

Francesco Corsi

Carlo d'Urso

Vincenzo La Russa*

Gioacchino Paolo Ligresti*

Lia Lo Vecchio

Enzo Mei

Giuseppe Morbidelli

Cosimo Rucellai

Salvatore Spiniello

Ezio Toselli

Oscar Zannoni

Alberto Marras

Secretary of the Board and the Executive Committee

THE BOARD OF STATUTORY AUDITORS

Benito Giovanni Marino

Chairman

Giancarlo Mantovani

Statutory Auditor

Marco Spadacini

Statutory Auditor

Maria Luisa Mosconi

Alternate Auditor

Alessandro Malerba

Alternate Auditor

Rossella Porfido

Alternate Auditor

INDEPENDENT AUDITOR

DELOITTE & TOUCHE S.p.A.

GENERAL REPRESENTATIVE OF THE SAVING SHAREHOLDERS

Sandro Quagliotti

GENERAL MANAGEMENT

Fausto Marchionni

EXECUTIVE RESPONSIBLE

for the preparation of the corporate accounting documents

Pier Giorgio Bedogni

*** Members of the Executive Committee*

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

- sale and/or purchase of property above the value of Euro 15 million for each operation;
- sale and/or purchase of investments 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 principals 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.

FIRST HALF-YEAR 2008 HIGHLIGHTS

- 8/1/2008: Fondiaria-SAI and Banca Italease, following the changed industrial partnership conditions, replaced the purchase/sale contracts and related agreements with a new agreement which provides for the exclusive distribution of the Life insurance products of the Fondiaria-SAI Group through the branches and networks of the agents and intermediaries of the Banca Italease Group for a five-year period, renewable for a further five years on expiry.
- 30/1/2008: Fondiaria-SAI approved the launch of a voluntary public purchase and exchange on all of the ordinary shares of Immobiliare Lombarda S.p.A. not held directly and/or indirectly by Fondiaria-SAI. The bid will be paid in part in shares of Milano Assicurazioni S.p.A. held by Fondiaria-SAI S.p.A. and in part in cash. The Boards of Directors of Fondiaria-SAI and Milano Assicurazioni also approved the guidelines for a corporate/industrial restructuring of the Group.
- 31/03/2008: sale of 50% of the subsidiary Po Vita to Credit Agricole Assurance Italia S.p.A. with a gain of Euro 29 million.
- In order to avail of the opportunities in the automotive repairs market, in April Fondiaria-SAI established the company Auto Presto & Bene.
Auto Presto & Bene's objective is to increase the level of service in the settlements of Motor TPL claims, reducing the average repair cost and rationalising the processes through commercial agreements with a network of reliable operators (body repair workshops, spare parts, dealerships, distributors, car manufacturers).
- 17/4/2008: in relation to the Public Purchase and Exchange Offer approved on January 30, 2008, Fondiaria-SAI at the date of the bid held, directly and indirectly, 3,695,532,115 ordinary shares of Immobiliare Lombarda S.p.A., equal to 90.02% of the share capital.
- 23/4/2008: approval of the merger by incorporation into Milano Assicurazioni S.p.A. of Sasa Assicurazioni e Riassicurazioni S.p.A., Sasa Vita S.p.A. and the share capital increase of Milano Assicurazioni S.p.A. reserved to Fondiaria-SAI for the conferment in kind by this latter of the entire holding of Liguria Assicurazioni S.p.A. and of 27.88% held in Immobiliare Lombarda 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., both companies jointly held by the Fondiaria-SAI Group and the BANCO POPOLARE Group.
Within the complex agreements with the 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.
Therefore application was made for authorisation from Isvap in the time period necessary for, subject to authorisation and compliance with Law, the merger to be legally effective as of December 31, 2008 and retrospective accounting and fiscal effect as of January 1, 2008.
- 30/5/2008: the ordinary share buy-back programme commenced, in accordance with the Shareholders' Meeting Resolution of April 23, 2008.

Key Group data

(in Euro millions)	1 st Half2008	1 st Half 2007
Net profit *	261	338
Total Gross premiums written	5,927	6,181
of which:		
Gross Non-Life premiums written	3,799	3,806
Gross Life premiums written	2,128	2,375
Investment policies written	255	83
APE	189	211
Combined ratio – Non-Life sector	94.97	94.57
Expense ratio of the Non-Life sector	22.43	20.91
Expense ratio of the Life sector	6.51	6.03
(in Euro millions)	30/06/2008	31/12/2007
Investments	34,803	38,021
Net technical reserves - Non-Life division	10,734	10,906
Net technical reserves - Life division	17,953	19,532
Shareholders' equity	4,501	5,171

* The result includes the minority interest share.

New products launched and new initiatives in the first half year

Non-Life Division

- With the continuation of the revision and rationalisation of the products relating to the Non-Motor Classes, in February 2008 the Group launched a new policy CONSTRUCTION COMPANY TPL INSURANCE, featuring innovative criteria, responding to the needs of this specific market sector, and with uniform and simplified procedures and solutions for all of the Companies of the Group.

Life Division

- From February 19, 2008, Fondiaria-SAI launched a new annual premium and constant capital Term Life policy FOR SMOKERS AND NON-SMOKERS, with tariff differentiation based on smoking habits, offering non-smokers a reduced tariff. A “non-smoker” is defined as a policyholder who has never smoked, even periodically, in the 24 months preceding the conclusion of the contract and where the stoppage did not occur following medical advice against a pre-existing illness.
- From February 25, 2008 and for a placement period concluded on March 27, 2008, the Parent Company made a new Index Linked product called WORLD CUP available to customers. The product permits the investor/policyholder to receive a return on the investment even in the first year with a fixed coupon of 5.5%, subsequently offering the possibility to increase their savings also in the case of a negative market performance.
- From April 7, 2008, Fondiaria-SAI offers its Policyholders a new annual premium product OPEN PIU’, with the objective to provide its Clients a new instrument characterised by the technical simplicity of its insurance contents, by contained costs and by the provisional remuneration advantages typical of annual premium products. OPEN PIU’ is an additional product to those already available in the Savings range of products and is principally aimed at employees or persons with fixed income, with low/medium income and with modest annual savings. The ideal Client for this product is prudent, prefers the security of the results over high performance and accepts the long-term perspective of the investment.

CONTENTS

	- Banca Sai S.p.A.	68		
	- Sai Asset Management SGR S.p.A.	69		
	- Sai Mercati Mobiliari SIM S.p.A.	69		
	- Finitalia S.p.A.	70		
	- Saiagricola S.p.A.	71		
	ASSET AND FINANCIAL MANAGEMENT	73		
	- Investments and liquidity	74		
	- Financial management	75		
	- Fondiaria-SAI Group debt.	79		
	- Treasury shares, shares of the holding companies and its subsidiaries	82		
	- Performance of the listed shares of the Group	82		
	OTHER INFORMATION.....	94		
	- Group Employees	95		
	- Human Resources	95		
	- Training at Fondiaria-SAI in the first half year 2008.....	96		
	- Cultural and social initiatives	97		
	- Litigation	102		
	- Significant events after the period end.....	103		
	- Outlook.....	105		
	CONDENSED CONSOLIDATED HALF-YEAR FINANCIAL STATEMENTS			
	FINANCIAL STATEMENTS.....	109		
	- BALANCE SHEET	110		
	- INCOME STATEMENT	112		
	- CHANGES IN SHAREHOLDERS' EQUITY	113		
	- CASH FLOW STATEMENT	115		
	NOTES TO THE FINANCIAL STATEMENTS	117		
	- PART A – Accounting principles.....	118		
	- PART B – Information on the consolidated Balance Sheet.....	132		
	- PART C – Information on the consolidated Income Statement.....	152		
	- PART D – Segment Information	161		
	- PART E – Information on business combinations.....	164		
	- PART F – Other information.....	165		
	- PART G – Transactions with related parties	167		
	ATTACHMENTS.....	175		
	AUDITORS' REPORT	195		
CONSOLIDATED HALF-YEAR REPORT				
INTERIM REPORT	9			
- Economic overview and the insurance market	10			
- Operational performance.....	18			
NON-LIFE INSURANCE SECTOR	23			
- The Non-Life Insurance market.....	24			
- Direct compensation.....	27			
- Operational performance	29			
- Capitalia Assicurazioni S.p.A.	37			
- Dialogo Assicurazioni S.p.A.	38			
- Liguria Società di Assicurazione S.p.A.	38			
- Milano Assicurazioni S.p.A.	38			
- Sasa Assicurazioni e Riassicurazioni S.p.A.	40			
- Siat Società Italiana Assicurazioni e Riassicurazioni S.p.A.	41			
- The Lawrence Re Ireland Ltd.....	41			
LIFE INSURANCE SECTOR.....	42			
- The Life Insurance market.....	43			
- Pensions in Italy	44			
- Bipiemme Vita S.p.A.	50			
- Novara Vita S.p.A.	50			
- Popolare Vita S.p.A.	51			
- Sasa Vita S.p.A.	51			
REINSURANCE.....	52			
REAL ESTATE SECTOR	55			
- Tikal R.E.	60			
OTHER SECTORS.....	63			
- Banca Gesfid S.A.	67			

Consolidated Half-Year Report at June 30, 2008

Interim Report

ECONOMIC OVERVIEW AND THE INSURANCE MARKET

International economic overview

In the first half of 2008, the tensions on the international financial markets intensified, with the entire global economy deteriorating. The US economy incurred a strong slowdown, following the strong contraction in residential investments, the reduction of inventory levels and more contained household consumption and non-residential capital investments.

Private analysts and international organisations have reviewed their growth forecasts for the US economy. In particular, the International Monetary Fund estimates GDP growth of 0.5% for the current year, one percentage point below that forecast at the beginning of the year.

There remains however considerable uncertainty on the potential severity and duration of the crisis.

In Japan, economic activity experienced an unexpected acceleration in the fourth quarter of 2007 (+3.5% annually), sustained by exports, in particular those to other Asian economies. The economic indicators report, however, a weakness in the first half of 2008. The international organisations have lowered their growth forecasts for the current year (below 2%). The Bank of Japan therefore has maintained the official discount rate and no change is forecast in 2008 as the rise in consumer inflation recorded in the first six months of 2008 (+1%) is attributed entirely to the energy and food components, net of which, the change in prices was slightly negative.

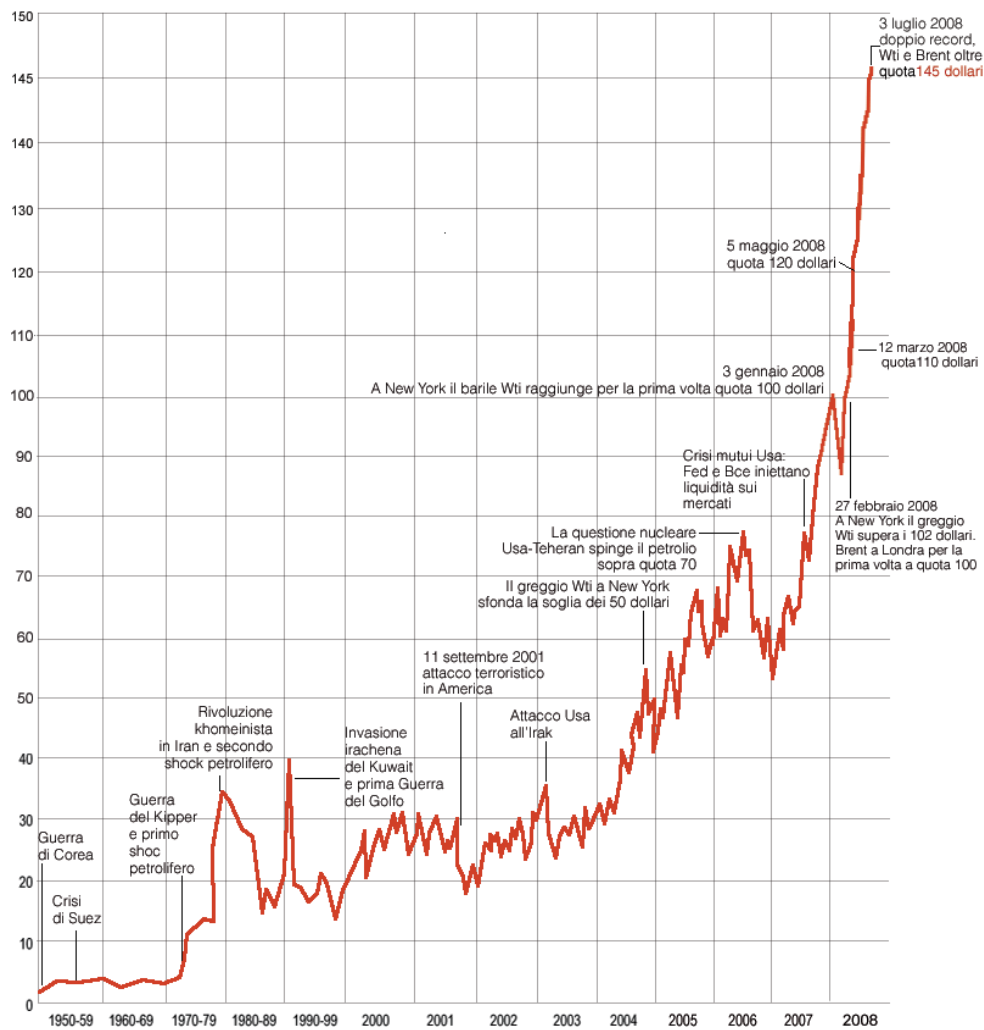
For 2008, the forecasts of the International Monetary Fund report the relatively contained effect of the slowdown of the advanced economies on the GDP growth of the emerging countries: GDP is expected to grow by 9.3% in China (from 11.4% in 2007), 7.8% in India (from 9.2% in 2007), 4.8% in Brazil (from 5.4% in 2007) and 6.8% in Russia (from 8.1% in 2007).

World trade continues to grow at sustained levels, thanks to the continued and robust expansion of the emerging economies.

The price of oil recorded further sharp rises at the beginning of 2008, with values above USD 145/barrel and close to USD 146/barrel (see Chart 1) recorded at the beginning of July principally due to the expected increase in Chinese imports of fuel for the post earthquake reconstruction and in view of the Summer Olympics. At the end of August, the price of oil was approx. USD 120/barrel. A new equilibrium is expected to be found within the next 12 months, with demand being lower than supply, with growth in this latter thanks to the production stemming from the investments made by the oil companies in the last five years which will enter onto the world markets.

Chart 1 – Oil price (in US Dollars per barrel)

Historical trend from 1950 to 1984 Arabian Light, from 1985 to 2004 Brent spot, from 2005 to today Wti USA.



Source: *Il Sole 24Ore* from the “Bp Statistical Review of World Energy”

Strong increases were also recorded for food raw materials. The concerns regarding the effects of these rises on inflation, which is rising in most of the advanced and emerging countries, impacts upon the monetary policies pursued.

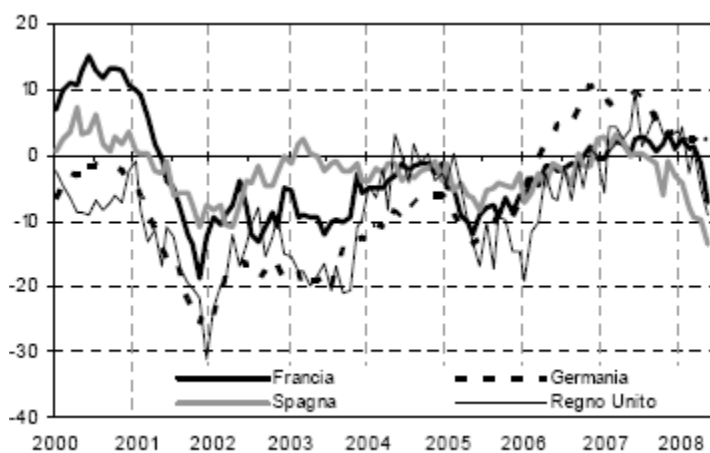
The European and Italian market

In the first six months of 2008, the economic outlook of the Euro Area was extremely uncertain. The European Central Bank forecast a GDP growth for the current year of 1.7% while the International Monetary Fund forecast a growth of 1.4% - both forecasts lower than the previous estimates (around 2%).

The Euro area is affected both by the slowdown of foreign demand, amplified by the strong Euro/Dollar exchange rate, and the repercussions on internal demand, due to successive rises in interest rates.

In addition, according to data published by the European Community, the average European consumer confidence in May was at its lowest level since September 2005.

Chart 2 – Confidence levels of companies in the principal European Countries



Source: *Institute of Economic Studies and Analysis – ISAE*

In Italy, numerous quantitative and qualitative indicators forecast that the weakness cycle in the fourth quarter of 2007 will be extended in 2008, resulting in production growth rates below potential, already low by international standards, with an expected growth by the International Monetary Fund of just 0.3% in 2008 (and only +0.1% for the Confindustria Study Centre). Our economy unfortunately continues to be impacted by structural problems which have reflected for a number of years in insufficient productivity gains, independently of cyclical fluctuations.

Table 1 – Forecast for Italy
(% change on the previous year)

	GNP		Inflation (1)	
	2008	2009	2008	2009
OCSE (2)	1.3	1.3	2.4	1.9
FMI (3)	0.3	0.3	2.5	1.9

Source: OCSE, European Commission, Consensus Forecasts, Economy and Finance Ministry, International Monetary Fund.

In particular:

1) index harmonised with consumer prices; for the forecasts of the Government deflator of consumption.

2) OCSE, Economic Outlook, December 2007.

3) FMI, World Economic Outlook, April 2008.

In June, the Eurozone recorded the highest level of inflation since the summer of 1996, with an inflation rate of 4% (in Italy inflation was 3.8% in June rising from 3.6% in May), strengthening the decisions of the European Central Bank to raise the discount rate.

The European Union Commission for Economic Affairs in fact estimated that, on the basis of recent trends, the average annual inflation in 2008 will be above 3.2%, well above the European Central Bank target of under 2%.

Therefore, in spite of the slowdown in economic growth, in order to ensure price stability and sustain the level of consumption and medium-term growth, the Institute increased the cost of money, with a rise in interest rates from 4% to 4.25%. This choice had strong repercussions on the economic system, as an aggressive and prolonged rise in interest rates could have a serious effect on the economic growth in the Euro Area, but was necessary to avoid further erosion from inflation on wages purchasing power.

Table 2 - The cost of money worldwide

Country	Official rates	%	Last change
United States	Fed Funds	2.00	30/04/2008
Euro zone	Time deposits	4.25	03/07/2008
Great Britain	Intervention Rate	5.00	10/04/2008
Japan	Discount rate	0.50	21/02/2007

Source: *IlSole24Ore* – July 2008

Household consumption may also contract due to the fall in property prices combined with adverse labour market conditions and the strong rise in inflation. At the end of May, the Italian consumer index of Confcommercio recorded a reduction of 2.7%, compared to the same month of 2007, with a decrease of 1.9% in the first five months of the year, compared to +1.1% in the same period of 2007. This figure unfortunately reaffirms the forecast for Italian growth in 2008 of close to zero.

The hardest hit sector is transport, with a decrease in the purchases of motor vehicles, motorbikes, petrol and airline tickets (-13.5% to May), with a further reduction of household spending on necessities (-4.9% for recreational goods and services).

The insurance sector

In 2007, the Italian insurance industry, which employs about 300,000 persons between employees and brokers, compensated over 10 million claims, with more than Euro 25 billion paid to policyholders or beneficiaries against damages incurred.

In spite of the strong growth in recent years, the gap in terms of national insurance growth compared to the other European Countries still remains wide. In the Non-Life Classes alone, net of those relating to the obligatory Motor TPL insurance, in Italy these classes amount to 1% of GDP, between half and one third of that in the other principal countries in the Euro Area. Life reserves, although strongly developed from the mid 1990s (from 5% to 23% of GDP), also remain lower than European levels, which are on average double Italian levels.

The underinsurance that this generates does not permit households and businesses to protect themselves from vulnerability and the negative consequences generated from adverse events.

With the level of insurance written in the last two years this underinsurance has not improved: in the Non-Life sector, the increase in premiums was lower than the growth in domestic GDP, similar to the decrease in the premiums in the Life segment.

In particular, the total gross premiums written in the first quarter of 2008 by the domestic insurance companies and representative offices in Italy of foreign insurance companies amounted to Euro 23 billion, a reduction of 10.4% on the same period of 2007.

The Non-Life portfolio (total Euro 9,110.4 million) decreased by 0.3%, accounting for 38.6% of the total portfolio (34.7% in the same period of 2007), while the Life premiums (Euro 14,489.2 million) recorded a decrease of 15.8%, accounting for 61.4% of the total Life and Non-Life global portfolio (65.3% in the same period of 2007).

In the recent document prepared by Standard & Poor's which analyses the international multi-class insurance prospects, the rating agency confirms that in the coming years the insurance companies must confront the challenge of increased variability in revenues and profitability, due to the intense competition and high market volatility.

Therefore, the difficult economic environment, originating from the default of the bonds related to the US real estate mortgages, will also impact upon the European insurance market, although with a reduced impact compared to the banking sector, with consequent stability of the insurance sector ratings thanks to the diversified operating profile, solid capitalisation and good level of liquidity available.

The reduced impact is principally due to the limited exposure to the financial products which caused the credit crisis. Research undertaken by Fitch on 41 European insurance groups reports that only 13 have an exposure to bonds related to subprime mortgages and which comprise only 0.5% of their investments.

In Italy, the total premiums written from direct business are expected to record a decrease compared to 2007, with a total volume of Euro 95 billion (-4.4% on 2007) and a percentage on GDP of 6% (-6.45% on 2007).

In the Non-Life segment, the premiums written by the Motor TPL class are expected to be stable. Above average growth is expected in the Fire and Other Property Damage sector (+1.5%), while premiums are expected to be below average in the Land Vehicles sector (+0.7%).

It is also possible that, with the uncertainty remaining on the financial markets, with a preference of savers towards low risk products, during 2008 a slowdown in the reduction in the Life insurance premiums will take place, estimated by Ania at -11.4% in 2007 and -7.7% in 2008. Simultaneous to an estimated fall in the premiums component of the financial insurance products (-13% for the linked products and -70% for the securitisations), an increase is expected in the traditional policies (6%). A further positive contribution could derive from the pension policies (+75%).

Regulatory framework

With reference to the principal regulatory norms concerning the Italian insurance market, which will inevitably have effects on insurance activity in the coming years, the following information is provided. The information is outlined in greater detail in the annual accounts.

Liberalisation

The new regulations for the Motor TPL segment have now been issued in relation to market liberalisation (reference Laws 248/06 and 40/07).

The insurance companies, through the president of the representative body of insurance companies, requested the new Government to review some regulatory decisions included in the “Bersani” decrees - in particular those relating to the direct Motor TPL compensation and to the abolition of the single mandate agencies, as it is the general opinion that any legislative provisions require prior consultation with the representatives of the industry, in order to involve the market in the regulatory process.

In particular, with reference to the prohibition to exclusively distribute the Non-Life Class policies, Ania believes that competition is also achieved through the development of instruments which permit maximum transparency on the characteristics and obligations of the distributors, on the contents of the contracts and on the price of the policies.

The insurance brokerage activity therefore should be considered in terms of a community, eliminating anachronistic restrictions which limit the activity of the brokers to the category they belong to and, within the requirements of correctness and transparency, leaving the governance of their relations with the insurance companies in the private sphere.

Versatility of the pension funds

The employee subscribing, tacitly or explicitly, to the complementary pension, pursuant to Legislative Decree 252/2005 will not have the option to return to the old payment method, but may change within the integrated pension system. This versatility permits a change in subscription from one pension form to another after two years from the subscription to a complementary pension form.

With a document signed on April 24, 2008 at the labour ministry, Abi, Ania, Assogestioni, Assofondipensione and Assoprevidenza agreed the guidelines which allow versatility within the subscription to pension funds. This relates to a “best practice” code which will facilitate the versatility within the employee leaving indemnity and of the contributions from one pension fund to another, voluntarily or due to a job change by employees.

The ABI-ANIA Federation

Through two extraordinary shareholders’ meetings, respectively of ABI and ANIA, in April the statutory changes were made to the Association of Bankers and those of Insurance Companies which will formally permit the establishment of the ABI-ANIA federation.

The respective executive committees also approved in February the draft by-laws of the Federation, which are proposed in relation to its dealings with the Institutions, political and monetary authorities, Industry associations, and of the public positions of ABI and ANIA in terms of economic and social policies.

Class Action

The entry into force of the “class action” laws, introduced in the 2008 finance act, was extended to January 1, 2009, and also includes the extension to the public sector. The law arise from the intention to provide large groups greater access to take legal redress and greater protection in those cases where the interest at stake is too small to undertake individual legal action.

The Antitrust Authority considers the period in the second half of the year before the entry into force of the class action as sufficient to identify the technical solutions which best correspond to the objectives of efficient processes and extension to the public sector.

Solvency II

In 2008, the European Commission together with CEIOPS prepared the fourth Quantitative Impact Study (QIS4). The study includes the general principles defined by the Commission in the Proposal Directive issued in 2007.

The study provides for greater information requested from the Groups, as well as a recalibration of the capital requirements (Solvency Capital Requirement and Minimum Capital Requirement).

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

The Minimum Capital Requirement represents, however, the minimum equity threshold below which company operations can not be carried out. The proposal of the directive requires that this is calculated in a verifiable, clear and simple manner and it is calibrated at a value at risk of own funds of the company with reference to a confidence level between 80% and 90%, over a period of 1 year and has a minimum threshold of Euro 2 million for the Life Division. The calculation method is however subject to European Community debate.

The QIS4 proposed modifications to the calculation method also to the MCR and for some risks included in the SCR valuation.

In the autumn, the results of the QIS4 will be published and the consultation phase of the proposed Directive concluded. The Directive will then be issued by the end of the year which will take account of the observations presented.

The Community Directive proposal relates to regulations on the solvency of the insurance companies, published on July 10, 2007, and has the purpose of coordinating the regulations on Life and Non-Life insurance and to increase the protection for the policyholders. The Draft Directive encompasses 13 Old Community Directives in one single document and updates the new regulations on Solvency.

The Fondiaria-SAI Group participated at QIS3 with 20 insurance companies out of the 21 companies present; for the undertaking of this study, as for the previous QIS, the collaboration between the various functional areas of the Company and of the Group was particularly important.

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

OPERATIONAL PERFORMANCE

The consolidated half-year report at June 30, 2008 includes the recommendations of Isvap Regulation No. 7/07 and was prepared in accordance with article 154 of Legislative Decree 58/98 and subsequent modifications and based on the regulations for the preparation of financial statements applying the same accounting and consolidation principles utilised for the preparation of the consolidated financial statements at December 31, 2007. In particular, the balance sheet and income statement data was prepared as per accounting standard IAS 34 relating to interim accounts. In the preparation of the interim data, the application of the accounting principles and policies for the financial statements require, as also recalled in the notes, a greater recourse to estimates and projections.

The data therefore has the function of representing in a reasonably reliable manner the financial position of the Group at June 30 and of providing information on the principal risks and uncertainties for the remaining six months of the year.

Pursuant to Consob Communication No. DEM/6064293 of 28/07/2006 and CESR recommendation in relation to alternative performance indicators, it is reported that the principle indicators utilised in the present report are in line with best market practices and the principle academic theories; where there are indicators that do not comply with the above-mentioned requisites the necessary information is provided in order to understand the calculations utilised.

Consolidated Income Statement

The table below reports the results in the first six months of 2008 compared to the same period of the previous year and for the full year 2007.

(Euro thousand)	30/06/2008	30/06/2007	Changes	31/12/2007
Net premiums	5,709,572	5,933,977	(224,405)	11,501,073
Net charges relating to claims	4,235,205	4,866,502	(631,297)	9,359,735
Net commissions	25,472	27,291	(1,819)	48,820
Net income of the investments (*)	590,193	587,389	2,804	1,255,930
Net Income from financial instruments recorded at fair value through profit or loss	(403,385)	(2,012)	(401,373)	(255,725)
Management expenses	981,824	924,098	57,726	1,854,366
Management expenses on investments and interest expense	82,718	69,981	12,737	131,790
Other income and charges	(247,616)	(161,285)	(86,331)	(312,001)
Profit before taxes	374,489	524,779	(150,290)	892,206
Income taxes for the period	113,214	186,580	(73,366)	273,235
Net Profit	261,275	338,199	(76,924)	618,971
Profit from discontinued operations	-	(197)	197	1,080
Consolidated profit	261,275	338,002	(76,727)	620,051
Minority interest profit	52,846	61,185	(8,339)	113,085
Group net profit	208,429	276,817	(68,388)	506,966

(*) Consolidated income statement accounts +1.4 + 1.5 – 2.3 – 2.4 (excluded 2.4.1)

The key consolidated results in the half-year were as follows:

- The half-year **consolidated profit** was Euro 261 million (Euro 338 million in the first-half 2007), of which Euro 208 million attributable to the Group and Euro 53 million attributable to minority interests.
- The **overall technical performance** in the insurance sectors reports stability in the premiums written in the Non-Life sector (-0.39%) and a more marked decrease in the Life sector (-10.3%). The half-year accounts reflect the deconsolidation of Po Vita and the reduction of the Group in the not particularly profitable “corporate” contracts.
- The **Non-Life Insurance Division** reports a pre-tax profit of Euro 285 million, a decrease on the first-half of 2007 (Euro 402 million). This trend results from the recent turbulences on the financial markets which resulted in the recording of greater write-downs compared to the first-half of 2007, especially in the fair value assets recorded through profit or loss. However, the technical management is substantially stable, despite the negative impact recorded in the income statement due to the abolition of the restrictions on the long-term contracts and the consequent reversal of commissions capitalised. The performance of the Motor Classes was satisfactory, while the Other Classes do not demonstrate particularly critical problems although it is still too early to express an opinion on the definitive trend for the current year.
- The **Life Division** reports a pre-tax profit of over Euro 82 million (Euro 105 million in the first half of 2007): the decrease compared to the same period of the previous year is largely due to the decrease of the profits to be realised on investments, taking into account 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 **Real Estate Division** reports a pre-tax loss of over Euro 12 million (Euro 1 million loss in the first half of 2007). In the first part 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 19 million, in line with the previous half-year. Against the decrease in brokerage and management commission income was greater ordinary financial profitability and, for the banking sector, higher revenues to meet overhead costs.
- The **gross technical reserves** amounted to Euro 29,535 million (Euro 31,343 million in 2007) of which Euro 11,376 million in the Non-Life Classes and Euro 18,159 million in the Life Classes. The ratio between the total technical reserves and the total premiums written was 249.2% (263.8% in 2007). This ratio was 149.7% in the Non-Life sector (158.6% in 2007).
- The total **management expenses**, excluding those relating to the management of the investments, amounted to Euro 982 million (Euro 924 million in the first half of 2007). In the Non-Life sector these expenses amounted to Euro 806 million and represent 21.2% of the premiums (20.1% in 2007), while in the Life sector the total amount of the expenses was Euro 139 million and accounted for 6.5% of premiums (6.0% in 2007). The total expense ratio on the premiums amounted to 15.9% compared to 14.6% in the first half of 2007 and includes the above-mentioned capitalised commissions reversed.

-
- The **net commissions** for financial services amounted to Euro 25 million (Euro 27 million in the first half of 2007). Of these approximately Euro 10 million relate to the life sector, while the residual amount refers to the Other Activities.
 - The contribution of the **net income deriving from financial instruments recorded at fair value through profit or loss** was a loss of Euro 403 million compared to a loss of only Euro 2 million in 2007. This figure highlights the tensions in the financial markets in the first half of 2008. This account includes the net income from financial assets where the risk is borne by the policyholders (negative for Euro 357 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.
 - Excluding the contribution of the net income deriving from financial instruments at fair value through profit or loss, the **total net income from investments**, including income from investment in subsidiaries, associated companies and joint ventures of Euro 27 million, amounted to Euro 590 million (Euro 587 million in the first-half of 2007). Interest income contributed Euro 436 million, other net income Euro 149 million and valuation losses, net of the relative revaluations, approx. Euro 22 million. The gains and losses to be realised resulted in breakeven.
 - The **investment management expenses and interest expenses** amounted to Euro 83 million, of which Euro 73 million referred to interest on Group debt.
 - **Other revenues and costs** amounted to a cost of Euro 247 million (Euro 161 million costs in the first half of 2007). The account includes amortisation and depreciation on intangible and fixed assets totalling approx. Euro 41 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. This decrease will not necessarily be confirmed at the year-end, considering the recent measures, also retrospectively, issued by the Government which extends the deferment of the deduction of the write-down of receivables from policyholders and of the long-term component of the change in the claims reserve, with an expected increase of the current income taxes.

The result for the period was not impacted by significant non-recurring or unusual operations compared to the normal operations of the company.

Premiums Written

The first half of 2008 reported total premiums written of Euro 5,927 million (-4.11%), broken down as follows:

(Euro thousand)	1 st Half 2008	1 st Half 2007	Change %
<u>DIRECT PREMIUMS</u>			
Non-Life Division	3,786,202	3,801,093	(0.39)
Life Division	2,126,913	2,371,633	(10.32)
TOTAL	5,913,115	6,172,726	(4.21)
<u>INDIRECT PREMIUMS</u>			
Non-Life Division	12,148	4,651	161.19
Life Division	1,339	3,177	(57.85)
Total indirect premiums	13,487	7,828	72.29
Total	5,926,602	6,180,554	(4.11)
of which:			
Non-Life Division	3,798,350	3,805,744	(0.19)
Life Division	2,128,252	2,374,810	(10.38)

Segment Income Statement

(Euro thousands)

	Non-Life Insurance Sector		Life Insurance Sector		Real Estate Sector		Other Sectors		Eliminations Inter-sector		Total	
	30/06/2008	30/06/2007	30/06/2008	30/06/2007	30/06/2008	30/06/2007	30/06/2008	30/06/2007	30/06/2008	30/06/2007	30/06/2008	30/06/2007
1.1 Net premiums	3,594,836	3,571,235	2,114,736	2,362,743	0	0	0	0	0	0	5,709,572	5,933,978
1.1.1 Gross premiums	3,737,547	3,717,198	2,128,252	2,374,809							5,865,799	6,092,007
1.1.2 Premiums ceded to re-insurers	-142,711	-145,963	-13,516	-12,066							-156,227	-158,029
1.2 Commission income			29,148	30,863			25,275	29,752	-801	-368	53,622	60,247
1.3 Income and charges from fin. inst. at fair value through profit or loss account	-23,957	36,004	-383,583	-41,600	-11	380	4,166	3,407		-203	-403,385	-2,012
1.4 Income from investments in subsidiaries, associates and joint ventures	320		29,833	17,896	21			1,586		-444	30,174	19,038
1.5 Income from other financial instruments and property investments	247,515	224,904	358,081	362,483	21,729	27,743	86,427	59,326	-37,626	-20,077	676,126	654,379
1.6 Other revenues	82,786	105,814	27,817	7,084	71,042	59,368	146,571	144,618	-127,115	-97,997	201,101	218,887
1 TOTAL REVENUES AND INCOME	3,901,500	3,937,957	2,176,032	2,739,469	92,781	87,491	262,439	238,689	-165,542	-119,089	6,267,210	6,884,517
2.1 Net charges relating to claims	-2,440,941	-2,503,417	-1,794,264	-2,363,288	0	0	0	0	0	203	-4,235,205	-4,866,502
2.1.2 Amounts paid and changes in technical reserves	-2,507,382	-2,615,038	-1,806,905	-2,376,647						203	-4,314,287	-4,991,482
2.1.3 Reinsurers' share	66,441	111,621	12,641	13,359							79,082	124,980
2.2 Commission expenses			-18,765	-22,184			-9,385	-10,771			-28,150	-32,955
2.3 Charges from investments in subsidiaries, associates and joint ventures	-132	-66			-3,224	-2,394	-207				-3,563	-2,460
2.4 Charges from other financial instruments and property investments	-79,132	-59,040	-64,562	-48,434	-29,368	-26,701	-50,196	-31,531	37,851	18,216	-185,407	-147,490
2.5 Management expenses	-810,200	-748,873	-144,226	-146,411	-105	-106	-37,148	-34,767			-991,679	-930,157
2.6 Other costs	-286,111	-224,761	-71,719	-54,051	-72,214	-59,385	-146,364	-142,647	127,691	100,670	-448,717	-380,174
2 TOTAL COSTS AND CHARGES	-3,616,516	-3,536,157	-2,093,536	-2,634,368	-104,911	-88,586	-243,300	-219,716	165,542	119,089	-5,892,721	-6,359,738
PROFIT BEFORE TAXES	284,984	401,800	82,496	105,101	-12,130	-1,095	19,139	18,973	0	0	374,489	524,779

Non-Life Insurance Sector

THE NON-LIFE INSURANCE MARKET

In the Classes most representative of the Italian Non-Life segment, which at the end of the first quarter of 2008 report total premiums of Euro 9,110.4 million with a decrease of 0.3%, the premium portfolio of the Motor TPL Classes amounted to Euro 4,519.5 million (-2.8% on the first quarter of 2007), accounting for 49.6% of the total sector (50.9% in the same period of the previous year) and 19.2% of the total premiums (17.6% in the first quarter of 2007).

The result confirms the downward trend of Motor TPL prices due to the new measures introduced by the so-called “Bersani Decrees”, the contraction of new motor registrations and greater competition.

In fact, some measures contained in the above-mentioned decrees, which contributed to a saving on the price of the policies, explain the decrease in the premiums written by the insurance companies.

In particular, reference is made to two measures contained in Legislative Decree No. 7/2007, enacted into Law No. 40/2007 (“Bersani II Decree”), relating to the bonus/malus effect:

- the measure which obliges the insurance companies to apply the same merit class assigned to a vehicle already insured in the case of a Motor TPL contract relating to a further vehicle acquired by the owner or by a member of the same household;
- the measure which delays the attribution of the malus class until the payment of the claim and not when this is reserved.

These two measures resulted in a high number of policyholders availing of a more favourable merit class than would have otherwise been the case during 2007. For these parties, the decree resulted in a saving, sometimes significant, on the price of Motor TPL coverage, at the same time generating a reduction of the premiums written.

Among the Other Non-Life Classes, the largest increases in premiums written were: Land Vehicles with 8.8%, Accident with 8.3% (8.1% in 2007), General TPL with 7.9% (8% in 2007), Health with 6.1% (5.5% in 2007), Other Property Damage with 5.8% (5.6% in 2007) and Fire and Natural Elements with 5.7% (5.8% in 2007).

The analysis by distribution channel continues to highlight the premiums written through brokerage agencies amounting to 84.9% of the Non-Life portfolio (84.6% in 2007) and 90.9% of the TPL Motor division (90.5% in the first quarter of 2007).

With reference to the Motor TPL prices, ANIA analysed over time the two most utilised indices at international level:

- 1) The average price of Motor TPL insurance. In an obligatory insurance regime, the annual increase of the premiums written by the insurance companies measures the increase of the total expenses by the policyholders to utilise the coverage. Dividing the volume of the premiums by the number of vehicles gives the “average coverage price” per vehicle;
- 2) ISTAT index for the insurance of transport vehicles.

The table below illustrates that the average price of the Motor TPL coverage decreased by 1.5% in 2005 and by 0.8% in 2006. The decrease intensified in 2007, with a reduction of 2.7%.

Table 3 - Average ANIA price of Motor TPL insurance

Year	Premiums Written (in Euro millions) ISVAP Source	Number of vehicles in circulation (thousands of units) Source ACI	Index of the average price of coverage per vehicle	Annual change %
2003	17,622	49,101	100.0	3.1
2004	18,062	50,100	100.5	0.5
2005	18,171	51,152	99.0	(1.5)
2006	18,387	52,175	98.2	(0.8)
2007	18,313	53,073	95.55	(2.7)

Source: Ania - “Motor TPL in figures”, March 2008, meeting with the Authority for price supervision.

In relation to the methodology for the calculation of the ISTAT index, this latter does not take account of either the changes in the distribution of the policyholders across the different bonus malus classes or of the discounts.

As there has been a large change in the distribution of the policyholders towards better bonus/malus classes in recent years and the discounts have greatly increased, the changes of the ISTAT index for transport insurance were systematically above the average price of Motor TPL coverage.

In relation to the discounts, it is recalled that Legislative Decree No. 233 of July 4, 2006, enacted into law 248/2006 (“Bersani I Decree”), in prohibiting the exclusive clauses between agents and the insurance companies in the Motor TPL class, also excluded the possibility of imposing maximum discounts on agents, potentially increasing the tariff levels of insurance policies.

It is also recalled that the ISTAT index grew more rapidly, not only for the average coverage price, but also for the entire premiums written, despite the fact that each year the quantities sold (or rather the number of policies) have increased, at a pace of between 2% and 3%. The difference is significant in recent years and especially historically: the analysis made by ANIA show that from 1994 to today the ISTAT index grew by 164%, more than the premiums written (+111.4%), in addition to the average price of the coverage (+58.4%).

The table below prepared by ANIA on the basis of the ISTAT data and on the tariffs published by the insurance companies (price lists), illustrates that from 2004 the increase in the average price of the Motor TPL coverage was lower than the consumer prices, for the entire national market, in spite of the difference existing between the two recording methods. In other terms, in the past 4 years the Motor TPL insurance did not contribute to inflation.

Table 4 – ISTAT recording of Motor TPL policies

Year	% change of the ISTAT index on the same period of the previous year for the insurance of transport vehicles	% change on the same period of the previous year on the consumption prices for the entire collective (NIC)	% change on the same period of the previous year on the average price of Motor TPL insurance
2003	5.0	2.7	3.1
2004	0.9	2.2	0.5
2005	1.7	1.9	(1.5)
2006	2.3	2.1	(0.8)
2007	1.5	1.8	(2.7)
October 2007	1.6	2.1	
November 2007	1.8	2.4	
December 2007	2.0	2.6	
January 2008	2.5	3.0	

Source: Ania - "Motor TPL in figures", March 2008, meeting with the Authority for price supervision.

It is probable that in the coming months the above-mentioned legislative provisions in relation to bonus/malus will continue to apply downward price pressures (but not on the tariffs).

Unfortunately, it is highly possible that the costs of insurance companies will rise from the measure which prohibits the exclusivity clauses in the agency mandates which, from January 1, 2008, are applied to existing mandates. The increase in the costs derive from the fact that in the competition between insurance companies the capacity to offer more favourable economic conditions to distributors is significant.

DIRECT COMPENSATION

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

Also from January 2008, in order to reduce the cost of the Motor TPL costs for motorcycles (a sector characterised by high expenses for personal injuries), the Technical Committee created by the Economic Development Ministry decided to divide the direct compensation system for road accidents into two parts: the Insurance Companies will pay separately compensation for personal injuries and property damage . In particular, the flat-rate in the “clearing house”, applied by the insurance companies on the settlements on claims (incurred or provoked by their clients), amounts to Euro 1,415 for property and vehicle damage and Euro 3,250 for small personal injuries to drivers.

An initial analysis undertaken by ANIA on the data currently available, based on quarterly research on a sample of insurance companies widely representative and statistically significant, report that the new direct compensation system, in spite of some initial start-up difficulties, is now fully operational throughout the country. In fact, in the first 11 months of the new system, the percentage of the claims which generated claims in conformity with the principles of applicability of the new system was 73.7% of the total claims managed by the insurance companies (which therefore also include those managed outside the convention).

The percentage of the claims for which it is not possible to apply the direct compensation system (at least one type of damage) was 27.4%. As one claim can cause several types of damage, which may enter within the convention between the policyholders in relation to direct compensation and those compensated outside of the convention and therefore counted in both types, the sum of the two percentages is not equal to 100%.

Table 5 – Percentage of claims within the CARD convention

	% vehicle insured	% CARD claims	% NO CARD claims
AUTOVEHICLES PRIVATELY USED	71.7	79.6	21.6
MOTORCYCLES	13.3	60.1	41.1
- of which MOTORBIKES	8.0	78.4	23.0
- of which MOPEDES	5.3	16.5	84.2
TRUCKS	7.8	52.9	48.2
- of which less than 35 Quintals	6.3	60.0	41.1
- of which greater than 35 Quintals	1.5	34.8	66.4
OTHER SECTORS	7.2	35.0	65.7
TOTAL SECTORS	100.0	73.7	27.4

Source: Ania Trends - focus Motor TPL – data at 31/12/2007

These percentages can be analysed for the different type of vehicles insured. There are strong differences between the various segments and in particular, while for the motor vehicles and motorcycles the percentage of claims within the new direct compensation procedure is around 80% of the total, for the Mopeds only 16.5% of the claims are within the CARD convention due to the applicability restrictions which limits the system only to vehicles with a new plate.

It is therefore expected that, due to a continual improvement of the IT procedures (which may have initially slowed down the entry of claims under convention) and to the fact the claims between two policyholders of the same company will also be included, which were excluded in the 2007 data (from 2008 on a voluntary basis and 2009 obligatory), the percentage of the claims within the CARD convention will increase in the coming years.

The analysis of the percentage of the claims under the convention, on total claims, on a regional basis for the total vehicles highlights that in almost all the Italian provinces there are a high number of claims within the convention. Bolzano is the province with the lowest percentage (62.4%), while Rome has the highest percentage (79.1%). Values below the national average were recorded in the southern provinces. In the north, the provinces of Trentino Alto Adige (Trento and Bolzano) and Sondrio recorded values below the average.

Significant expectations of cost reductions accompanied the introduction of the direct compensation in February 2007. In relation to this, it is considered that the data currently available does not permit a reliable valuation, as such data is difficult to compare with similar aggregates relating to previous periods. The data available for the full year 2007 are from CONSAP which concerns only minor claims in the direct compensation procedure and when fully operational should cover about 40% of the total amount.

According to ISVAP data, the settlement period has decreased (from 63 to 55 days), with a downward trend also for the average cost of the claims paid and accrued (-7.8% compared to December 31, 2006).

However, for a further reduction of the prices of the policies offered to the policyholders, the Supervision Authority highlights that one of the measures to be taken will be a greater detection of fraud, including through the creation of a single agency on behalf of the sector.

The future prospects of the Non-Life sector are however not particularly encouraging: in the Motor TPL class the premiums written could remain stationary, while the increase in the growth rate of the other classes is impacted by the slowdown in economic activity. Overall the Trade Association estimates an increase in Non-Life premiums limited to a little over 1%.

Agreements focussed on Young People

ANIA and the consumer Associations share the need to tackle the problem of young drivers. The majority of the road accidents involving young drivers could in fact be avoided utilising behavioural models: the natural lack of experience of young drivers is in fact aggravated by an under valuation or in fact the absence of perception of the risks related to road circulation, factors which reflect also on the cost of Motor TPL insurance.

In June 2008, ANIA, in collaboration with the consumer Associations and the Highway Police signed an agreement of honour for young persons (so-called “Agreement for Young Persons”), in which ANIA is committed to requesting the member insurance companies to adopt and propose to young drivers between 18 and 26 years a special policy which provides for a significant reduction of the premium compared to that applied by each individual company for the age group considered, subjecting the benefit to the condition that the young insured driver commits contractually to comply with specific behavioural obligations appropriate to reduce the risk of provoking accidents.

OPERATIONAL PERFORMANCE

At the end of 2007, the **Fondiarria-SAI Group** was the second largest group in the direct Italian consolidated premiums written as per IAS/IFRS, with total premiums in the Non-Life Division of Euro 7.3 billion (market share of over 19%), confirming the strong presence in Italy and its vocation to the insurance business.

In particular, in the **Non-Life sector** the Group returned to first place in the Motor market (with premiums written equal to 23.02% of the total), while maintaining at the same time market share and profitability in the sector.

The leadership in the sector by size and profitability is also confirmed by the optimisation of the trade-off between market share and profitability in the Non-Life Division compared to the competition, with a combined ratio of 94.7% at December 31, 2007, among the highest values realised at the end of the year in the sector and a performance, in the Motor TPL class, significantly and consistently better than the market average.

From an operational viewpoint the initiatives aimed at increasing the non-auto business were consolidated which at the end of the first half of 2008 recorded growth of 6.7%.

The careful selection of the risks also continues, with a continual monitoring of the portfolio and the consequent termination of negative contracts. This resulted in a decrease of the claims deriving from contracts delegated from others and the improvement of the performance connected to the professional clientele and from the Public Entities. This latter trend, already seen at the end of 2007, was consolidated in the first half of the current year.

With reference to the Motor TPL class, the Group undertook a series of initiatives aimed at reducing the volatility of the market introduced by the Bersani Decrees: this has resulted in a series of initiatives on communication and marketing, in the quality of the service to the clientele and on the tariffs.

The strategic initiative of the relaunch of the direct channel through the **subsidiary Dialogo** continues, with focus on specific potential high value client segments such as:

- virtual “early adopters” (insured by the traditional insurance companies);
- singles;
- young families with children under 13 years;

and in general men and women between 30 and 50 years, resident in large urban areas of Northern Italy, with small and medium-size motor vehicles and driving less than 10 thousand kilometres annually, which have not been involved in any claim in the past 4 years.

The objective is for the subsidiary to become an important and recognised player in the direct market in a scenario in which the growth rate of the direct insurance company on the Italian market is positive but decreasing at around 6% for the next three years.

The **non-life Bancassurance** activity operates with the support of more than 3,000 bank branches distributing the Group's products. This is undertaken through a series of commercial agreements with prevalently local banks, in addition to the agreement, currently in the redefinition phase, with the Capitalia Group, now incorporated into Unicredito.

The policies through the bank branches are principally directed at policies related to banking products (mortgages and protection), by their nature simpler to place and manage. However for the Motor products, the banking channel lacks a certain amount of experience, which also requires a particular type of management.

Premiums

Overall, the direct premiums written amounted to Euro 3,786 million (-0.39%).

The breakdown by division is shown below:

<u>DIRECT PREMIUMS</u> (Euro thousand)	1st Half 2008	1st Half 2007	Change %
Accident & health	356,303	351,429	1.39
Marine, aviation and transport insurance	107,248	105,370	1.78
Fire and other damage to property	422,791	366,220	15.45
General TPL	247,247	242,445	1.98
Credit & Bonds	47,429	42,616	11.29
General pecuniary losses	14,467	14,005	3.30
Legal expenses	9,483	8,541	11.03
Assistance	22,929	20,138	13.86
TOTAL OTHER NON-LIFE DIVISION	1,227,897	1,150,764	6.70
Land vehicle TPL	2,156,527	2,246,391	(4.00)
Motor vehicles – other classes	401,778	403,938	(0.53)
TOTAL MOTOR	2,558,305	2,650,329	(3.47)
TOTAL	3,786,202	3,801,093	(0.39)

The premiums written in the first half 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 80 million. Therefore, on a like-for-like consolidation basis, total premiums would have decreased by approx. 2.5%.

The premiums ceded amounted to Euro 145 million (Euro 143 million in the first half of 2007).

The gross claims paid amounted to Euro 2,644 million, an increase of 3.4% on the first half 2007 (Euro 2,556 million).

Technical reserves, gross of reinsurance, amounted to Euro 11,376 million (Euro 11,606 million at December 31, 2007).

The percentage of management expenses on premiums increased (22.4% compared to 20.9% in the first half of 2007), due to the greater charges incurred in the period for amortisation of the capitalised commissions, not compensated by a similar amount of new capitalisations, due to the abolition of the long-term restriction on the policies of the Other Classes.

The combined ratio for the period amounted to 94.9% compared to 94.6% in the first half of 2007.

This ratio illustrates a strong operational efficiency in the assurance processes both in the underwriting and settlement.

The principal elements of the combined ratio are summarised below:

<i>(Data shown in %)</i>	30/06/2008	30/06/2007
Loss ratio	67.9	70.1
Expense ratio	22.4	20.9
Combined operating ratio	90.3	91.0
OTI ratio (*)	4.6	3.6
Combined ratio	94.9	94.6

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

Claims paid and reported

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			Claim reported		
	1 st Half 2008	1 st Half 2007	Change %	1 st Half 2008	1 st Half 2007	Change %
	Euro/thousand	Euro/thousand		Number	Number	
ITALIAN DIRECT						
PREMIUMS						
Non-Life Division						
Accidents	106,747	102,040	4.61	55,106	51,718	6.55
Health	92,731	89,080	4.10	111,089	111,629	(0.48)
Railway	244	-	-	-	-	-
Aviation	295	704	(58.10)	24	14	71.43
Maritime	2,213	3,758	(41.11)	167	180	(7.22)
Goods in transit	3,601	5,752	(37.40)	1,137	1,552	(26.74)
Fire and other natural events	102,972	98,225	4.83	26,510	26,847	(1.26)
Other property damage	122,800	111,541	10.09	70,535	68,439	3.06
Aviation TPL	1,719	30	-	9	41	(78.05)
Maritime TPL	-	152	(100.00)	-	36	(100.00)
Flood	-	152	(100.00)	-	36	(100.00)
General TPL	176,923	170,290	3.90	46,843	51,752	(9.49)
Credit	157	380	(58.68)	1	1	-
Bonds	15,573	22,823	(31.77)	705	627	12.44
Pecuniary losses	3,572	2,066	72.89	1,874	2,098	(10.68)
Legal expenses	880	778	13.11	1,127	1,111	1.44
Assistance	8,862	9,566	(7.36)	42,465	39,774	6.77
TOTAL OTHER NON-LIFE						
DIVISION	639,289	617,185	3.58	357,592	355,819	0.50
Motor TPL	1,809,425	1,761,439	2.72	503,875	508,127	(0.84)
Land vehicles	195,438	177,749	9.95	148,591	140,643	5.65
TOTAL MOTOR	2,004,863	1,939,188	3.39	652,466	648,770	0.57
TOTAL NON-LIFE						
DIVISION	2,644,152	2,556,373	3.43	1,010,058	1,004,589	0.54

The new management process of the Direct Compensation claims in the first half of 2008 report good levels of efficiency.

In particular, the settlement period of the material damage improved on the terms required by law and increasingly provides a service of excellence.

The IES claims management IT system was extended to all the claims offices and agencies of the Group companies.

The model has the following principal objectives:

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

With reference to the operating performance of the Motor TPL Class it should be noted that the data for the first half of 2008 is not completely uniform and therefore not comparable with the same period of the previous year. In particular, the start up from February 1, 2007 of the new direct compensation procedure resulted in a series of charges - IT, organisational and procedural - with a consequent delay of the traditional processing of the data relating to the claims.

In fact, from February 2007 a new direct compensation procedure is in place in the Motor TPL class, which in the case of road accidents, permits non-responsible claimants, or those only partly responsible, to be compensated directly by their insurance company. In relation to this it should be noted that, 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.

With reference to the **Parent Company Fondiaria-SAI** the premiums written in the Motor TPL Class amounted to Euro 1,110 million, a decrease of 5.25% on the first half of 2007.

The decrease in premiums is principally attributable to three factors:

- the first relates to the significant contraction of the new motor registrations which decreased by 11.45% in the first six months of 2008. In June, the decrease was 19.50%;
- the second relates to a decrease of 4.33% of the overall average premium compared to that recorded in 2007 (-2.78% on 2007). This is due to the greater request for discounts from customers and the impact of Law No. 40 of April 2, 2007 (so-called "Bersani Decree II"), which requires the assignment to further vehicles acquired by a customer or a co-habiting family member to the same class as the first vehicle, instead of the entry class indicated by the company.
- the third reason for the reduction in premiums is the consequence of the termination notices of the multi-claim portfolio, foreseen from the action plans of 2007.

It is expected that the coming months will see a recovery due to the effect of a more uniform comparison with the previous year and due to the commercial actions undertaken by the Company.

In relation to the Non Motor Classes premiums written of the Parent Company amounted to Euro 613.2 million, growth of 2.14% on the first half of 2007.

Particularly strong growth was recorded for the Fire and other natural events, Other Property Damage and Bond classes; the premiums written for Accident and General TPL classes were in line with the previous year, while the Health class recorded a decrease.

The growth in premiums is principally due to the impetus provided from the retail sector, where technical-commercial initiatives were aimed at re-launching some types of products, while, in the corporate sector, market conditions remain extremely competitive, which render significant growth in business with adequate margins difficult.

In particular, there were difficulties in the Public Entity sector which recorded a reduction of 16.7% entirely due to the loss of General TPL premiums consequent to the carrying out of the reform activity which resulted in interventions on the most serious contracts, while the remaining classes recorded growth.

The Large Corporations segment recorded a good result with an increase in premiums of 17.1%.

Purchase of 83.32% in the share capital of DDOR NOVI SAD

On the awarding of the tender for the sale of the company DDOR Novi Sad on November 26, 2007 and on the completion on November 30, 2007 of the purchase contract of 83.32% of the share capital of the above-mentioned company with the Deposit Insurance Agency of Serbia, as shareholder and representative of a group of minority shareholders, and having obtained all the authorisations requested, Fondiaria-SAI acquired on January 31, 2008 the above-mentioned holding, against the payment of the purchase price of approx. Euro 223 million. The DDOR share were admitted for the trading on the Belgrade Stock Exchange. It is planned that Fondiaria-SAI will launch a bid on the residual shares, in accordance with the acquisition contract.

DDOR is the second largest insurance company in the Serbian market with a market share of approx. 30% and expected premiums written in 2007 of over Euro 159 million, a growth of 13% compared to 2006 (Euro 140 million). The company reported a net profit of Euro 2 million in 2007 (Euro 9 million in 2006).

For Serbia, which has recently signed with the European Union an agreement of association and stabilisation, the first step towards entry into the EU expected for 2014, Italy represents the principal commercial partner with a share of 15% of total exports. The Serbian market also reports a significant presence of direct foreign investments, especially in the financial sector where the most important credit institutions of the country are controlled by foreign groups, and in particular Italian banking groups, which own the first and fifth largest banks in the country.

The company has a presence throughout the country with a network of over 100 direct sales point for a total of approx. 1,000 brokers, to which is added a network of 60 branches thanks to the recent bancassurance agreement with Metalsbanka, the second largest independent bank in the country and which is held 15% by DDOR. The commercial presence is particularly concentrated in the richest regions of the country - Vojvodina and central Serbia. DDOR - with 700,000 customers - is a historic and affirmed brand, and is the leading private operator in the Serbian insurance market behind the state company Dunav (approx. 37% market share).

The Serbian market, with an expected growth in GDP in 2007 of 7%, a decrease in inflation and a stable currency with the Euro, has interesting opportunities as the insurance business is still underdeveloped (the ratio between insurance premiums and GDP is 1.8% compared to 7.2% in Italy and an 8% EU average).

The price paid for control of DDOR is in line with market averages and highlights the commitment of Fondiaria-SAI to only undertake international growth opportunities where they are based on a concrete forecast of creation of value for its shareholders.

Fondiaria-SAI with this operation completes a first step in the expansion strategy announced on international markets, acquiring the leadership in a market where there is a significant growth potential in the insurance sector and which has few further opportunities of entry by foreign operators, and at the same time laying the foundations for further growth in Eastern Europe.

For the first half of 2008, the income statement is consolidated from the date of acquisition of control.

The company recorded premiums written of Euro 59.5 million and recorded claims for the period of Euro 35.8 million. The claims to premiums ratio was 60.1%.

The general expenses on premiums remain high, equal to 35.3%, due to the particular structure of the Company. The combined ratio was at a level under 100% (98.0%).

The result for the period was a profit of Euro 4.1 million and includes the first effects of the asset strengthening following the recent acquisition by the Group.

Motor Repair Project

Fondiaria-SAI established a special purpose vehicle controlled 100%, called Auto Presto & Bene S.r.l. to be utilised for the realisation of a project to launch the new auto repair management system, which will permit the Company to avail of the opportunities deriving from the introduction of the new direct compensation regime. Taking into account that the Fondiaria-SAI Group settles every year just over Euro 1 billion for auto repair, it is highlighted that the direct indemnity allows the possibility to produce value from the auto repair system and to achieve a market share that allows the Company to manage the claims cycle in a more efficient manner.

The management channels of the claims cycle provided by the new regulation provides an opportunity for the creation of value, together with the possibility to control the level of service and to participate in the supply chain through agreements with suppliers and workshops. All this with the objective to pay the “correct price” and offer a high level of service. The project will permit the reduction of labour costs and of spare part costs. The first step to reduce the repair costs is to ensure an adequate control in order to identify the critical actions in the auto repair activities.

In particular the new structure will permit:

- aggregation of the demand and negotiation with suppliers;
- control of repair costs through specialist resources;
- control of IT infrastructure;
- control of the working capital and the equilibrium of the inventories.

Subsequent to the end of the period, the subsidiary Auto Presto & Bene acquired an industrial building at Grugliasco (Turin) for Euro 5.2 million.

This purchase represents the first stage in the strategy of the company, aimed at the creation of a network structure which will be dedicated to the management of the reparation of vehicles deriving from damages incurred by policyholders of the insurance companies of the Group operating in the Motor classes.

Commencement of a partnership with the GPA Group for the distribution of insurance products through the network of the CAAF.

Within the agreement with the controlling shareholder of the GPA insurance brokerage group for the development of an industrial partnership, Fondiaria-SAI acquired 10% of the share capital of the three principal companies of the Group GPA (GPA GROUP, MEDIORISCHI S.P.A., DOWNALL S.P.A.) for a total price of Euro 10 million.

The agreement provides that Fondiaria-SAI, as a shareholder of the GPA group and provider of Non-Life insurance products, develops, together with other insurance partners, the distribution of policies through the network of the CENTRAL TAX ASSISTANCE of the ITALIAN CONFEDERATION WORKERS' TRADE UNION (CISL), with which the GPA Group has established a joint venture.

The agreement, which draws on the extended network of the Tax Assistance Centres of the CISL (over 2,000 throughout Italy which assist 2.3 million subscribers, on a total of 4.4 million associates), through the professional capacity of the CAAF consultants intends to utilise the extensive knowledge of the client and their needs to define a specific targeted and personalised insurance product, with many benefits for the clients and the insurance companies. Through this and similar initiatives, the GPA Group expects total premiums brokered when fully operational of approx. Euro 700 million annually.

For the Fondiaria-SAI Group, the partnership with the GPA represents – in a period of progressive commercial saturation of the market – an opportunity for further growth in the Non-Life classes through an innovative distribution strategy based on the “alternative” networks not in competition with the traditional networks of Fondiaria-SAI (agents/bank branches) which continue to remain strategic for the growth policies of the Group. The agreement will also permit Fondiaria-SAI to consolidate, with regard to that already undertaken, the volumes of the “traditional” activities undertaken in the insurance brokerage sector with the GPA Group.

“Green Box” Project

Fondiaria-SAI in partnership with the companies PaySat and Infomobility.it is involved in an experimental project, in some regions, relating to the installation of the Green Box on a sample of vehicles as illustrated below.

The project, GREEN BOX, is undertaken within the ongoing studies by the Parent Company to create future tariff forms parametered also on the use of the vehicle and on the driving conduct of the owner.

The objective of the experimentation for the above-mentioned Companies is to validate the model applied, while for Fondiaria-SAI the objective is the acquisition of data on driving styles.

“GREEN BOX” is an advanced terminal for localised satellite, telecommand, logistic and antitheft applications. The services provided thanks to the installation of the “Green Box” are principally regrouped into the following:

- service recording distance travelled;
- service recording road accidents;
- search of vehicle following total theft.

PaySat has made available to Fondiaria-SAI approx. 1,200 systems to be installed in the motor vehicles of its clients. The equipment installed will remain functioning for 12 months following installation and no charge – for the equipment or for the installation – will be charged to the client.

The performance in the first half of 2008 of the principal subsidiaries is summarised in the table below:

	TOTAL PREMIUMS WRITTEN	CGE %	INVESTMENT S	GROSS RESERVES	PART OF RESULT
(Euro thousand)					
CAPITALIA ASSICURAZIONI S.p.A.	11,622	7.07	56,100	59,054	513
DIALOGO ASSICURAZIONI S.p.A.	8,167	42.92	28,025	24,839	(6,212)
DDOR NOVI SAD (*)	64,948	-	41,779	137,469	4,402
EUROPA TUTELA GIUDIZIARIA	833	(0.06)	9,102	4,436	416
LIGURIA ASS.NI S.p.A.	126,728	33.13	243,758	271,896	5,055
MILANO ASS. S.p.A.(**)	1,321,115	(4.18)	4,251,883	4,117,094	114,723
PRONTO ASSISTANCE S.p.A.	16,425	(1.21)	5,443	2,142	616
SASA S.p.A.	214,110	12.14	478,982	587,092	8,769
SIAT S.p.A.	93,708	(11.31)	78,940	290,637	973
THE LAWRENCE RE IRELAND Ltd.	95,807	10.87	363,276	359,776	12,694

(*) Data relating to the first 5 months for the Non-Life sector.

(**) Consolidated data at 30/06/2008 relating to the Non-Life Sector.

The principal information on the largest insurance companies of the Group for the first half of 2008 based on IAS/IFRS accounting standards are provided below.

▪ **CAPITALIA ASSICURAZIONI S.p.A.**

The products of the Company are marketed, individually or through the signing of cumulative policies, prevalently through the banking networks Banca di Roma, Banco di Sicilia and Bipop Carire.

The premiums written were comprised of 57.83% in the fire class (prevalently policies combined with mortgages) and 38.58% of the accident, health and pecuniary loss classes.

In the second half of the year, the renewal of the distribution agreement with the Unicredito network will be completed, necessary following the integration with the above-mentioned Capitalia S.p.A. group.

- DIALOGO ASSICURAZIONI S.p.A.

The Company principally operates 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 3.7 million in the first half of 2008 were expensed in the income statement.

From January 2008, the first version of the new IT platform for the company's functioning and development was installed and the re-insourcing of the call-centre commenced in partnership with the group company Pronto Assistenza Servizi S.p.A.

Overall, the Company in the first half of 2008 recorded a loss of Euro 6,212 thousand compared to a loss of Euro 3,048 thousand in the first half of 2007.

- LIGURIA SOCIETA' DI ASSICURAZIONE S.p.A.

In 2008, the expansion of the company continued and the premiums written in the first half of the year amounted to Euro 135,397 thousand, compared to Euro 102,811 thousand in the first half of 2007, an increase of 31.7%. This growth is not only due to the new agencies opened in the previous year, but also the sales activities of the pre-existing agencies.

In particular, in the Motor TPL class, the volume of premiums amounted to Euro 93,158 thousand compared to Euro 68,313 thousand in the first half of 2007 and corresponding to a growth of 39.2%, in the Land Vehicle Class premiums increased to Euro 10,590 thousand (Euro 8,022 thousand in the first half of 2007) with growth of 32.8% and in the Other Classes premiums amounted to Euro 31,649 thousand (Euro 26,476 thousand in the first half of 2007) with an increase of 19.5%.

- MILANO ASSICURAZIONI S.p.A.

The Group net profit in the first half of 2008 amounted to Euro 121.1 million, a decrease of 20.8% on the first half year of the previous year (Euro 152.8 million).

The key events which contributed to this result are summarised below:

- the non-life division recorded a pre-tax profit of Euro 152.1 million, compared to a pre-tax profit of Euro 182.1 million in the first half of 2007. The decrease is due to the lower contribution from investment income which, following the current crisis on the financial markets and the consequent increase of the value adjustments, amounted to Euro 79.5 million, compared to Euro 107.2 million in the first half of 2007. The technical performance was largely satisfactory and improved upon the first half of the previous year.

In particular, the Motor TPL class recorded a moderately positive technical result, in contrast to the market which saw the premiums written impacted by the contraction of the new motor registrations and from the penalising effects of the so-called Bersani bis Law in terms of bonus-malus class application. The Land Vehicle class continues to show strong technical profits, in spite of the price pressures at market level in a sector that, for a number of years, has reported particularly good profitability.

The Non-Life classes other than the motor class also recorded overall good results and a strong improvement on the first half of 2007, also due to the initiatives undertaken in terms of tariff policies, rigorous control of the technical performance and reform or notice on contracts with negative performance;

- the Life Division reports a pre-tax profit of Euro 12.3 million (Euro 47 million in the first half of 2007). The decrease in the result is also principally due to the financial income, which decreased to Euro 95.7 million compared to Euro 120 million in the first half of 2007. Higher charges related to the amortisation of the in force business of Bipiemme Vita also affected the result.
- The asset and financial management recorded net income of Euro 180 million, compared to Euro 231.7 million in the first half of the previous year (-22.3%). In particular, the income deriving from other financial instruments and property investments amounted to Euro 208.8 million (-3.1%), while the fair value financial instruments recorded through profit or loss incurred net charges of Euro 29.2 million, compared to Euro 15.4 million of net income in the first half of 2007. As already reported, the crisis which arose in August 2007 from the US real estate bubble, in the first half of 2008 amplified its effects, which was also affected by raw material prices and the consequent concerns of inflationary pressures. There were strong turbulences on both the equity markets, where the prices incurred a sharp realignment compared to the values at the end of 2007, already significantly lower than the maximum values reached during the year, and on the bond markets, where the uncertainties of the interest rate trend, the liquidity crisis and the concerns regarding certain issuers, had negative impacts. Consequently, the adjustments to values made in the first half year on securities recorded at fair value through profit or loss amounted to Euro 41.2 million, compared to Euro 4.9 million in the first half of 2007;
- The management expenses of the non-life insurance sector amounted to Euro 254.1 million, compared to Euro 256.5 million in the first half of 2007, with a percentage on net premiums of 19.9% (19.2% in the first half of 2007 which had benefited from a favourable impact deriving from the amortisation process of the acquisition costs relating to long-term contracts). In the Life Division the management expenses amounted to Euro 27.5 million, with a percentage on the net premiums of 5.1% (4.7% in the first half of 2007);
- Income taxes in the period amounted to Euro 50.5 million, with a tax rate on gross profits of 30.1%, lower than the nominal rate, principally due to the dividends received, which are almost all exempt from taxes.

In the second half of the year, the Motor premiums are expected to be in line with the previous year due to the commercial actions undertaken and to the reduced lack of homogeneity characteristic of the first half year, especially following the punitive regulatory changes introduced in 2007. In particular, the motor sector will benefit from the launch, in March, of the new motor product “Nuova 1a Global”, with common tariffs and conditions for all the commercial networks and whose selling points are the clarity of the contractual terms and conditions and the flexibility and range of insurance content. Further positive effects will derive from the “Auto Presto & Bene” project which is aimed at improving the service to clients and to containing the material damage costs, through the inclusion of the Company in the spare parts distribution chain, with the consequent creation of value.

In the Other Non-Life Divisions, particular attention will be given to the retail products, capable of guaranteeing satisfactory margins in terms of combined ratio. Action will be taken within specific customer segments, with the objective to strengthen new premiums written and replace the contracts signed in the past and no longer on the company’s product list.

In the Life Division, the objective, despite a difficult economic climate, is to grow the inherent value of the portfolio acquired, through incentives to the sale of traditional annual and recurring premiums, which are also capable of retaining customer loyalty over the long-term period. The underwriting of securitisation products will be confined to the obtaining of appropriate profit margins.

The asset and financial management will follow closely the turbulence on the financial markets concerned with the liquidity crisis and inflation and recession worries. The current market conditions make it particularly difficult to forecast the contribution of the asset and financial management for the year 2008. However, given the prudent investment management policy and the high quality of the investments, it is reasonable to assume marginal effects relating to the current financial crisis.

The year 2008 will also be marked by the realisation of the corporate/industrial reorganisation project of the Fondiaria-SAI Group, whose guidelines were approved by the Board of Directors on January 30, 2008 and already outlined in the present report. The result achieved in the first half year provides the basis for a satisfactory result for the full year, except in the case of a further and more serious worsening of the current crisis on the financial markets.

- SASA ASSICURAZIONI E RIASSICURAZIONI S.p.A.

The Company continued the renewal of the standard product range in the Other Classes offered in previous years and greatly expanded the range of the “products catalogue” which was lacking until 2001. In particular, during the period the new editions of the global policies were renewed for artisans “Arte & Mestiere” and accident “SASA in Viaggio”, which will be launched in the second half of the year. In relation to the Motor sector a new collision guarantee was created called “Salvauto” which will be marketed in July. In the second half of the year a campaign on the amendments to the Motor TPL maximum limits will be undertaken in order to provide more adequate coverage to policyholders, seeking a gradual increase of the limits fixed by the European community.

- **SIAT – SOCIETÀ ITALIANA ASSICURAZIONI E RIASSICURAZIONI S.P.A.**

In the first half of 2008, there was a significant improvement in the purely insurance component of the technical account.

For the second half of 2008, a confirmation is expected of the technical balance, while, relating to the non technical ordinary income and charges, excluding the effects not foreseeable relating to the international financial markets and exchange markets, no significant changes are expected.

- **THE LAWRENCE RE IRELAND LIMITED**

For the year 2008, the company continued to operate as reinsurer for the Fondiaria-SAI Group.

The company undertakes the analytical valuation of the portfolio of the individual companies of the group, in order to establish, and consequently provide, the necessary reinsurance cover to support specific positions. On this basis, the company ensures uniform portfolio commitments, with particular attention to the cases of intergroup co-insurance, and obtains the necessary reinsurance protection on the international market. Before defining the size of this latter, the company also verified specific further retentions at group level. At the beginning of the year, the parent company completed the acquisition of the Serbian insurance company DDOR. This latter, in accordance with the principles already adopted for the other companies, entered the reinsurance plan of the group with adequate protection of its requirements.

The net profit for the first six months of 2008 amounted to Euro 12,694 thousand after income taxes (an increase on the same period of 2007 which recorded a net profit of Euro 7,514 thousand). The increase is principally due to the good technical performance by the company. The financial income was strongly impacted by the write-downs on securities in the first six months of the year.

The Company also continues to undertake the run-off activity of the companies of the Group, which avail of this service. In relation to the reinsurance of previous years the objective of the company is to continue to conclude settlement agreements, which permit the reduction of the administrative charge, without affecting the profit margin. The company ceded part of this business, which reported a positive result.

Life Insurance Sector

THE LIFE INSURANCE MARKET

In relation to the Life segment, total premiums amounted to Euro 14,489.2 million in the first half of 2008, a decrease of 15.8%. Class I (Insurance on human life) recorded an increase of 1% on the same period of 2007 (Euro 7,112.6 million), class III (Insurance principally related to mutual funds or internal funds or indices or other benchmark values) reduced by 23.2% (Euro 6,182.6 million), and class V (Securitisation operations) recorded a reduction of 55% (Euro 834.5 million). These classes impact on the total Life premiums respectively for 49.1%, 42.7% and 5.8% (respectively 40.9%, 46.8% and 10.8% in the same period of 2007).

The breakdown by distribution channel of the Life premiums written reports bank and postal branches accounting for 57.9% of the portfolio (61.9% in the corresponding period of 2007), followed by agencies with mandates (19.1% compared to 17% in the first quarter of 2007) and by financial promoters (10.7% compared to 6.6% in the first quarter of 2007).

In relation to new Life business (individual policies sector), in May 2008 premiums written amounted to Euro 3.5 billion, a decrease of 16.4% on May 2007. New premiums in the Life business amounted to Euro 17.0 billion since the start of the year, a decrease of 15.5% compared to the same period of the previous year.

In May, the bank and postal offices brokered total premiums of Euro 26 billion, a contraction of 22% compared to the same period of 2007, but in line with that since January against Euro 12.3 billion of new premiums. The in-house premiums of the insurance companies however increased - totalling Euro 107 million: although positive, this result does not however offset the negative performance since the beginning of the year (-42.3%). The performance since the beginning of the year for the Agent channel was positive, with premiums of approx. Euro 2.5 billion and an increase of 5.4%, although this channel recorded a decrease of 14.4% in May compared to the same month of 2007. The Financial Promoters also reported strong growth, with Euro 292 million of premiums, thus consolidating new premiums written since the beginning of the year of approx. Euro 1.6 billion (8% of the new Life business).

Tab. 6 – New business in May 2008 by Class

CLASS/PRODUCT	Premiums in the month	Distrib. (%)	Cge. (%) 2008/2007	Premiums since beginning of year	Distrib. (%)	Cge. (%) 2008/2007
Life - Class I	1,564,033	45.0	(1.8)	7,545,836	44.3	4.8
Securitisation - Class V	67,559	1.9	(54.1)	369,233	2.2	(69.2)
Linked – Class III	1,839,553	53.0	(24)	9,081,678	53.3	(21.7)
▪ of which: unit-linked	1,054,604	30.4	5.3	4,942,190	29.0	(21.0)
▪ of which: index-linked	784,950	22.6	(44.8)	4,139,488	24.3	(22.5)
Health – Long-term	39	-	72.2	1,313	-	-
Open pension funds	2,613	0.1	79.9	31,459	0.2	(79.8)
Italian companies-Outside						
EU	3,473,796	100.0	(16.6)	17,029,521	100.0	(15.5)
▪ of which: Ind. pension funds	51,997	1.5	139.5	244,714	1.4	27.7

Source: Ania Trends, individual sector policies, May 2008.

PENSIONS IN ITALY

After the significant reform in 2007, which resulted in higher subscriptions to the Italian complementary pension schemes, pension investments incurred a slowdown, with little growth on the trend seen in recent years.

From an initial evaluation of the sector in the first six months of 2008, the Pension Fund Supervision Commission (COVIP) reports that, out of a potential of 12.2 million workers, only 3.5 million workers in the private sector subscribed to complementary pensions, amounting to approx. 28.7% of the total, while at April 2008 the total amount of subscribers to pension schemes was 4.7 million, an increase of 2.8% (almost 130,000 new subscribers, of which 80% are employees in the private sector) in the period from January to April.

Table 7 – Complementary pensions: total

	2006	2007	Cge. % 2007/2006	April 2008
Traded funds	1,219,372	1,988,639	63.1	2,030,000
Open funds	440,486	747,264	69.6	770,000
Pre-existing funds	643,986	680,673	5.7	680,000
“New” Pip’s	-	486,017	-	547,000
“Old” Pip’s not adjusted	880,380	703,400	-	703,000
Total pensions ⁽¹⁾	3,184,224	4,560,091	43.2	4,686,000
of which: Ldsp ⁽²⁾	2,161,455	3,402,135	65.8	3,500,000

Source: Covip

(1) the data includes Fondinps and are net of the duplications due to the subscribers that temporarily subscribed to “old” Pip and “new” Pip ;

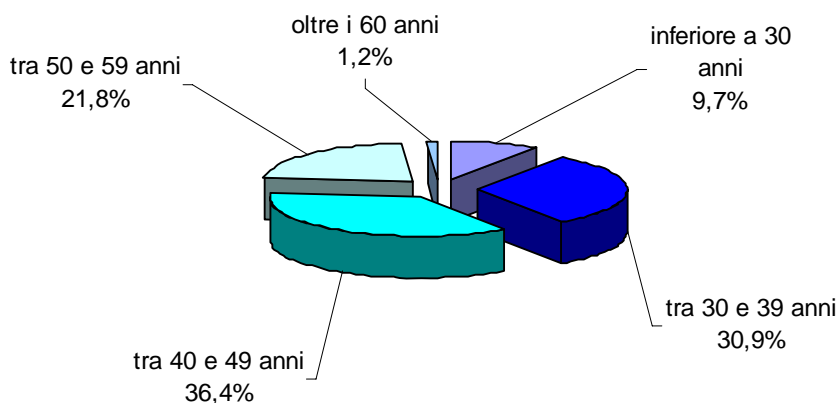
(2) Ldsp: private sector employees

The reform therefore certainly had significant results, but the priorities are still to achieve both greater awareness, in order to explain to employees the advantages of the integrated pension, and greater subscription by younger workers.

In order to maintain growth of the complementary pensions, two measures were proposed by the supervision authority:

- the insertion of a reconsideration clause for those employees that opt out of maintaining the employee leaving indemnity in the company, for the employees that remain in the same company from the beginning to the end of their career;
- the absolute parity between all the instruments available, in terms of “transferability” of the contribution, in order to obtain this even if one subscribes (or subsequently transfers) to a pension instrument other than the fund subscribed on a collective basis.

Table 8 – Breakdown by age of subscribers to closed pension funds



Source: Covip

“Made to Measure Online Pension” project

In January 2008, COVIP (resolution of January 31, 2008) issued a series of measures in relation to Complementary Pensions. These measures, effective as of July 1, 2008, clearly define the information which must be made available to potential clients in the presentation and/or subscription phase of the products such as PIP (Individual Pension Plans) and Open Pension Funds for purposes of a complementary pension.

COVIP also permitted that such information may be received directly by the clientele, within the specific section dedicated to Complementary Pensions already present on the Internet site of the Parent Company.

In this context, the Group decided to expand the level of consultation offered to the clients. Based on the above, the company set up MADE TO MEASURE ONLINE PENSION (PENSIONE ON LINE SU MISURA) which, through a link on the home page of the Internet sites of the Parent Company and of Milano Assicurazioni, offer the possibility to evaluate the difference between income from employment and from pension and, through a guided and easily accessible path, to identify the complementary pension product most adapted to one’s needs and expectations.

Premiums

Direct premiums written in the first half of 2008 amounted to Euro 2,127 million, a decrease of 10.32%.

The premiums written in the first half 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 998 million.

The details by class compared to the previous half-year are shown in the table below.

(Euro thousand)	1 st Half 2008	1 st Half 2007	Change %
<u>DIRECT PREMIUMS</u>			
II – Insurance on human life expectancy	797,239	652,340	22.21
III – Insurance related to investment funds	1,148,277	1,261,855	(9.00)
IV - Health insurance	145	62	133.87
V – Securitisation operations	181,252	457,376	(60.37)
TOTAL	2,126,913	2,371,633	(10.32)

Total premiums written by bank branches amounted to Euro 1,350 million and represents 63% of the total direct premiums written (61% in 2007).

The premiums ceded amounted to Euro 13.5 million (Euro 12.1 million in the first half of 2007).

Charges relating to claims, net of reinsurance amounted to Euro 2,174.5 million (Euro 2,363.2 million in the first half of 2007).

There was an increase in the percentage of management expenses to premiums (6.5% in the first half of 2008 compared to 6% in the first half of 2007).

Technical reserves amount to Euro 18,159 million and registered a decrease of Euro 1,662 million on December 31, 2007; the decrease is due to the increase in interest rates on the financial markets with a consequent rise in divestment.

The total premiums in the sector also includes Euro 256 million (Euro 83 million in the first half of 2007) on investment contracts which may not be included in application of IFRS 4 and therefore not included under premiums written but rather under financial liabilities recorded, according to the deposit accounting technique.

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 10.5%, amounting to Euro 188.8 million compared to Euro 210.9 million in the first half of 2007. Bancassurance contributed Euro 139.4 million compared to Euro 138.6 million in the first half of 2007 (+0.6%).

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 212.1 million compared to Euro 215.7 million in the first half of 2007, a decrease of 1.7%.

Operational performance

For the Parent Company and the subsidiary Milano Assicurazioni, in the first six 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 the first half, 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 and was reasonably well received by the agency network and clients. All the price lists of the revalued policies related to the separated management FONSAI RE were renewed.

In relation to the complementary pension segment, implemented through the PIP's, in the first six months of the year there was a small (and forecast) increase in the new contracts on the previous year.

The Parent Company and Milano Assicurazioni S.p.A. in the first half of the year continued the actions in the pre-existing pension fund segment with insurance management, with a view to encouraging transfer of the employee leaving indemnity to the funds. This action will continue, although with reduced emphasis, with a right to re-consider for those parties which have initially decided to leave the employee leaving indemnity with their employer.

In addition, the sector is already implementing further action within the Pension Fund segment, in order to propose the combination of both classic and more financial content insurance instruments, for the management of the leaving indemnities, as well as immediate life annuity for the conversion of the indemnities realised.

The products related to the leaving indemnities (VALORE TFR and VALORE TFM), whilst substantially maintaining their portfolios, are impacted by a contraction due to the rules which direct the employee leaving indemnities towards Pension Funds. This contraction is however relatively contained thanks to new subscriptions by companies with less than 50 employees.

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. There has also been a strong level of advanced redemptions and a lack of renewals on maturity, in spite of the efforts to maintain the clients through offering a significant improvement of the policies available.

Obviously the advanced redemptions are applied with full application of the specific clauses penalising the advanced exercise of the redemption right contractually agreed and therefore with additional charges payable by the counterparty.

The risk coverage segment recorded good results on the institutional sector of insurance deriving from collective negotiation, as well as the accessory coverage typical of the Pension Funds.

The Open Pension Fund sector has remained stable in terms of numbers of subscribers and subscriptions, with contained but constant growth.

With particular reference to Fondiaria-SAI, the key highlights in the first half of 2008 are shown below:

- **SAI OPEN PENSION FUND**
No. of subscribers 4,740, contributions in the period Euro 4,047 thousand, assets under management Euro 31,986 thousand.
- **PREVIDENTE OPEN PENSION FUND**
No. of subscribers 8,210, contributions in the period Euro 7,773 thousand, assets under management Euro 79,155 thousand.
- **PREVIDENZA OPEN PENSION FUND**
No. of subscribers 3,745, contributions in the period Euro 4,485 thousand, assets under management Euro 29,802 thousand.

The key highlights of Milano Assicurazioni S.p.A. in the first half of 2008 are shown below:

- **MILANO OPEN PENSION FUND**
No. of subscribers 2,133, contributions in the period Euro 2,013 thousand, assets under management Euro 3,194 thousand.

The **Bancassurance** activity is undertaken through a distribution network of over 2,900 branches. The current financial market contingencies and the integration process which involved some banking partners did not favour, in the first half of the year, the full potential of the sector.

In this case, the offer also favours security and stable returns, as well as the pension aspects. The fact that the most requested solutions are for products which incorporate guaranteed return or maintenance of capital value over time resulted in a reduction of premium volumes, but policies more orientated towards insurance forms are by definition more profitable for the Group.

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.), designating 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 the 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.

Therefore application was made for authorisation from Isvap in the time period necessary for, subject to authorisation and compliance with Law, the merger to be legally effective as of December 31, 2008 and retrospective accounting and fiscal effect as of January 1, 2008.

The performance in the first half of 2008 of the subsidiaries is summarised in the table below:

	TOTAL GROSS PREMIUMS	CGE.%	INVESTMENTS	GROSS RESERVES	CONTRIB. TO RESULT
(Euro thousand)					
BIM VITA S.p.A.	11,937	n.a.	101,669	47,007	(278)
BIPIEMME VITA S.p.A.	337,563	16.87	3,509,040	1,910,647	530
DDOR NOVI SAD (*)	2,032	-	7,765	7,910	(314)
LIGURIA VITA S.p.A.	12,480	38.19	92,273	89,573	241
MILANO ASS.NI S.p.A. (**)	543,306	26.90	7,499,707	5,583,112	114
NOVARA VITA S.p.A.	4,628	(99.51)	3,205,488	1,991,101	9,708
POPOLARE VITA S.p.A. (***)	998,205	-	2,920,700	2,540,440	6,532
SASA VITA S.p.A.	43,457	26.92	305,446	300,223	336
SYSTEMA VITA S.p.A.	1,652	(15.54)	78,364	67,007	657
THE LAWRENCE LIFE ASS. CO. Ltd.	3	(87.90)	423,130	1,338	449

(*) Data relates to the first 5 months of the year for the Life Sector.

(**) Consolidated data at 30/06/2008 relating to the Life Sector.

(***) The percentage change is not comparable as the acquisition took place during 2007.

The principal information on the largest insurance companies of the Group for the first half of 2008 based on IAS/IFRS accounting standards are provided below.

- BIPIEMME VITA S.p.A.

In the first half of 2008, Bipiemme Vita 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 premiums written in the first half of 2008 amounted to Euro 337.6 million, an increase of 16.9% on the first half of 2007. In the first half year, investment contracts not within the application of IFRS 4 were written for Euro 4.8 million.

The sums paid amounted to Euro 78.4 million in the Life Division and Euro 1.2 million in the Non-Life Division (respectively Euro 61.8 million and Euro 1 million in the first half of 2007). Gross technical reserves at June 30, 2008 amounted to Euro 1,910.6 million, an increase of Euro 251.7 million on December 31, 2007.

The investments amounted to Euro 3,509 million, of which Euro 1,657.6 million recorded under available-for-sale financial assets and Euro 1,851.4 million under assets recorded at fair value through profit or loss. The financial market turbulences had a negative effect on the investment income, decreasing to Euro 26 million from Euro 36.3 million in the first half of 2007, principally due to lower gains to be realised. Consequently, the first half year reported a profit of Euro 0.5 million (Euro 14.3 million in the first half of 2007).

- NOVARA VITA S.p.A.

In the first half of 2008, the net profit amounted to Euro 9,708 thousand (a loss of Euro 14,899 thousand in the first half of 2007): the net equity increased from Euro 88,413 thousand at the end of 2007 to Euro 127,528 thousand at June 30, 2008.

The premiums written in the first half of 2008 amounted to Euro 4,628 thousand (Euro 949,872 thousand in the first half of 2007), principally consisting of human life insurance, recording a further slowdown for the linked type products. The total premiums in the sector also includes Euro 676 thousand on investment contracts which may not be included in application of IFRS 4 (equally spread between Unit and Pension Funds) and therefore recorded according to the deposit accounting technique.

The gross technical reserves amounted to Euro 1,991,101 thousand, of which Euro 1,394,146 thousand referred to investment fund and market indice contracts (Euro 3,640,151 thousand and Euro 2,977,092 respectively at December 31, 2007).

At June 30, 2008, total investments reached Euro 3,205 million, compared to Euro 3,778 million at December 31, 2007 with over 80% consisting of financial assets recorded at fair value through profit or loss.

The management expenses in the first half of 2008 amounted to Euro 2,019 thousand and principally related to administration expenses.

The company is in a run-off phase and will be incorporated into the subsidiary Popolare Vita S.p.A. by the end of the current year.

- POPOLARE VITA S.p.A.

The first half of 2008 recorded a profit of Euro 6,532 thousand (loss of Euro 2,768 thousand for the full year 2007), principally due to the significant increase in premiums written.

Gross premiums written amounted to Euro 998,205 thousand (Euro 73,650 thousand in 2007) and was 96% comprised of linked products. The total premiums in the sector also includes Euro 221,730 thousand on investment contracts which may not be included in application of IFRS 4 (principally relating to Unit Values) and therefore recorded according to the deposit accounting technique. The management expenses in the first half of 2008 amounted to Euro 66,990 thousand, relating for approx. 86% to acquisition costs.

The gross technical reserves amounted to Euro 2,540 million (Euro 2,438 million in 2007) and were composed of Euro 2,017 million (Euro 1,880 million in 2007) of class D reserves and the remaining Euro 523 million (Euro 558 million in 2007) of class C reserves.

At June 30, 2008, total investments reached Euro 2,921 million, compared to Euro 2,536 million at December 31, 2007 with over 82% consisting of financial assets recorded at fair value through profit or loss.

The products of the Company are marketed through the branches of the Banco Popolare Group.

- SASA VITA S.P.A.

The first half of the year recorded an increase in premiums written substantially in line with objectives. The results were well above the result for the national Life market. The sales data in the period after the end of the first half year confirm a good trend which should result in July being in line with budget. The sales campaign of the Term-Life insurance has resulted in a decisive increase in premiums compared to the same period of the previous year. Important agreements should be completed in the coming months which will result in a strong increase in premiums deriving from the "Direct salary deduction products" (Collective Single Premium Term-Life Insurance Policies).

Reinsurance

The Group reinsurance structure is in line with the protection system of the Parent Company. The proportional programme permits each insurance Company to hold an adequate part of premiums with reference to the volume of the individual portfolio, and to protect reinsuring the underwriting points which could negatively impact on the final result.

The Group reinsurance company, The Lawrence Re, provides adequate protection to each insurance Company on a reinsurance basis, and subsequently integrates the various portfolios in order to obtain specific reinsurance protection on the international market.

Non-Life Reinsurance

In the first half of 2008, the reinsurance policy of the Non-Life Division of the Fondiaria-SAI Group resulted in outward reinsurance premiums ceded of Euro 145 million and inward premiums of Euro 12 million: the outward reinsurance balance recorded a negative value of Euro 46 million.

In 2008, the placement of all the portfolios of the companies of the Fondiaria-SAI Group on the international market takes place through The Lawrence Re Ireland Ltd with the following exceptions:

- the transport classes placed through the subsidiary SIAT
- the aviation classes placed directly by the underwriting companies
- the non-marine portfolio of SIAT placed with Milano Assicurazioni
- the protected assistance class placed directly by the subsidiary Pronto Assistance
- the significant risks ceded optionally directly by the companies

The reinsurance policy is based on cessions on a non-proportional basis for the protection of the individual or cumulative risks deriving from a single event for the classes Fire, Accident, Theft, General TPL, Motor Vehicle TPL and Land Vehicles, while on a proportional basis for the Credit class. In the Transport, Aviation, Bonds and Technological Risk classes, the structure is based on proportional agreements and excess claims coverage. In view of the good direct performance and in the absence of claims from natural events, the balance of the reinsurance cessions was favourable for our reinsurers although lower than expected, due to some claims for risk, especially in the Fire class.

The subsidiary SIAT placed on the reinsurance market the protection relating to the Transport sector operating as reinsurer of the companies of the Group, with a mixed structure based on proportional agreements and excess claims coverage. The remaining “non marine” classes, in any case being disposed of, were integrated into the various Group programmes through Milano Assicurazioni.

The subsidiaries SASA and LIGURIA, following the guidelines issued by the Parent Company, placed the Transport class through SIAT, while Group programmes were utilised for the other guarantees, with the exception of the Assistance class as indicated above.

In specific cases, where there was a lower priority, specific underlying programmes were placed.

The inward reinsurance includes at 30/6/2008 all the optional business and the acceptances by the insurance companies of the Group and at 30/6/2007 for all the other types of agreements. After the prudent reserves recorded in the previous accounts and net of the relative reinsurance, the equilibrium of the result of the overall portfolio is confirmed.

Life Reinsurance

The reinsurance programme, as in previous years, consists of a proportional agreement in excess. The retentions are variable according to the individual policies of the Group. The subsidiary The Lawrence Re reinsures this portfolio and obtains coverage on the international market through a non-proportional structure for the specific risks and a Stop Loss protection on the retained portfolio of the Group.

The retentions continue to be contained for the participating insurance companies, especially when compared to the total capacity provided.

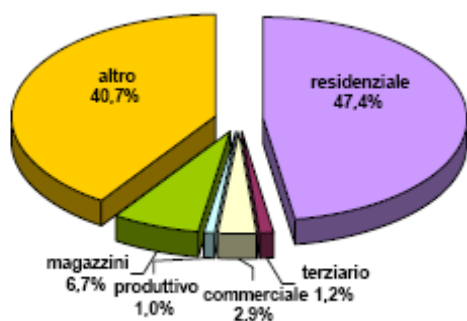
Real Estate Sector

In 2007, a total of 1,699,664 transactions were registered, a decrease of 7.1% on 2006: the residential sector with 806,225 transactions decreased by 4.6%, the service sector with 21,732 decreased by 2.6%, the retail sector with 50,136 decreased by 4.8%, in line with the residential sector, the manufacturing sector with 16,812 transactions decreased by 3.5%. Finally, the shopping mall segment decreased significantly by 5.2%, registering 114,610 transactions.

The trend of the transactions illustrate the slowdown already recorded in the past two years, as well as the strong slowdown recorded in 2007 after a period of steady growth in most sectors.

Chart 3 shows the breakdown of transactions by sector. The largest share of sales/purchases in 2007, as for the previous years, was in the residential sector with more than 47% of the total. The “other” sector accounts for 40.7%, while the remaining sectors report very low levels: 6.7% for the shopping malls, 2.9% for retail, 1.2% for service and 1% for manufacturing.

Chart 3 – Breakdown of purchase/sales by sector (in %)



Source: National Agency – 2008 real estate reports (national summary)

A feature of recent years has been the shift in the residential market from regional capital cities to minor provincial towns. This is principally due to two factors: the first is the significant rise in home prices in the large cities which drives the search for more economic solutions in the local hinterlands; the second is the greater availability of new constructions in the hinterland, rather than in the regional capitals where constructible areas are saturated.

The market analysis of the Residential sector undertaken by the National Agency for the year 2007 illustrates, however, for the first time since 2000 the residential market in the non regional capitals incurred a slowdown -3.5%, and an even greater decline in the regional capitals, -7.2%. This report is indicative of the crisis in the sector, which is normal at the end of a growth cycle.

In spite of the negative trend in sales/purchases, the real estate sector remains a good investment, with an average guaranteed return of around 5%.

Table 9 – Average return in the real estate sector

	average return (in %)
Residential	4.14
Garages	5.09
Offices	5.19
Retail	5.74
Warehouses	5.67

Source: National Agency – 2008 real estate reports (national summary)

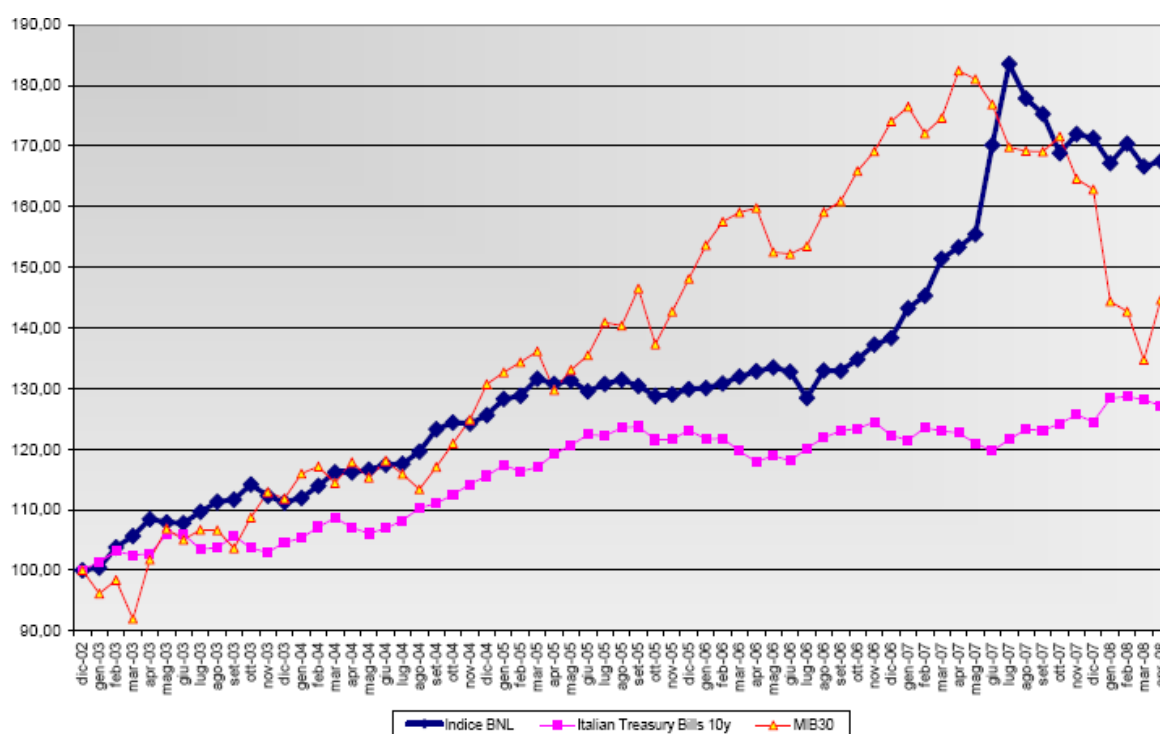
Real estate funds

At the end of 2007, the real estate funds numbered 160, managed by 41 Fund Management Companies and with a net equity of Euro 24 billion, of which 70% of the existing funds are reserved.

A total of 55% of real estate is invested in office buildings, although this percentage is gradually decreasing (68% in 2004).

A total of 342,000 Italian households hold shares in real estate funds, amounting to 1.5% of the total national households and 10.3% hold investment fund units.

Chart 4 - BNL Index and other asset classes



Source: BNL Real Estate Funds - BNP Paribas Group (31/12/2002 – 30/4/2008)

Covering of BNL index at 30/4/2008: 22 funds, market capitalisation of Euro 4,672 million.

The performance at the end of April 2008 of listed products was approx. +17% compared to +17.65% at the end of 2007. Although recording satisfactory results, it will be difficult in 2008 to repeat the results of 2007, due to the property held in portfolio for office use, which could be affected by the slowdown in the economic cycle.

In order to avail of the real estate market opportunities, the Group in the 2006-2008 industrial plan presented three investment methods, based on the different levels of risk:

- investments in buildings already developed and rented with significant returns (excluding joint ventures), to be made through the utilisation of the technical reserves of the Group;
- investments in buildings to be restructured or in new developments (held 100%), utilising the Group vehicle represented by the private closed real estate investment fund Tikal R.E. Fund;
- investments in buildings and/or joint venture real estate initiatives (including new developments), through the companies of the Immobiliare Lombarda Group.

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)	30/06/2008	30/06/2007
Profits realised	40	5,180
Total revenues	92,780	87,492
Interest expense	11,270	10,529
Profit (loss) before taxes	(12,129)	(1,095)

(Euro thousand)	30/06/2008	31/12/2007
Investment property	1,069,156	973,317
Financial liabilities	427,085	396,215

The pre-tax result of the sector was a loss of Euro 12.1 million compared to a loss of Euro 1.1 million in 2007. The result includes the depreciation and interest expense for the period, not offset by any income to be realised.

The principal activities in the first half of 2008 were as follows:

- **Immobiliare Lombarda Group's** continued operations aimed at upgrading the property portfolio and increasing returns, simultaneous to the development of the real estate projects. Revenues in the first half year amounted to approx. Euro 80 million. The loss for the period was Euro 5.5 million (Euro 10.7 million in the first half of 2007).
- The **Tikal R.E. Fund** in January signed the preliminary purchase from the related party Sinergia Seconda Srl of the following buildings: the entire office building, located at Milan, via dei Missaglia, No. 97, building A2, for a total of Euro 20 million; a portion of an office building, located in Rome, via Vincenzo Bellini, No. 14, for Euro 4 million. The result in the period, net of fair value changes on buildings and depreciation, was a profit of Euro 0.5 million.
- In January 2008, the associated company **IGLI S.p.A.** signed an equity swap agreement with Abn-Amro on 3% of **Impregilo S.p.A.** which required Immobiliare Lombarda, as pro-rata financial support, to provide a non-interest bearing shareholder loan of Euro 18 million.
- In the first half year, the associated company Chrysalis S.p.A., in which the subsidiary Immobiliare holds 20% of the share capital, incorporated the Luxembourg company Butterfly. The direct holding of Immobiliare Lombarda remains unchanged.
- Finally, some intercompany real estate operations were undertaken in order to optimise the equity in more appropriate vehicles and entities. These operations had no impact on the consolidated accounts.

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 by 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.

The table below highlights the results of the companies operating in the real estate sector:

	REVENUES	CGE %	COSTS	CONTRIB. TO RESULT
(Euro thousand)				
IMMOBILIARE LOMBARDA S.p.A.(*)	79,868	15.26	82,968	(5,453)
NUOVE INIZIATIVE TOSCANE S.r.l.	10	(52.66)	473	(463)
TIKAL R.E. FUND	16,504	(44.60)	17,781	466

(*) Consolidated data at 30/06/2008

- TIKAL R.E.

The first half of 2008 was characterised by general uncertainty on world financial markets and a significant slowdown in the world economy. In the first half of the year, the rise in interest rates intensified further, arising from the US subprime mortgage crisis which began in 2006.

The real estate funds, however, appear to represent a financial instrument capable of countering the financial crisis and the redemptions recorded recently from the mutual investment funds. This is due to the fact that, especially in Italy, almost all the real estate held by funds consists of commercial property rented.

With reference to the closed real estate investment fund Tikal R.E. Fund, the value of the units at June 30, 2008 was Euro 315,556.219 compared to Euro 328,575.081 at December 31, 2007.

There was an increase in the net equity of the Fund in the first half of 2008 of approx. 1.2 million (+0.23%) on December 31, 2007.

The real estate management activities are aimed at maximising rental returns and increasing the value of property through conservation, improvements, restructuring and compliance with law.

Total rental income in the first half of the year amounted to Euro 13.3 million, a decrease of 17.9% on Euro 16.2 million in the first half of 2007. The decrease is due for approx. Euro 4 million to the lower rental income resulting from the sales made in 2007. The decrease of the rental income is in part offset by the rent on the new buildings not held in the portfolio in the first half of 2007 and by the increase in rents of the buildings that have remained in the portfolio.

The rental activity is focused on the occupation of vacant spaces and on the renegotiation of contracts expiring. New rental contracts were signed on the buildings at Via Tucidide, Via Murat and Via Pisani at Milan and on Galleria San Federico at Turin. In particular, it is highlighted that, considering the existing rental situation of the building at Via Tucidide at Milan, a sales mandate was given to two primary real estate brokerage companies to rent the vacant spaces present in the towers.

In relation to the maintenance activities and capital appreciation of the assets in portfolio in order to improve profitability, capitalisation work was undertaken (improvements and compliance with law) totalling Euro 10 million including verification of stage of completion and Project Management commissions. All the maintenance and improvements made on the buildings in portfolio in the first half of the year were financed through the utilisation of Tranche B of the Loan signed in 2005.

In the first half of 2008, in line with the reinvestment policy and also drawing on the liquidity generated from the sales in the previous year, the following acquisitions were completed:

- Milan - Via dei Missaglia, 97 building A2: purchase price of Euro 20 million (April 2008); refers to an office building located in the south of Milan with an occupation rate of 94%.
- Rome – Via Bellini, 14 (April 2008): purchase price of Euro 4 million; relates to an office building fully rented and located in the prestigious quarter of Parioli.
- Milan – Via Fraschini, 3 (June 2008): purchase price of Euro 30.25 million; relates to a building located in the south of Milan rented to the SDA Bocconi University until 2025.
- Rome – Via Dragoncello, 621 (June 2008): purchase price of Euro 17 million; relates to a residential building located between Ostia and Fiumicino.

For the acquisition of the last two buildings, the Fund made the first “drawdown” of the Tranche A loan signed in 2007.

Within the rationalisation of the portfolio, the Fund commenced the commercialisation of the buildings in Florence at Viale Matteotti, 72 and Scandicci Via Pantin, 1.

At June 30, 2008 the financial liabilities amounted to Euro 158.5 million and related to the drawdown of Euro 111.1 million relating to the Loan signed in 2005 and the drawdown of Euro 47.4 million of the Loan signed in 2007.

The financial liabilities increased by Euro 61.1 million compared to the end of the previous year.

The portfolio of the Fund at June 30, 2008 comprised 69.6% of Government Securities at variable interest rates, 22.8% of Corporate Bonds of high standing variable interest rates and the remaining 7.6% of Government Securities at fixed rates. The average return of the portfolio was 4.3%.

In relation to the future income distribution policy, it is underlined that the Fund intends to adopt a stable distribution of income, with an objective between 4% and 5% annually of the residual nominal value of the Units.

The Fund will also, based on the disposal of the assets managed, evaluate the repayment of the capital paid by the subscribers, after an assessment of the possible investment opportunities on the market, in the interest of the subscribers and in accordance with the Regulations.

Finally, it is noted that the subscriptions have not been reopened and no date has been given for the disposal of the units.

In relation to the future, the management of the Fund will continue the activities aimed at divestment opportunities offered by the market, both in relation to opportunistic operations or rationalisation on those buildings not concerning long-term improvement operations.

On the buildings subject to restructuring, however, within the context of maximising the real estate value and consequent improvement in the quality, increasingly requested by both users and investors, the Fund will complete the improvement, restructuring and restoration works approved. In relation to this work, it is recalled that long-term work is planned (in particular on the Galleria San Federico at Turin, Via Tucidide at Milan), whose positive impact on the value of the assets and on the profitability, could benefit from the extension of the duration of the Fund approved in 2006. Consequently, it is planned to maintain these buildings in the portfolio until the new expiry dates, in order to maximise their profitability, benefiting as long as possible from the expected increases on the rental income and therefore on the real estate management margin.

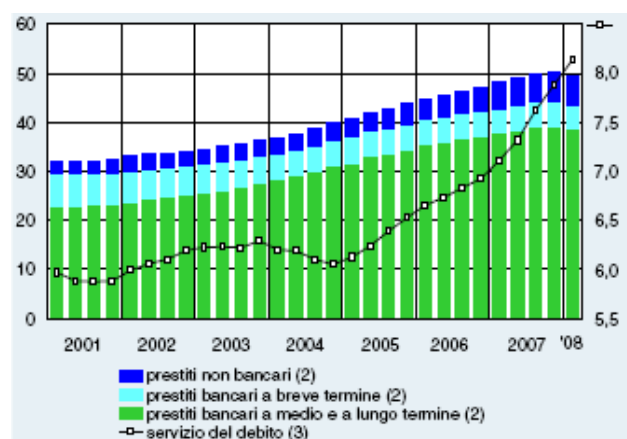
Other Sectors

The savings of Italian households

In the first quarter of 2008, household spending substantially stagnated (0.1% on the previous period and on the corresponding period of the previous year), after the fall recorded between the third and fourth quarters of 2007 (approx. -0.4%). The modest growth on the disposable income of households continued to affect consumption (less than one percentage point in real terms compared to the first quarter of 2007, according to the preliminary estimates of the Bank of Italy). The level of consumer confidence probably also had an impact, which is at historically low levels.

Household debt also continued to decelerate, especially in the medium and long term sector. The debt ratio to disposable income remained at around 60% (reference Chart 5), a value significantly lower than the average in the Euro area. In fact, in spite of the sustained growth in recent years, the level of Italian household debt remains below that of the principal European countries, which in 2007 amounted to 74.3% in France, approx. 100% in Germany, 133.5% in Spain and 169% in the United Kingdom.

Chart 5 – Household debt ⁽¹⁾
(in % of gross disposable income)



Source: Bank of Italy Bulletin No. 53, elaboration from ISAE and Istat data:

- 1) the disposable income for 2008 is based on the national quarterly statistical data;
- 2) end of period data
- 3) right column. The index relates only to households and to the twelve months ended in the quarter.

Asset Management

The continual fall in the equity markets, with an average loss on stock exchanges of around 10%, in the first half of 2008 favoured a gradual return towards instruments which, rather than invest, tend to preserve the capital invested.

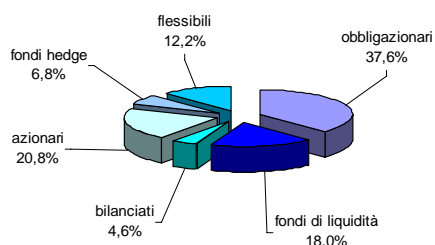
In fact, against the economic crisis as already described in detail, the equity funds recorded the greatest decline, losing on average 21% on an annual basis, with 32% losses recorded for products which invested in the financial sector. The balanced and flexible funds recorded decreases of 9% and 7% respectively, while the liquidity funds grew by 2.5%.

At the end of June 2008, the sector managed a net equity of Euro 514 billion, a decline on the previous month (-4.8%). Of these funds, 52.2% were invested in Italian funds, while 47.8% were invested in foreign funds.

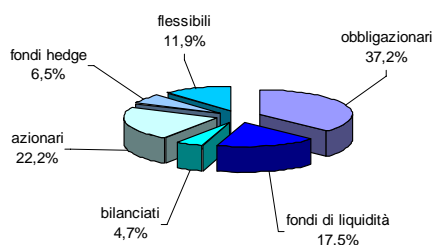
The net flow since the beginning of the year recorded a deficit of Euro 70 billion, with redemptions in the first six months of the year of Euro 29.5 billion for bond funds, Euro 22.5 billion for equity funds and Euro 3 billion for liquidity products.

Chart 6 – Breakdown of funds on total equity

(data at 30/06/2008)



(data at 30/06/2007)

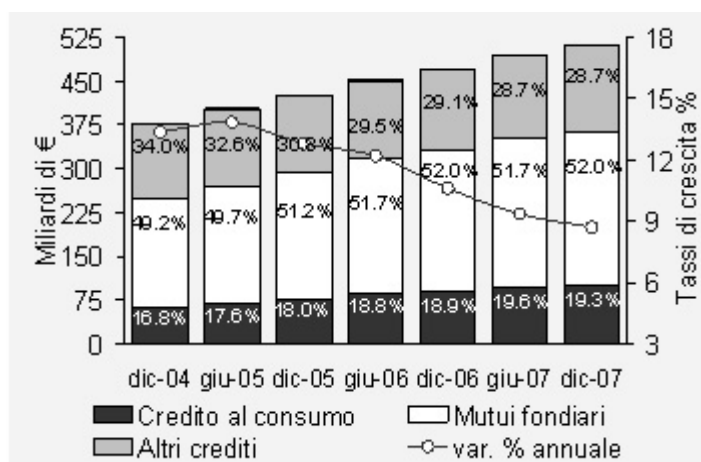


Source: *IlSole24Ore* and *Assogestioni*

Consumer credit

After the boom of the last decade, the consumer credit market is reaching maturity, within a context of general weakness due to the current economic crisis in the first half of 2008.

Chart 7 – Household credit market



Source: *Assofin-CRIF-Prometeia vol. 24 on Retail Credit*

The operators have however reacted to the weak demand, changing the policies of the products offered, in terms of product innovation/restructuring and offering a greater flexibility to the solutions proposed. This has been encouraged by the increase in competitiveness, in addition to new legislation, such as the “Bersani Decrees”. In fact, the measures in relation to advanced redemption and transferability of mortgages and the recent convention between the Italian Bank Association and the Ministry for Economy and Finance are aimed at reviewing the contractual conditions and other agreements which stabilise the payment streams of the debtors.

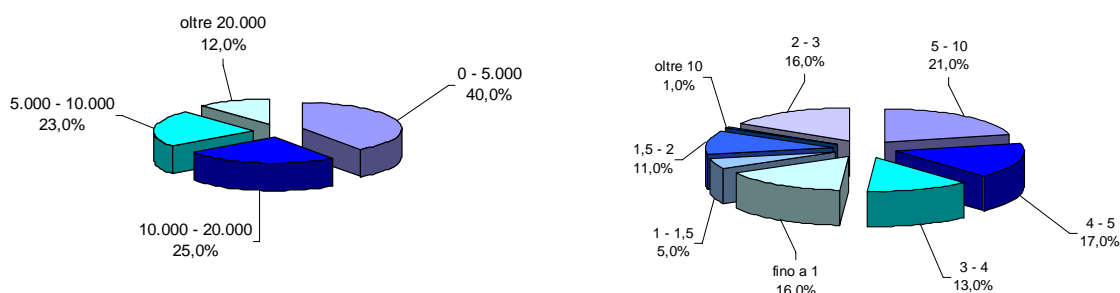
The most dynamic sector in the retail finance remains consumer credit, which recorded a total increase of 11.3% in 2007. The total value of the market is over Euro 98 billion, recording however a slowdown in growth, in part due to the uncertain climate in the second half of 2007 and the progressive slowdown of consumer growth.

In relation to the risk levels, although there are some signs of tension overall, the quality of the Italian household credit remains good. Finally, the risk relating to delinquencies remains stable, while insolvencies have risen slightly, both serious and minor, as well as the delinquency rate, which increased from 1.9% at December 2006 to 2.1% at the end of 2007.

In the first half of 2008, the demand for new loans declined by 6% on the same period of 2007, probably impacted by the strong decline in the new motor registrations, which collapsed by approx. 20% in June 2008.

Chart 8 – Breakdown of loans (in Euro)

Duration of consumer loans (in years)



Source: Eurisc – Credit information systems of Crif (first half 2008)

The forecast made by Assofin, Crif and Prometeia, illustrate that 2008 will be a period of transition, characterised by a slow and gradual absorption of the current tensions, followed by an uptake in the two year period 2009-2010.

The sector “Other activities” includes the companies of the Group operating in the asset management sector, the financial services companies and the subsidiaries BANCASAI and Banca Gesfid.

The sector pre-tax profit was approx. Euro 19.1 million (Euro 19.0 million in the first half of 2007).

Agreements with Banca Italease

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

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

Within the complex agreements which resulted in the joint resolution of the above-mentioned contracts, Fondiarria-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 Fondiarria-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.

The pre-profit of the Other Activities sector was Euro 19 million, in line with the first half of 2007. The result includes the good performance of Banca Gesfid and the breakeven result of Banca Sai (loss in the first half of 2007), in addition to the good results of the majority of the subsidiaries operating in the sector.

The key highlights of the companies operating in the banking and managed funds sector are shown below:

	BROKERAGE MARGIN	CHANGE %	CONTRIB. TO RESULT
(Euro thousand)			
BANCA GESFID S.A.	8,936	(9.70)	3,837
BANCA SAI S.p.A.	12,929	30.32	176
SAI ASSET MANAGEMENT SGR S.p.A.	2,768	(25.66)	(368)
SAI INVESTIMENTI SGR S.p.A.	1,917	(3.12)	696
SAI MERCATI MOBILIARI SIM S.p.A.	2,897	43.06	(2,516)

- **BANCA GESFID S.A.**

The first six months of the year were affected by a multitude of critical issues for the financial markets which in part adversely affected the financial performance of the Swiss Bank, which operates in the private banking sector , exclusively from Lugano.

A net profit of CHF 6,161 thousand was recorded in the first half year, a decrease on the first six months of the previous year (CHF 8,637 thousand). The net equity increased from CHF 74,940 thousand at 31/12/2007 to CHF 81,293 thousand at 30/06/2008.

The commission transactions inevitably fell (-12%) - amounting to CHF 16,427 thousand.

The interest margin amounted to CHF 2,731 thousand (CHF 2,985 thousand in 1H 2007). The assets managed at June 30, 2008 amounted to CHF 2,544,624 thousand (CHF 2,710,097 thousand) while the assets managed by third parties through mutual investment instruments amounted to CHF 77,649 thousand (CHF 69,621 thousand at December 31, 2007).

The management costs amounted to CHF 9,920 thousand and included CHF 7,098 thousand for personnel expenses (+11% on the previous period). The completion of the staffing levels of the Asset Management division contributed to this increase.

The balance sheet reports a decrease of the loans to clients (-43%) which amount to CHF 86,309 thousand and the elimination of loans to banks. Consequently, the investment profile illustrates a decrease in the receivables from banks which amount to Euro 98,567 thousand and a decrease of receivables from customers.

- BANCA SAI S.p.A.

The result in the first half of 2008 of Banca SAI recorded a significant improvement on the first half of 2007. In fact while the first half of the previous year recorded a loss of Euro 1.4 million, the result for the first half of the current year was a small profit of Euro 176 thousand.

During the period, Banca SAI in addition to continuing the commercial strategies of 2007, commenced a large acquisition of the cash flows of all the companies of the Fondiaria-SAI Group.

For this purpose, in the first half of the year, the activities of moving the securities portfolio of the insurance Companies to the Bank continued, increasing the portfolio administered from Euro 795 million (data at December 31, 2007 at book value) to approx. Euro 10 billion (mark to market value). In addition, the commercial activities at the Companies of the Group and/or associated companies continued in order to introduce corporate clients to the Bank.

In relation to the commercial structure of the Financial Promoters a rationalisation commenced, required by the new MIFID regulations and by the supervision authority, which resulted in the Bank defining a minimum NAV level below which they may not be considered professional Promoters of BancaSai.

The above-mentioned rationalisation will result, by the end of the current year, in a drastic reduction of the network from the current figure of approx. 1,400 financial promoters to a network of 300 financial promoters, which have acquired the qualification of financial consultants in accordance with the new measures.

Finally, the work began on the new Milan branch in accordance with the industrial plan of the Bank which will see the opening of the new Branch during the current year. The completion of the work and the simultaneous opening of the new Branch is scheduled to take place in October.

The number of current accounts increased from 14,001 in the first half of 2007 to 14,469. There was a small increase in the number of accounts opened with an anomaly whereby, in spite of the high number of monthly "transactions" (approx. 300), there was an equilibrium between accounts opened and closed.

The loans due from clients, net of the relative doubtful debts, amounted to Euro 487 thousand, compared to Euro 415 thousand at the end of 2007. The customer deposits amounted to Euro 592 thousand (Euro 547 thousand at December 31, 2007).

In addition, the placement of financial services continued (mutual funds, SICAV, securities and fund asset management), which recorded a significant decrease compared to the previous half-year in terms of gross amounts (the amounts paid to investors on funds managed), falling from Euro 107 million to Euro 63 million.

The brokerage margin increased in the period from Euro 10 million to Euro 13 million; the increase is principally due to the increase in the interest margin for Euro 2 million and treasury activities for Euro 1 million. The increase in the interest margin derives from the increase in the loans to both retail clients and corporate clients.

The significant increase in adjustments on receivables, which increases the provision by approx. Euro 1.3 million, is principally due to the significant increase in the credit granted.

The personnel and operating costs remain stable increasing from Euro 5 million to Euro 5.2 million for personnel costs and from Euro 5.2 million to Euro 5.5 million for operating costs.

Based on these results, the expectations for the second part of the year are moderately optimistic.

- SAI ASSET MANAGEMENT SGR S.p.A.

In the first half of 2008, the company recorded a loss of Euro 368 thousand compared to a profit of Euro 216 thousand in the same period in the previous year and a budgeted loss of Euro 236 thousand.

Total assets managed at June 30, 2008 amount to Euro 728 million, compared to Euro 989 million in the same period of the previous year. At December 31, 2007, they amounted to Euro 885 million, a reduction in the first half year of Euro 157 million.

The principal factors contributing to this result were as follows:

- the reduction of the net commissions due to the continual divestments by customers which significantly reduced the assets managed and the consequent management commissions and an unsatisfactory market performance which impacted upon the company's ability to record performance commissions.
- the administrative expense savings principally relate to personnel costs and to the greater attention to the containment of overhead costs.

- SAI MERCATI MOBILIARI SIM S.p.A.

The result for the first half of 2008 reports a loss of Euro 2,516 thousand, compared to a loss of Euro 343 thousand in the first half of 2007, after prudent provisions of Euro 944 thousand which the company considered necessary on receivables from some clients in relation to derivative operations on interest rates.

On the one hand, the traditional operations on behalf of the company continued to produce good results in line with expectations, while on the other hand the strengthening of the service for third parties, which commenced in the second half of the previous year, had a positive impact on the management in the first half year thanks to the contribution of net commissions of Euro 1,461 thousand.

In relation to the principal income statement accounts the profits from financial operations amounted to Euro 1,675 thousand, recording a decisive increase on the first half of 2007 (Euro -220 thousand), illustrating that the reorganisation activities and the investments made, although in a difficult market climate, achieved the expected results.

The administrative expenses amounted to Euro 4,328 thousand compared to Euro 4,123 thousand in the same period in the previous year (+4.97%), in line with expectations. There was an increase in variable costs incurred in order to undertake activities on their own behalf, principally relating to trading and post-trading costs. In relation to the other expense accounts, these are constantly monitored and in line with the budgets. The brokerage margin amounted to Euro 2,897 thousand, a decisive increase (+43.06%) on the first half of 2007 (Euro 2,025 thousand). In addition to the significant increase in the results of activity on the company's own behalf, which increased to Euro 1,675 thousand (Euro -220 thousand in the first half of 2007), there was a strong decrease in net commissions amounting to Euro 600 thousand (Euro 1,461 thousand in the first half of 2007).

The key results of the main companies of the Group operating in the **financial services sector** are summarised below:

	REVENUES	CHANGE %	COSTS	CONTRIB. TO RESULT
(Euro thousand)				
FINALITALIA S.p.A.	12,880	19.08	10,960	1,053
FINSAL INTERNATIONAL S.A.	4,134	n.a.	599	3,535
FONDIARIA NEDERLAND B.V.	3,885	25.43	262	2,964
SAI HOLDING ITALIA S.p.A.	6,534	(68.04)	464	4,641
SAIFIN-SAIFINANZIARIA S.p.A.	7,863	n.a.	5,133	2,487
SAILUX S.A.	4,908	n.a.	4,760	147
SAINTEINTERNATIONAL S.A.	24,583	(18.67)	23,354	1,102

- FINITALIA S.p.A.

A net profit of Euro 1,053 thousand was recorded in the first half of 2008, compared to Euro 947 thousand in the first half of 2007 after income taxes of Euro 867 thousand in the period (calculated at the tax rate of 27.50% instead of 33% in 2007), compared to Euro 887 thousand in the first half of 2007. It is recalled that in the first half of 2007 lower employee leaving indemnity costs were recorded of approx. Euro 231 thousand deriving from the change in the accounting method utilised, following the introduction of the complementary pension reform.

A study undertaken in the first six months of the year on the consumer credit sector in Italy indicates a slowdown of the loans provided compared to the same period of 2007. In fact, growth of 13.2% (value of operations compared to the previous year) was recorded in the first 5 months of 2007 compared to growth of 2.6% in the same period of 2008 (source Consumer credit Study ASSOFIN – recorded as at 5/2008). In the same period, the number of transactions recorded a slowdown from growth of 11.6% in 2007 to growth of 8.3% in 2008.

Financing provided by the company in the first half of the year grew by 10.7% over the same period of 2007. The number of operations also increased by 25%, thanks to the greater activity related to the individuals and SME loans on insurance premiums, through the virtual revolving credit card My Cash Card. At June 30, 2008, financing was provided of Euro 103,763 thousand compared to Euro 93,699 thousand in the same period of 2007, an increase of 10.74%. In relation to the loan book, it is noted that the stock in the first six months of 2008 increased from Euro 174,837 thousand at the end of 2007 to Euro 189,381 thousand. In the same period, the percentage of gross delinquencies increased from 3.24% at the end of 2007 to 3.27% in 2008 (net delinquencies of 1.59% at the end of 2007 compared to 1.60% in 2008).

The brokerage margin amounted to Euro 8,559 million (compared to Euro 7,532 million in 1H 2007), while the interest margin amounted to Euro 8,919 thousand (Euro 7,787 thousand in 1H 2007).

During the period, the activities continued to expand and improve the functioning and offer of the virtual revolving card My Cash Card at the various agencies of the Companies of the Fondiaria-SAI Group. In fact the application of WEB Finitalia began to be activated at some of the mechanised sub-agencies, which on the proposal of their main Agencies, extends the sales points for services, in particular for insurance premiums. At the end of the quarter, the various automated procedures were also activated to finance the insurance premiums also through the Operators and Brokers of the Fondiaria-SAI group which, when fully operational, should increase the volumes of reciprocal activities.

The key results of the Group companies operating in the agricultural sector are summarised below:

	REVENUES	CHANGE %	COSTS	RESULT FOR THE PERIOD
(Euro thousand)				
SAIAGRICOLA S.p.A.	4,779	16.15	6,401	(1,651)

- SAIAGRICOLA S.p.A.

In the first half of 2008, the company recorded a loss of Euro 1,651 thousand under the IAS/IFRS principles (loss of Euro 2,392 thousand in the first half of 2007) after amortisation and depreciation of Euro 1,066 thousand (Euro 1,003 thousand in 1H 2007), interest expense on loans of Euro 484 thousand (Euro 326 thousand in 2007) and IRAP regional income taxes of Euro 30 thousand (Euro 30 thousand in the first half of 2007).

Sales of rice amounted to 13,651 quintals (16,190 quintals in 2007) for a total value of Euro 319 thousand (Euro 358 thousand to June 2007), a decrease in value terms of 11% and in quantity by 16% compared to 2007. The average sales price was around Euro 23.00 (Euro 22.00 in 2007).

Compared to the same period of the previous year, sales of packaged rice slightly increased to approx. Euro 213 thousand (Euro 204 thousand in 2007) on a quantity of approx. 80 kg thousand (75 kg thousand in 2007) with an unaltered average price.

The sales of packaged wine increased to Euro 2,398 thousand (Euro 2,256 thousand in the first half of 2007), recording an increase of 6% on a quantity of approx. 385 thousand bottles (unchanged on the first half of 2007), with an average price per bottle just above Euro 6. The greatest wine seller was Nobile di Montepulciano (134,359 litres), on a total sales of 288,385 litres, amounting to 46.59%.

For the various packaged wine, olives and grappa, the export sales amounted to approx. 50% of turnover, for a total of Euro 1,308 thousand, growth on the same period of the previous year. The amount of sales in Italy through multi-mandate agents fell (38% compared to 45% in 2007), while the residual 12% refers to commercial channels of the clients of the Group - direct and correspondence.

The principal investments undertaken (or in course) in the first half of 2008 are multiple and aimed at modernisation and capital appreciation of the assets; in particular investments were made of Euro 408 thousand (Euro 881 thousand in 2007) for the acquisition of new plant and equipment to modernise the machinery and obtain greater quality of the finished product; a combined harvester was purchased for Veneria.

Asset and financial management

INVESTMENTS AND LIQUIDITY

At June 30, 2008, the volume of investments amounted to Euro 34,803 million, a decrease of 8.5% on December 31, 2007.

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 first half of the year, 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 June 30, 2008 compared to December 31, 2007 are shown below.

(Euro thousand)	30/06/2008	Comp. %	31/12/2007	Comp. %	Cge. %
INVESTMENTS					
Investment property	2,257,836	6.16	2,142,923	5.37	5.36
Investments in subsidiaries, associates and joint ventures	283,673	0.78	270,025	0.67	5.05
Loans and receivables	1,682,906	4.59	1,333,262	3.34	26.22
Investments held to maturity	-	-	-	-	-
Available-for-sale financial assets	20,318,161	55.46	23,335,001	58.45	(12.93)
Financial assets at fair value through the profit or loss account	10,260,494	28.00	10,939,541	27.40	(6.21)
Total investments	34,803,070	94.99	38,020,752	95.23	(8.46)
Tangible fixed assets: buildings and other fixed assets	1,242,998	3.39	1,201,862	3.01	3.42
Total non-current assets	36,046,068	98.38	39,222,614	98.24	(8.10)
Cash and cash equivalents	592,399	1.62	701,195	1.76	(15.52)
Total non-current assets and cash equivalents	36,638,467	100.00	39,923,809	100.00	(8.23)

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

(Euro thousand)	30/06/2008	31/12/2007	Cge. %
Available-for-sale financial assets	20,318,161	23,335,001	(12.93)
Equity securities	2,268,380	3,096,783	(26.75)
Fund units	798,913	842,180	(5.14)
Debt securities	17,248,043	19,393,263	(11.06)
Other financial investments	2,825	2,775	1.80
Financial assets at fair value through the profit or loss account	10,260,494	10,939,541	(6.21)
Equity securities	237,550	286,123	(16.98)
Fund units	1,177,888	1,793,540	(34.33)
Debt securities	8,168,570	8,323,615	(1.86)
Other financial investments	676,486	536,263	26.15

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

(Euro thousand)	30/06/2008	30/06/2007	Change
Net income from financial instruments recorded at fair value through profit or loss	(403,385)	(2,012)	(401,373)
Net income from investments in subsidiaries, associates and joint ventures	26,611	16,578	10,033
Income from other financial instruments and property investments of which:			
Interest income	436,481	403,987	32,494
Other income	182,340	150,767	31,573
Profits realised	56,859	99,536	(42,677)
Valuation gains	446	90	356
Total income	299,352	668,946	(369,594)
Charges from other financial instruments and property investments of which:			
Interest expense	72,863	63,922	8,941
Other charges	32,893	31,125	1,768
Losses realised	57,638	34,309	23,329
Valuation losses	22,013	18,135	3,878
Total interest expense and charges	185,407	147,491	37,916
TOTAL NET INCOME	113,945	521,455	(407,510)

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 357,344 thousand (net charges of Euro 39,419 thousand in 1H 2007).

This decrease is offset by the corresponding change in the technical reserves of the Life sector relating to this class of activity. The most significant amounts were in the companies operating in the Bancassurance sector.

FINANCIAL MANAGEMENT

Since the beginning of the year, the conditions on the international financial markets have deteriorated. The US mortgage subprime crisis intensified and spread further impacting the higher quality and commercial building mortgages.

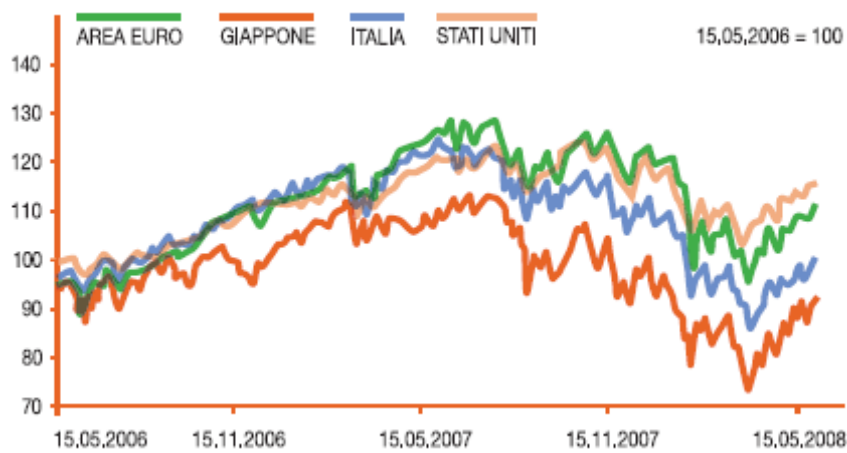
The principal international financial brokers continued to announce, or accrue in their accounts, losses on loans and write-downs on assets related to mortgages and other structured products. From the beginning of the crisis, this amounts to over USD 230 billion. The weakening of the so-called “monoline insurers” (companies that provide credit risk protection on some financial activities, among which structured products) led to fears of a lowering of the credit rating of these companies, which would have also reduced the credit rating of the instruments guaranteed by these companies, amongst which are the bonds issued by many local US administrations.

Since January, equity prices in the principal world markets decreased by between 7% and 15%, generally more marked in the banking segment and in the financial services companies.

The volatility of the prices has again increased above the levels of August 2007.

After a very difficult beginning to the year for the stock markets, the financial markets continue to remain fragile and the systemic risk indicators remain high. The economic growth outlook therefore remains uncertain. The rise in the price of oil and inflation is also potentially negative for shares. In this context, the stock markets could again see volatility, although the medium-long term trend remains favourable.

Chart 9 – Historical performance of equities in the past 2 years



Source: Ecwin, Intesa SanPaolo.
 Note: price and dividend indices, Eurostoxx, S&P, Topix.

Chart 10 – The markets and historical performances



Source: JP Morgan, Ecwin, Intesa SanPaolo Group forecasts.
 Note: Base number Index April 2008=100. The index represents gross performance (including coupon and dividends) of an investment equal to 100 made in April 2008. The annual performances refer to the period from April 1998 to April 2008.

The end of the lowering of the US interest rates, if confirmed in the coming months, could favour a partial recovery of the Dollar. However, structural weaknesses remains in the United States: it is therefore premature to conclude that there is a reversal in the trend, which could however occur in the second half of the year.

It is expected that the short-term interest rates in the Euro zone will remain above 4%, with the level of rates more competitive than those with longer maturity dates. Therefore liquidity remains, in the short-term period, a competitive investment compared to other financial asset classes.

The corporate bond securities provide returns on maturity above liquidity, with a premium for adequate risk. In particular, the utility sector provides an attractive return risk ratio, preferably issuers with high ratings and for maturities up to 3 years.

The securities of the emerging markets are sustained by solid credit quality of the principal issuing countries, but provide a modest yield differential compared to government securities of developed countries. In particular, the Latin American region is more favourable as it benefits from a better economic cycle than Europe.

The performance of the insurance indices in the individual countries reflects the exposure of the national insurance companies to the subprime mortgage crisis and the impact which this has on the entire local financial system, although the Italian market is not particularly affected as it is traditionally less exposed to sophisticated and risky portfolios.

For example, the UK index of the sector from January 2007 to May 2008 lost approx. 22%, while the European continent recorded lower declines: In France -14% and in Germany -1%.

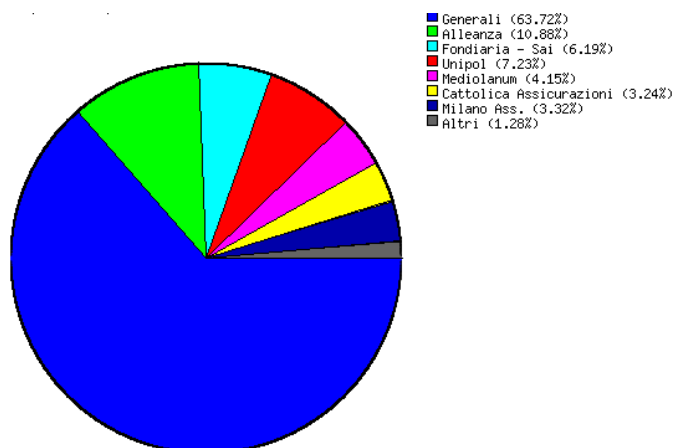
With particular reference to the Italian insurance market, from the end of October 2007 to July 2008 the Mib sector index lost more than 30%. The trend of the Historical Insurance Mib and the composition of the index is shown below.

Chart 11 – Historical Insurance Mib Index



Source: Borsa Italiana

Chart 12 – Composition of the Mib Insurance index



Source: Borsa Italiana

At a strictly operational level, in the first half of 2008 the Parent Company did not modify its strategy, except within the corporate sector where it was decided, with great attention and awareness of the current tensions, to increase the quota, in particular on the Life portfolios, thanks to the significant level of absolute returns. Favouring this component, a short-term government bonds allocation was chosen, benefiting from the inversion of the interest rate curve following the inflation fears and near term possible increases by the European Central Bank, and at the same time availing of the possibility to undertake trading on Corporate securities.

In relation to the Non-Life portfolio, the strategy continued to prefer the acquisition of short and very short-term maturity securities, both to benefit from the structure of the curve and to underwrite very liquid securities.

The variable rate component was however not increased, also due to a general dissatisfaction with this totally illiquid instrument.

The Bond sector represents, at the end of the first half of 2008, 70.9% of the total portfolio, with a total duration of approx. 5.0 years.

The Non-Life Division is composed of 65.5% of fixed income bonds, 27.5% at a variable rate and a residual 7.0% in time deposits operations.

The total duration of the Non-Life portfolio is 1.75 years and the return is 4.30%.

The Life Division has a higher fixed rate asset allocation (84.1%), compared to the variable quota of the same class (15.9%), with a total duration of the portfolio of 6.09 years and a return of 5.03%.

With particular reference to the Equity segment, the activity undertaken by the Company in the first half year was characterised by a reduction of the equity holdings by approx. 20%, primarily at the beginning of January. This reduction principally characterised sectors related to the economic cycle (Cyclical and Industrials) and also more defensive sectors (Utilities and Financing) which had reached excessive valuations.

Currently, the overall view on the equity segment still remains prudent in the short-term period given the recent downward trend and the still strongly negative outlook of investors, but with a view to the progressive increase of the investment in the medium-long term period.

With reference to the subsidiary Milano Assicurazioni S.p.A., the bond sector represents, at the end of the first half of 2008, 78.1% of the total portfolio, with a total duration of 3.8 years. The Non-Life Division is composed of 73.3% of fixed income bonds, 22.1% at variable rate and a residual 4.6% in Time Deposits. The total duration of the Non-Life portfolio is 1.79 years and the return is 4.32%.

The Life Division has an asset allocation with a fixed rate of 78.5%, a variable rate of 21.5% with a total duration of the portfolio of 5.34 years and a return of 5.28%.

FONDIARIA-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)	30/06/2008	31/12/2007	Changes
Subordinated loans	812.8	820.0	(7.2)
Mandatory Sainternational	186.4	180.7	5.7
Banks and other lenders	650.4	346.6	303.8
Total debt	1,649.6	1,347.3	302.3

The account **Subordinated loans** includes the loan of the Parent Company received from Mediobanca in July 2003 while at the same time repaying the previous loan agreed on December 12, 2002.

The loan, of a nominal amount of Euro 400 million, was undertaken to increase the constituting elements of the solvency margin.

With regard to the subordinated loan of Euro 400 million already in place with **Mediobanca**, the Parent Company agreed with this latter, with prior authorisation from Isvap:

- some contractual changes to the subordinated loan, among which, the reduction of the interest rate, from Euribor at six months +265 basis points to Euribor at 6 months +180 basis points;
- a new subordinated loan for a fixed period of 20 years totalling Euro 100 million at an interest rate of Euribor at 6 months +180 basis points, with the same conditions of the previous subordinated loan.

-
- the signing, on July 14, 2006, of a new subordinated loan totalling Euro 300 million, half by Fondiaria-SAI and half 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.

With reference to the subordinated loan of Euro 400 million, it is recalled that 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 section relating to derivative financial operations.

The account “Subordinated loans” also includes the 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%. The change in the account “Subordinated loans” compared to December 31, 2007 is principally due to the fact that on June 27, 2008, BPM Vita repaid the two other subordinated loans on maturity totalling Euro 8 million.

On September 27, 2004, the Luxembourg subsidiary Sainernational 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 180,400 thousand, 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 price 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 650 million, the most significant amounts are reported below:

- Euro 252 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 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 156 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 33 million refers to short-term loans for fixed use (so-called “hot money”) obtained by the subsidiary Finitalia from various credit entities;
 - The residual amounts relates to other insignificant payable positions.

CONSOB communication No. 7079556 of August 30, 2007

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

TREASURY SHARES, SHARES OF THE HOLDING COMPANIES AND ITS SUBSIDIARIES

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

(Euro thousand)	30/06/2008		31/12/2007	
	Number	Carrying value	Number	Carrying value
Ordinary treasury shares held by:				
Fondiaria-SAI	2,460,000	75,659	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	12,042,557	313,865	11,362,557	298,558
Saving treasury shares held by:				
Fondiaria-SAI	800,000	16,739	568,051	12,403
Total	800,000	16,739	568,051	12,403
Shares of the holding company held by:				
Fondiaria-SAI	18,340,027	22,943	18,340,027	35,671
Milano Assicurazioni	9,157,710	11,456	9,157,710	17,812
Saifin - Saifinanziaria	66,588	83	66,588	130
Total	27,564,325	34,482	27,564,325	53,613

PERFORMANCE OF THE LISTED SHARES OF THE GROUP

The share capital of the Parent Company Fondiaria-SAI S.p.A. at the period end amounted to Euro 168,692,679, divided into an equivalent number of shares of a nominal value of Euro 1 (125,331,457 ordinary shares and 43,361,222 saving shares).

At the period end, the stock market share prices were as follows:

(in Euro)	30/06/2008	28/12/2007	Change %
Fondiaria SAI ord.	20.97	28.110	(25.40)
Fondiaria SAI sav.	13.936	19.224	(27.51)

The corresponding stock market capitalisation at the period end was Euro 3,232 million (Euro 4,353 million at 31/12/2007).

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 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.

At 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 for retention of the requisites for the tax consolidation and the inter-company VAT settlement 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 integrated in accordance with the requests of Consob, was published as an attachment to the Offer document.

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

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

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

- *Expected dividends: Against the Immobiliare Lombarda share price, whose profit estimates do not allow the forecast of the distribution of dividends in the short term period, also in consideration of the necessity of self financing by the Company of its development projects, the Milano Assicurazioni share price has a significant historical dividend yield, which has been in constant growth over the last 5 years and has good dividend prospects for the coming years. The share price also appears to be better value compared to shares of comparable companies; it in fact presents a price/earnings ratio of approx. 7.7, the lowest among listed Italian insurance companies.*
- *Immobiliare Lombarda share price: The prospects on the performance of the Immobiliare Lombarda share price are characterised by strong uncertainty related (i) to the general negative trend of real estate, and for which an expansive phase in the short/medium term period is not expected (ii) to the characteristics of the Immobiliare Lombarda real estate portfolio, with a strong project development component, which results in fluctuations of the share price more than proportional to the fluctuations in the real estate market (iii) to the fact that the current stock exchange performance incorporates the positive effects of the offer, rendering therefore uncertain the estimates of the performance of the share price at the end of the offer period;*
- *Liquidity of the Immobiliare Lombarda share price: Analysing volumes, quantities and prices over a 6-month period, the Immobiliare Lombarda share price has scarce “liquidity” (turnover ratio equal to 34.8%). The operation under examination would also result in a further contraction of the floating*

capital and therefore would render the sale of significant quantities on the market difficult without having a negative effect on the share price.”

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 of 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 reorganisation 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 began on July 28, 2008 and will terminate on September 15, 2008, due to an extension to the original expiry date of September 1, authorised by Consob in accordance with current regulations on justified requests by the company.

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.

Borsa Italiana S.p.A. will delist the shares from the Stock Market on the conclusion of the procedure to comply with the compulsory purchase by Fondiaria-SAI and any subsequent squeeze-out.

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 hearing for the suspension of the effectiveness of the Consob resolution will be held at the Regional Administration Court of Lazio on August 28, 2008.

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 into 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 then presented for approval by the relative extraordinary shareholders’ meetings, which deliberate also on the evaluations made by the experts as required by current regulations.

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 around two years ago;
- The competitive/organisational benefits from the application of SASA and LIGURIA of the know-how within Milano Assicurazioni in valuing the agency networks of the Group connected to matters in terms of brand and/or agency mandate and/or territorial presence;
- The maintaining of the commercial identity and of the appropriate autonomous operations in order to preserve the typical flexible approaches to the markets which characterises these companies and which has permitted a loyal agency network and achievement of excellent results in terms of premium growth.

The operations relating to SASA, SASA VITA and LIGURIA will therefore take place with the integration of the further conferment into Milano Assicurazioni of the direct investments held by Fondiaria-SAI in Immobiliare Lombarda 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 Bid, concluded on April 17, 2008, the holding in Immobiliare Lombarda subject to conferment amounted to 27.88%.

The Board of Directors of Milano Assicurazioni, in the meeting of January 30, 2008, also 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 deliberated 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 in relation to the merger of Euro 23,979,115.68.

The number, 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 the rights option, 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 the rights option, 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. was requested to provide an opinion on the appropriateness of the issue price of the new shares of Milano Assicurazioni for the above-mentioned conferment.

All the above-mentioned reports of Reconta Ernst & Young and Deloitte & Touche will be published within the period required by law before the extraordinary shareholders' meeting of Milano Assicurazioni called to approve the two operations, which is expected to take place, once the authorisation process has been completed by Isvap, in the first half of October.

Other information

GROUP EMPLOYEES

At June 30, 2008, the number of employees of the Group was 7,943 (6,191 at December 31, 2007), broken down as follows:

Number	30/06/2008	31/12/2007	Changes
Italian companies	5,691	6,101	(410)
Foreign companies	2,252	90	2,162
Fondiaria-SAI S.p.A. Group	7,943	6,191	1,752

The number of employees at the Italian companies decreased in the first half-year following the loss of control of the Scai Group. The significant increase in the number of employees in the first half of 2008 in the foreign companies is due to the acquisition of DDOR Novi Sad on January 31, 2008. In addition, the employees of the foreign companies include 552 brokers.

Total Group personnel costs amounted to Euro 208 million (Euro 232 million in the first half of 2007).

HUMAN RESOURCES

In the first half of 2008, the Industrial Relations were carried according to the consolidated principles of information, dialogue and discussion on matters under contractual negotiation.

In the period, trade union negotiations were centred on the contractual harmonisation of working hours for both full-time and part-time employees, within a rationalisation programme of the main Group head offices. The negotiation with the Trade Union Organisations, undertaken in various phases, was concluded with the signing of an Agreement on July 1, 2008, which set out a single governance of the working hours for the Companies of the Group working from the head offices of Turin, Milan and Florence.

Another significant issue addressed in the first half of the year was the management of trade union procedures, in accordance with the provisions of law and the national work contract for the insurance sector, which commenced with reference to the sale of the business unit relating to the settlement of the health claims of the Fondiaria-SAI Group, concluded with the signing of an Agreement on June 16, 2008. These activities were transferred from Sistemi Sanitari S.p.A., a subsidiary of EDS Italia S.p.A. to the new company Servizi Salute e Malattia S.c.r.l. incorporated by the Fondiaria-SAI Group, which from July 1, 2008 changed its name to Sistemi Sanitari S.c.r.l.

An agreement was also signed on January 18, 2008 with the trade unions for the renewal of the integrated conditions for employees of BancaSAI S.p.A., as well as the agreement signed on April 2, 2008 of the first integrated contract of the subsidiary BPM Vita S.p.A., which were defined in accordance with the principles on which the collective negotiations are based within the Fondiaria-SAI Group.

Considering also the commitment undertaken by the Company in relation to social responsibility as a strategic value shared by all the Group, in the first half of the year the social initiatives were confirmed involving employees and their families, such as contributions for summer vacations for children.

Employee disputes before the courts were maintained in line with those of previous years, thus remaining limited. At June 30, 2008, there were 36 cases pending for Fondiaria-SAI S.p.A. and 17 for Milano Assicurazioni S.p.A.

In relation to the most significant events after the end of the first half of 2008, we report the commencement, at the beginning of July, of the trade union discussions, in accordance with the provisions of law and the national insurance contract, relating to the merger by incorporation of the companies SASA Ass.ni S.p.A. and SASA Vita S.p.A. into Milano Assicurazioni S.p.A., with legal effect expected from December 31, 2008.

TRAINING AT FONDIARIA-SAI IN THE FIRST HALF YEAR 2008

In relation to training, in the first half of 2008, the initiatives undertaken in recent years continued and were developed in order to support management growth and cultural integration between the different companies of the Group.

The most important Managerial Training activities were:

- training for a period of 3 days which involved (in two stages) all managers of the Group, based on the themes of scenarios, strategy, strategic planning and control;
- the continuation of growth paths for Managers, such as the Valuation Model, Development of Expertise, Leadership, Planning and Coordination, Delegation and Growth awareness;
- training for the Professional Resources, such as Valuation and Development models and the Orientation to Change;
- the new initiatives on Work for Projects, reserved for managers and professionals which must manage teams or collaborate on company projects of any kind.

Technical, insurance and professional training has also been undertaken in accordance with the New Catalogue of internal Courses distributed at the beginning of the year. In addition to the initiatives already consolidated in the previous year, some new courses commenced in the first half of the year, for example those for the advanced training of specialists (among which those regarding Law) and blended type initiatives (i.e. mixed training method between traditional and distance learning).

Presence and training days

The typical indices to measure training performance are represented by the concepts of presence and training days.

We recall that presence refers to the number of participants for each individual initiative, while the training day refers to the presence for the duration of the initiative.

In relation to the first half of the year, the presence and training days respectively amounted to 1,700 and 2,400.

CULTURAL AND SOCIAL INITIATIVES

External Communications

The first half of 2008 was dedicated in particular to a revision of the formal means of communication with clients, which must take account of the increasing need for clarity and transparency and of the solicitation of a market in which convenience is of increasing importance.

The programme relates to both the commercial communication instruments and to the contractual and legislative communication, with emphasis on the language (verbal and visual) and, more profoundly, on the brand image. The new regulations will be applied on the new products which Fondiaria-SAI commenced within the new line Retail Più.

The competitive positioning was also outlined of the new Auto Presto & Bene service and the relative communication strategy for the agencies and for the car repair workshops of the Network which will be activated from September.

Management's commitment to promote a greater culture of communication within the Group continued with the publication of the third issue of Vision, distributed to all employees and Agencies of the Group, together with the second volume of Dire Fare Comunicare, a series of training manuals focussing on communication.

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

- support to the Motor Department in the realisation of new direct marketing programmes;
- the start-up of communication projects for the new company Sistemi Sanitari;
- the realisation of communication projects for the Foundation Fondiaria-SAI.

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

Internal Communications

The planning and study of a variety of Internal Communications activities continued, which through the creation of print, online tools and internal events have involved, and will continue to involve, the entire 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 elaboration of ad hoc Communication Plans and the realisation of communication projects for the various companies of the Group;
- creating customer loyalty among the best clients (Club Assicurati) through the creation of a quarterly magazine, LINEA DIRETTA CLUB;
- the gathering of material for the 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 signs and signs of the agencies for all the Group, simultaneous to the study of the IT project of the *Procedure for the request for signs*, together with the Wave Group;
- the planning of events targeted at employees and agency networks.

Press Office

The Press office was responsible for the publication of the results during 2007 and in the first quarter of the year to the media, as well as the information relating to the strategic operations undertaken by the Group.

In the first half of 2008, significant importance was given to the launch of the public Purchase and Exchange Offer by Fondiaria-SAI on Immobiliare Lombarda S.p.A. and the corporate/industrial restructuring project of the Group.

In order to guarantee transparency in communications to the market and constant information flow on this complex operation, the press office, in addition to publishing 9 press releases, also prepared, undertook and organised meetings with the press and interviews with the Chief Executive Officer in response to the requests by Consob.

In total, the Press Office issued 29 price-sensitive press releases, of which 15 from Fondiaria-SAI, 10 from Milano and 4 jointly from Fondiaria-SAI and Milano.

Sponsorship and donations

In the first half of 2008, the policy favoured, in accordance with the traditional concerns of the Company, the problems related to social issues, isolation and physical and mental illness.

The Maria Letizia Verga, Onlus Committee was supported for the first year, which is involved in the study and cure of leukaemia for children and unites parents, relatives, friends and people in the health services with the objective to provide all sick children with leukaemia and attending the Paediatric Clinic of the University of Bicocca Milan the best available medical and psychosocial assistance in order to guarantee them a better quality of life and chance for recovery.

The Panda Onlus Project Association was also supported, which has as a principal objective the prevention and treatment of psychosocial problems of women in difficulty in confronting pregnancy and undergoing maternity, and the Angelo De Gasperis Foundation, the scientific medical cultural body which works alongside the De Gasperis Cardiology Department at the Niguarda Ca' Granda hospital in Milan. In particular, the Heart of Milan project was supported, which involved the setting up of a structure open to the public in the Milan Duomo where for the entire weekend it was possible to undertake free cardiology visits assisted by medical personnel of the hospital.

The support continued of AIMAC – Italian Cancer Association, which offers psychological help to persons suffering from cancer and their family and information on the illness through a series of voluntary initiatives and publications, and to the AID – Italian Dyslexic Association, set up to provide awareness to the professional and educational world and public opinion on dyslexia and to the Dino Ferrari Friends' Association, a support body which battles for the diagnosis and therapy of neuromuscular and neurodegenerative illnesses and to the Health Association for the Prader Willy syndrome, which is involved in the research and cure of rare genetic illnesses which affect the intellectual and emotional development of children.

Customer relations

The number of complaints received by the Company pursuant to Isvap circular No. 518/03 in the first half of 2008 decreased by 28.7%, while in 2007 an increase of 22.2% was recorded.

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 increased number of sanctions issued by Isvap;
- the stabilisation of complaints following the entry into force of the Bersani Decrees, which resulted in a strong increase in claims compared to 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 238 formal notifications in accordance with the application of the Private Insurance Code; the Supervision Authority also issued 238 notices in relation to cases which had been previously been transmitted by the Notification Act. These injunctions amounted to Euro 2,835,413.59.

In order to identify the causes which could have determined the increase in sanctions we have commenced a 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.

With reference to the customer loyalty programmes, the second of the two-year operations of the new club “Assicurati” began, characterised by the “last minute” offer proposal, which are 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 shown 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. Currently, the number of subscribers to the Club is 14,800.

Cultural, Sporting and Social Support

In order to further consolidate the institutional role and visibility in Turin and Piemonte, the Group in the period provided continued support and collaborated 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;
- the Museo Nazionale del Cinema (National Cinematic Museum) - of which Fondiaria-SAI is a member of the management committee;
- the Committee for the promotion of the Beni Artistici e Culturali di Torino (Artistic and Cultural Heritage of Turin), for which Fondiaria-SAI is a member of the management board;
- the Turin Industrial Association’s Conference Centre;

and many other institutions operating in social and cultural areas.

On the cultural front, Milano Assicurazioni supported the ninth edition of The Milanesiana - a literal, music and cinema festival created and directed by Elisabetta Sgarbi and promoted by the Province and Municipality of Milan together with the Lombardy Region. The Milanesiana is undertaken in various cities, involving large audiences, with significant critical and visual success. There were over 120 international guests on stage, among which 7 Nobel Prize winners.

Among the projects of Fondiaria-SAI some well-deserving recipients were confirmed, for example the important Milan institutions such as the Teatro alla Scala, the PierLombardo Foundation, which supports the restructuring of the Franco Parenti Theatre, and AIM - Associazione Interessi Metropolitani, which studies the problems of the Lombardy metropolitan area. The sponsorship continues with the prestigious Philhaemonic Orchestra of La Scala.

On the sporting front, the sponsorship programmes for the first half of 2008 by Fondiaria-SAI and Milano Assicurazioni were particularly important in terms of visibility and prestige with the Italian Open Golf at Tolcinasco, the most important Italian golf tournament which, this year, had free entry to the public each day. The free entry to the public promotes awareness and the playing of golf to an increasingly wider target.

Future Activity

The principal commitments for 2008 are:

- the study of initiatives aimed at eliminating the deficiencies which induced 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;
- the identification of further activities and specific initiatives for the Club Assicurati Clients, with particular reference to the Private Insurance Clients and those relating to the new category “Elite Under 30”;
- the application of new formal communication codes in the promotional/advertising tools launched by the new product “Retail Più”;
- the updating of the brand profiles (identity and personality) of the principal brands of the Group;
- the completion of a revision project of the linguistic communications with clients, in order for greater accessibility and transparency of the contents;
- the launch of the new Group service “Auto Presto&Bene” and support communication for the agency networks and for the auto repair network throughout the country.

LITIGATION

Actions by shareholders

With regard to the proceedings instituted against the Parent Company Fondiaria-SAI by shareholders of the incorporated La Fondiaria Assicurazioni S.p.A. in the carrying out of the obligations of the public purchase offer pursuant to Consob regulation of December 2002, three first instance proceedings are pending at the Milan Court.

Six proceedings initiated by the Parent Company for the reform of a similar number of judgements issued by the Court of Milan are pending with the Milan Court of Appeals. In addition, another proceeding is pending with the Court of Appeals of Florence following the counter-party's appeal of the judgement that was issued by the Court of Florence in favour of the Company.

The Milan Court of Appeals – the only second level court that has currently issued a sentence on the matter – has always fully reformed the first instant sentences accepting the Company's objections and rejecting the request for compensation made by the claimants.

There are currently two summary judgements before the Court of Cassation brought forth by Promofinan S.p.A. and Messrs Marcegaglia in appeal of the sentence in our favour that was issued by the Milan Court of Appeals. The Parent Company has counter-appealed.

The provisions for risks and charges in the financial statements at 30/06/2008 are sufficient against the litigation in course.

Tax Audits

On July 21, the Tuscan Tax Office Notified the Parent Company of a Contestation relating to the taxes for the years 2004 and 2005.

This took place after a general verification relating to the year 2004 and which was for a duration of six months.

The contestation and the documents attached show that the verification concerned, in addition to the formal controls on all tax compliance, Direct Income Taxes, VAT, Withholding taxes, Insurance taxes and other indirect taxes, on the entire activities undertaken by the Company.

The contents of the contestation are being analysed in detail by the Company in order to assess and quantify the risks and substance, although it should be noted that after a preliminary analysis it is considered, where these matters are confirmed by an assessment notice, we are in agreement only with a minimal part of the findings.

On July 31, the Central Assessment Office – Fiscal Control Sector – Large Companies Office, on the completion of a general verification relating to the year 2004, for a duration of 9 months, within the full terms permitted by Statutes, notified the subsidiary company Milano Assicurazioni of a Contestation concerning taxes for the year 2004 and with reference to the years 2003, 2005 and 2006.

The contestation and the documents attached show that the verification concerned, in addition to the formal controls on all tax compliance, Direct Income Taxes, VAT, Withholding taxes, Insurance taxes and other indirect taxes, on the entire activities undertaken by the Company.

Also in this case the contents of the contestation are being analysed in detail by the Company in order to assess and quantify the risks and substance, although it should be noted that after a preliminary analysis it is considered, where these matters are confirmed by an assessment notice, we are in agreement only with a minimal part of the findings.

SIGNIFICANT EVENT AFTER THE PERIOD END

Subordinated loans

With prior authorisation from Isvap on July 14, 2008, Fondiaria-SAI S.p.A. and Mediobanca – Banca di Credito Finanziario S.p.A. signed a bilateral hybrid perpetual loan for a nominal amount of Euro 250 million for the computation of this amount in the maximum limit of 50% of the solvency margin for ISVAP purposes. The payment of the interest is made in arrears on a half-yearly basis, at an interest rate of Euribor at 6 months increased by a spread of 350 basis points for the first ten years and subsequently of 450 basis points. The repayment should be made in one repayment after 10 years.

On July 14, 2008 a hybrid bilateral loan was also agreed between Milano Assicurazioni S.p.A. and Mediobanca – Banca di Credito Finanziario S.p.A. of Euro 100 million for a perpetual duration. The conditions and the purposes of this loan are identical to the loan of Fondiaria-SAI, as described above. On the same date, Milano Assicurazioni partially repaid in advance Euro 100 million of the subordinated loan of a nominal amount of Euro 150 million subscribed on June 22, 2006.

Finally, on July 11, 2008, Isvap authorised the issue by Fondiaria-SAI of a subordinated bond for an indefinite period for a maximum amount of Euro 500 million, under the same conditions and terms, with the exception of the interest rate, of the maximum bond of Euro 750 million which was approved by the Board meeting of September 11, 2007 but which was not subsequently issued due to market conditions and the approval of Isvap is considered lapsed following the new authorisation.

Standard & Poor's Rating

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 report of the Agency, takes into consideration the competitive strengthening of the Life business, the leadership in the Non-Life sector with its operating performance, good capitalisation, as well as the continued improvement of the Enterprise Risk Management area.

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. The rating could rise, in the near future, if the profitability of the Life division increases and if the implementation of the ERM continues at the current sustained rates.

There remains a relatively high concentration of the equity portfolio in a small number of strategic holdings, 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, with a positive outlook to the market challenges and achieving of objectives in the coming years.

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.

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 Fondiaria-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 Fondiaria-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 Fondiaria-SAI Group within the Health Care Management organisation, thus generating new synergies on overheads, resources, operating models and professional expertise.

OUTLOOK

In this phase of considerable market change, characterised by the disappointing performance of the economic activity indicators, the increased level of competition introduced by the new regulations relating to the insurance sector requires even greater attention to the technical performances and to the efficiency of the processes.

The introduction of the direct compensation mechanism had created recent operating implications, such as to require the Fondiaria-SAI Group to undertake a revision of its strategic guidelines.

In fact, the current direct compensation system allows the insurance companies of the Group to further improve the quality of the service offered, fostering Client goodwill on the settlement of the claim or reparation of the damage.

The increased frequency of interaction with its Clients, in part also due to the obligatory assistance of the insurance companies of the Group in the preparation of the claim, the opportunity to offer its Policyholders the reparation of the vehicle and the benefit of the forfeit mechanism, in fact permits the Settlement Network of the Fondiaria-SAI Group to operate a high quality service.

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 reparation, 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 with banking partners with good distribution networks, creating a new range of ad hoc products and maximising cost synergies.

In addition, in order to engender the loyalty of both the Agency Networks and the Client base, the organisational structure of the “product factory” will be redefined in the coming months, with the determination of centres of responsibility by market segment. The development cycle and innovation of the products offered will also be redesigned, through greater valuation of the brand and “niche” distribution networks, through “customisation” mechanisms in the catalogue provided to each Network.

In relation to the Life Classes, an equilibration of the Group portfolio is in course, 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 also 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.

With the strategic objective of BancaSai being a service instrument of the core insurance business of the Group, the number of branches will expand gradually, focused on maximising the relationships within the Group, also with the view to specialisation in the creation of products and the provision of services for the agency network and for their primary Client base.

Finally, considering the unfavourable global economic prospects, the Group financial management will continue in its traditional direction aimed at achieving the best equilibrium between risk and return.

The results reported in the first half-year provide the basis for the full year of achieving satisfactory technical results. The current market conditions make it particularly difficult to forecast the contribution of the financial management for the year 2008.

Milan, August 27, 2008

*For the Board of Directors
The Chairman*

Jonella Ligresti

Condensed consolidated half-year financial statements

Following the entry into force of European Regulation No. 1606 of July 2002, the European companies traded on regulated markets must adopt IAS/IFRS for the preparation of consolidated financial statements with the purpose of increasing comparability and transparency at European level.

The present consolidated half-year report comprises the condensed consolidated half-year Financial Statements and the interim Directors' Report on operations. The report includes the statement of Changes in Shareholders' Equity, the cash flow statement and the other consolidated statements and explanatory notes required by Isvap Reg. No. 7 of 13/07/07.

The present Fondiaria-SAI S.p.A. interim financial statements are prepared in accordance with the presentation and disclosure requirements of the International Financial Reporting Standards (IFRS), and particularly IAS 34, also taking into account the formats and instructions issued by the Supervision Authority. They also include additional information, which illustrates some examples contained in IAS, which are considered best practice.

In the preparation of the interim financial statements Fondiaria-SAI prepares the consolidated financial statements according to IAS applied on a consistent basis.

The valuation and measurement of the amounts recorded in the explanatory notes are in accordance with IAS/IFRS accounting standards currently approved by the European Commission and their current interpretation by the official accounting organisations.

It should be noted that due to the requirements of having timely information and also to avoid repeating information already present in the annual accounts, the present consolidated half year Report provides more limited information than the annual financial statements, although in accordance with the minimum disclosure as per IAS 34 and other regulatory provisions.

Financial Statements

BALANCE SHEET – ASSETS

(Euro thousand)

		30/06/2008	31/12/2007
1	INTANGIBLE ASSETS	1,944,347	1,754,254
1.1	Goodwill	1,636,233	1,474,258
1.2	Other intangible assets	308,114	279,996
2	PROPERTY, PLANT & EQUIPMENT	1,242,998	1,201,862
2.1	Buildings	1,032,847	1,000,050
2.2	Other tangible assets	210,151	201,812
3	TECHNICAL RESERVES - REINSURANCE AMOUNT	848,147	905,307
4	INVESTMENTS	34,803,070	38,020,752
4.1	Investment property	2,257,836	2,142,923
4.2	Investments in subsidiaries, associated companies and joint ventures	283,673	270,025
4.3	Investments held to maturity	0	0
4.4	Loans and receivables	1,682,906	1,333,262
4.5	Available-for-sale financial assets	20,318,161	23,335,001
4.6	Financial assets at fair value through the profit or loss account	10,260,494	10,939,541
5	OTHER RECEIVABLES	2,391,316	2,574,174
5.1	Receivables from direct insurance operations	1,686,101	1,812,015
5.2	Receivables from reinsurance operations	168,445	183,476
5.3	Other receivables	536,770	578,683
6	OTHER ASSETS	900,301	822,370
6.1	Non-current assets or of a discontinued group held for sale	0	1,366
6.2	Deferred acquisition costs	256,715	290,517
6.3	Deferred tax assets	156,951	103,867
6.4	Current tax assets	150,118	149,051
6.5	Other assets	336,517	277,569
7	CASH AND CASH EQUIVALENTS	592,399	701,195
	TOTAL ASSETS	42,722,578	45,979,914

BALANCE SHEET - SHAREHOLDERS' EQUITY & LIABILITIES

(Euro thousand)

		30/06/2008	31/12/2007
1	SHAREHOLDERS' EQUITY	4,501,389	5,170,935
1.1	Group	3,430,647	3,857,752
1.1.1	Share capital	168,693	168,534
1.1.2	Other equity instruments	0	0
1.1.3	Capital reserves	208,942	207,785
1.1.4	Retained earnings	3,129,280	2,807,956
1.1.5	(Treasury shares)	-330,604	-310,961
1.1.6	Translation reserve	-107	-1,623
1.1.7	Profit or loss on available-for-sale financial assets	-35,822	415,143
1.1.8	Other gains and losses recorded directly in equity	81,836	63,952
1.1.9	Group net profit for the period	208,429	506,966
1.2	minority interest equity	1,070,742	1,313,183
1.2.1	Minority capital and reserves	1,068,822	1,157,681
1.2.2	Gains and losses recorded directly in equity	-50,926	42,417
1.2.3	Minority interest profit	52,846	113,085
2	PROVISIONS	271,913	236,155
3	TECHNICAL RESERVES	29,534,824	31,343,064
4	FINANCIAL LIABILITIES	6,452,373	7,185,687
4.1	Financial liabilities at fair value through profit or loss account	3,858,838	5,031,453
4.2	Other financial liabilities	2,593,535	2,154,234
5	PAYABLES	1,201,490	1,141,625
5.1	Payables from direct insurance operations	237,294	185,576
5.2	Payables from reinsurance operations	89,439	106,259
5.3	Other payables	874,757	849,790
6	OTHER LIABILITIES	760,589	902,448
6.1	Liabilities in a discontinued group held for sale	0	0
6.2	Deferred tax liabilities	261,331	276,854
6.3	Current tax liabilities	40,558	110,729
6.4	Other liabilities	458,700	514,865
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	42,722,578	45,979,914

INCOME STATEMENT

(Euro thousand)

		30/06/2008	30/06/2007
1.1	Net premiums	5,709,572	5,933,977
1.1.1	<i>Gross premiums</i>	5,865,799	6,092,006
1.1.2	<i>Premiums ceded to re-insurers</i>	-156,227	-158,029
1.2	Commission income	53,622	60,247
1.3	Income and charges from financial instruments at fair value through profit or loss statement	-403,385	-2,012
1.4	Income from investments in subsidiaries, associates and joint ventures	30,174	19,038
1.5	Income from other financial instruments and property investments	676,126	654,380
1.5.1	<i>Interest income</i>	436,481	403,987
1.5.2	<i>Other income</i>	182,340	150,767
1.5.3	<i>Profits realised</i>	56,859	99,536
1.5.4	<i>Valuation gains</i>	446	90
1.6	Other revenues	201,101	218,888
1	TOTAL REVENUES AND INCOME	6,267,210	6,884,518
2.1	Net charges relating to claims	-4,235,205	-4,866,502
2.1.2	<i>Amounts paid and changes in technical reserves</i>	-4,314,287	-4,991,482
2.1.3	<i>Reinsurers' share</i>	79,082	124,980
2.2	Commission expenses	-28,150	-32,956
2.3	Charges from investments in subsidiaries, associates and joint ventures	-3,563	-2,460
2.4	Charges from other financial instruments and property investments	-185,407	-147,491
2.4.1	<i>Interest expense</i>	-72,863	-63,922
2.4.2	<i>Other charges</i>	-32,893	-31,125
2.4.3	<i>Losses realised</i>	-57,638	-34,309
2.4.4	<i>Valuation losses</i>	-22,013	-18,135
2.5	Management expenses	-991,679	-930,157
2.5.1	<i>Commissions and other acquisition expenses</i>	-761,604	-754,175
2.5.2	<i>Investment management charges</i>	-9,855	-6,059
2.5.3	<i>Other administration expenses</i>	-220,220	-169,923
2.6	Other costs	-448,717	-380,173
2	TOTAL COSTS AND CHARGES	-5,892,721	-6,359,739
	PROFIT BEFORE TAXES	374,489	524,779
3	Income taxes for the period	-113,214	-186,580
	NET PROFIT	261,275	338,199
4	PROFIT/LOSS FROM DISCONTINUED OPERATIONS	0	-197
	CONSOLIDATED PROFIT	261,275	338,002
	Group share	208,429	276,817
	Minority share	52,846	61,185

STATEMENT OF CHANGES IN THE CONSOLIDATED SHAREHOLDERS' EQUITY AS AT JUNE 30, 2008

Relating to the statement of change in shareholders' equity, the statement requested by Regulation No. 7/2007, which satisfies the disclosures of IAS 1 is shown below.

In particular, we note that the account "Profit and loss on available-for-sale financial assets" refers to the recording of effects of the valuation of the related financial instruments net of those attributable to the policyholders and recorded as a deferred liability to policyholders.

The allocation column relates to the allocation of the profit for the period, the allocation of the profit for the previous year to reserves, the increase in share capital and other reserves, the changes in profits and losses recorded directly in equity; the column transfers to the income statement include the profits or losses previously recorded in equity in accordance with international accounting standards; the other transfers includes the distribution of ordinary dividends and the decreases of share capital and other reserves, among which the purchase of treasury shares and the gains or losses deriving from the valuation of available-for-sale financial assets attributable to the policyholders under insurance liabilities.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Euro thousand)

		Balance at 31-12-2006	Change in opening balances	Allocation	Transfer to Income Statement	Others transfers	Balance at 30-06-2007
Group shareholders' equity	Share capital	177,681		291		-9,490	168,482
	Other equity instruments						0
	Capital reserves	207,410		319			207,729
	Retained earnings	2,643,229		137,878			2,781,107
	(Treasury shares)	-359,987		182,201		-18,295	-196,081
	Translation reserve	-126		-941			-1,067
	Profit or loss on available-for-sale financial assets	694,538		-165,442	-12,094	145,760	662,762
	Profit or loss on cash flow hedges	2,913		539			3,452
	Profit or loss on a net foreign investment hedge						0
	Reserve on net equity changes in investments	39,540		3,905			43,445
	Revaluation reserve of intangible assets						0
	Revaluation reserve of tangible assets						0
	Income/(charges) on non-current assets or of a discontinued group held for sale						0
	Other reserves	10,589		14,482			25,071
	Net profit for the period	481,204		-33,653		-170,734	276,817
Total Group	3,896,991	0	139,579	-12,094	-52,759	3,971,717	
Shareholders' equity – minority interest	Minority capital and reserves	972,179		184,363			1,156,542
	Gains and losses recorded directly in equity	65,808		-17,545	-7,571	4,223	44,915
	Net profit for the period	119,564		4,666		-63,045	61,185
	Minority share	1,157,551	0	171,484	-7,571	-58,822	1,262,642
Total	5,054,542	0	311,063	-19,665	-111,581	5,234,359	
		Balance at 31-12-2007	Change in opening balances	Allocation	Transfer to Income Statement	Others transfers	Balance at 30-06-2008
Group shareholders' equity	Share capital	168,534		159			168,693
	Other equity instruments	0		0			0
	Capital reserves	207,785		1,157			208,942
	Retained earnings	2,807,956		321,324			3,129,280
	(Treasury shares)	-310,961		0		-19,643	-330,604
	Translation reserve	-1,623		1,516			-107
	Profit or loss on available-for-sale financial assets	415,143		-522,197	-18,899	90,131	-35,822
	Profit or loss on cash flow hedges	3,855		12,242			16,097
	Profit or loss on a net foreign investment hedge	0		0			0
	Reserve on net equity changes in investments	28,364		-13,693			14,671
	Revaluation reserve of intangible assets	0		0			0
	Revaluation reserve of tangible assets	0		0			0
	Income/(charges) on non-current assets or of a discontinued group held for sale	0		0			0
	Other reserves	31,733		19,335			51,068
	Net profit for the period	506,966		-113,600		-184,937	208,429
Total Group	3,857,752	0	-293,757	-18,899	-114,449	3,430,647	
Shareholders' equity – minority interest	Minority capital and reserves	1,157,681		-88,859			1,068,822
	Gains and losses recorded directly in equity	42,417		-112,939	-1,151	20,747	-50,926
	Net profit for the period	113,085		22,853		-83,092	52,846
	Minority share	1,313,183	0	-178,945	-1,151	-62,345	1,070,742
Total	5,170,935	0	-472,702	-20,050	-176,794	4,501,389	

CONSOLIDATED CASH FLOW STATEMENT AT JUNE 30, 2008

In relation to the Cash Flow Statement, the attachment as per Regulation No. 7/2007 is provided which complies with IAS 7; this statement provides for a schedule prepared in a free format with a series of minimum requirements and, relating to the presentation of the cash flow deriving from operating activities requires the utilisation, alternatively, of the direct method, which indicates the principal categories of gross receipts and payments or the indirect method, in which the results for the period are adjusted for the effects of non-cash items, of any deferral or accrual of future operating receipts and payments, and from revenues or costs relating to financial cash flows deriving from investments and financial activities.

The indirect form of the cash flow statement, reported below, separately shows the net liquidity deriving from operating activity and that deriving from investment and financial activity.

The effect of the principal changes in the consolidation scope (sale of Po Vita and acquisition of DDOR Novi Sad) are shown in the account "Other Changes".

CASH FLOW STATEMENT (indirect method)

(Euro thousand)

	30/06/2008	30/06/2007
Profit before taxes	374,489	524,779
Non-cash adjustments	-700,030	1,256,501
Change in non-life unearned premium reserve	40,970	79,509
Change in claims reserve and other non-life technical reserves	-348,774	-51,856
Change in actuarial reserves and other life technical reserves	-259,319	1,033,905
Change in deferred acquisition costs	42,823	-114
Change in provisions	35,740	31,441
Non-cash income/charges from financial instruments, property investments and holdings	63,754	55,874
Other movements	-275,224	107,742
Change in payables and receivables from operating activities	-80,198	-254,857
Change in payables and receivables from direct insurance operations and reinsurance	47,980	155,757
Change in other payables and receivables	-128,178	-410,614
Income tax paid	-134,953	-44,884
Net liquidity generated/absorbed from cash items relating to investing and financing activities	-435,843	-987,649
Liabilities from financial contracts issued by insurance companies	-508,674	-361,837
Bank and interbank payables	14,529	47,422
Loans and receivables from banks and interbank	-82,146	12,749
Other financial instruments at fair value through profit and loss account	140,448	-685,983
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES	-976,535	493,890
Net liquidity generated/absorbed from property investments	-86,070	-16,029
Net cash generated/absorbed from investments in subsidiaries, associates and joint ventures	17,661	-101,526
Net cash generated/absorbed from loans and receivables	-281,357	-5,211
Net cash generated/absorbed from investments held to maturity	0	0
Net cash generated/absorbed from available-for-sale financial assets	1,382,104	-103,513
Net cash generated/absorbed from intangible and tangible fixed assets	-57,253	-168,240
Net cash generated/absorbed from investing activities	1,370	-81,269
TOTAL NET CASH FLOW FROM INVESTING ACTIVITIES	976,455	-475,788
Net cash generated/absorbed from Group equity instruments	1,316	610
Net cash generated/absorbed from treasury shares	-19,643	-18,295
Distribution of Dividends relating to the Group	-184,937	-170,734
Net cash generated/absorbed from minority interest capital and reserves	-295,287	43,906
Net cash generated/absorbed from sub-ordinated liabilities and financial instruments in holdings	0	0
Net cash generated/absorbed from other financial liabilities	389,835	166,727
TOTAL NET CASH FLOW FROM INVESTING ACTIVITIES	-108,716	22,214
Exchange difference effect on cash and cash equivalents	0	0
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	701,195	723,032
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	-108,796	40,316
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	592,399	763,348

Notes to the financial statements

PART A - Accounting principles

The accounting principles applied to the consolidated half-year report were those utilised for the preparation of the last consolidated financial statements, to which reference should be made, and are in compliance with international accounting standards IAS/IFRS issued by the IASB, approved by the EU and interpreted by the official bodies. The measurement of the individual Balance Sheet and Income Statement accounts was made in accordance with the same criteria utilised in the preparation of the 2007 financial statements.

Reference should therefore be made to the detailed illustration of the methods utilised.

However, the interim accounts utilise a greater valuation approach and makes greater use of simplification; consequently methods which make greater use of estimates are utilised.

In particular, with regard to 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 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 pursuant to Pres. Decree No. 254/2006;
- for the CARD Operator claims, the last cost forecast was recorded net of the recoverable amounts;
- for the claims not covered by the new regime (essentially as they involve two vehicles and permanent personal injury greater than 9%), the valuation of the last cost of the claims in the current period 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.

The technical reserves relating to the reinsurers are calculated based on the portion ceded for the proportional reinsurance and in a revisional manner for the excess 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.

Consolidation principles

The same consolidation principles were utilised in the half year report as for the last consolidated financial statements.

For detailed information on the accounting principles utilised, reference should be made to these latter. Any such references to 31/12 should be considered as similar for 30/06.

For the preparation of the consolidated half-year report, the half-year reports approved by the Boards of Directors of the respective Companies were utilised or, alternatively, the half-year financial statements which were reviewed by the respective management boards.

Consolidation scope

At 30/06/2008, 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 and 20 in the financial services sector, 3 in the SIM and SGR sectors and the remaining companies are various service companies.

The total number of subsidiaries fully consolidated is 89 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.

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 interim accounts are therefore excluded.

There are 97 subsidiary companies, of which 41 are controlled directly by the Parent Company. The company has 20 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.

During the first half of 2008, the consolidation scope of the Fondiaria-SAI Group saw the following changes:

- purchase of 83.32% of the Serbian insurance company DDOR Novi Sad. At the same time, control of DDOR Auto, DDOR Vestans and DDOR Penzija Plus was acquired;
- exit of the subsidiary Po Vita S.p.A. from the consolidation area after the exercise by Cassa di Risparmio di Parma e Piacenza of the purchase option relating to the holding in the share capital;
- incorporation of the company Servizi Salute e Malattia S.c.r.l. and subsequent share capital increase with the following shareholdings: Parent Company (78.97%), Milano Assicurazioni (19.09%) and other companies of the Group;
- loss of control of the service company Consulenza Aziendale per l'Informatica – SCAI S.p.A. following the expiry of the shareholder agreement in which Fondiaria-SAI was the de facto parent company. In consideration of the shareholding (30.07%), the company is considered an associated company. At the same time, the Parent Company lost the indirect control of the subsidiaries of SCAI (Telvox, Dianos, It Euro Consulings) and the associated company Infomedia Italia Imi is no longer a part of the Group;

-
- decrease of the investment (from 55.13% to 51.10%) held by Fondiaria-SAI in Milano Assicurazioni S.p.A. principally due to the share swap based on the take over of Immobiliare Lombarda with consideration in Milano Assicurazioni shares, as described in detail in the Directors' Report on operations;
 - increase of the investment held by Fondiaria-SAI and Milano Assicurazioni in Immobiliare Lombarda S.p.A. following the above-mentioned take over. The Group holding therefore increased from 56.45% to 84.89%;
 - incorporation of the Company Saint George Capital Management S.A. held 100% by the subsidiary Banca Gesfid S.A..

In addition the following changes, which do not result in a change in the consolidation scope, took place:

- the sale, following the agreement between the company Sistemi Sanitari and the company Servizi Salute e Malattia, of a contract for a business unit concerning the settlement activities of indemnities and/or damage deriving from claims in the health class of the holding in the associated company Sistemi Sanitari S.p.A.;
- the merger by incorporation into Lbrep Chrysalis S.a.r.l., subsequently renamed BUTTERFLY AM S.a.r.l., of the associated company Chrysalis S.p.A.;
- change in the name of the company Effe Vita S.p.A. to Systema Vita Compagnia di Assicurazione S.p.A. and of the company Fondiprev S.p.A. to Dialogo Vita Compagnia di Assicurazioni S.p.A.;
- revocation of the liquidation as well as change in the name and legal form, of the real estate company Cos.ed. S.p.A to Pontormo S.r.l..

Sector	Percentage of control		Group Holding
	Direct	Indirect	
SUBSIDIARY COMPANIES			
Companies consolidated line-by-line			
AUTO PRESTO & BENE S.r.l. Turin			
Share Capital Euro 51,000	Services	100.00	100.00
BANCA GESFID S.A. Lugano (CH)			
Share Capital Swiss Fr. 10,000,000	Banking	100.00	100.00
BANCA SAI S.p.A. Turin			
Share Capital Euro 116,677,161	Banking	100.00	100.00
BIM VITA S.p.A. Turin			
Share Capital Euro 7,500,000	Life Insurance	50.00	50.00
BIPIEMME VITA S.p.A. Milan			
Share Capital Euro 73,500,000	Life Insurance	MILANO ASSICURAZIONI S.p.A. 51.00	27.49
BRAMANTE S.r.l. Milan			
Share Capital Euro 10,000	Real Estate	IMMOBILIARE LOMBARDA S.p.A. 100.00	84.89
CAMPO CARLO MAGNO S.p.A. Pinzolo (TN)			
Share Capital Euro 9,311,200	Real Estate	MILANO ASSICURAZIONI S.p.A. 100.00	53.91
CAPITALIA ASSICURAZIONI S.p.A. Milan			
Share capital Euro 5,200,000	Non-Life Insurance	51.00	51.00
CARPACCIO S.r.l. Milan			
Share Capital Euro 10,000	Real Estate	IMMOBILIARE LOMBARDA S.p.A. 100.00	84.89
CASA DI CURA VILLA DONATELLO S.p.A. Florence			
Share Capital Euro 361,200	Services	100.00	100.00
CASA DI CURA VILLANOVA S.r.l. Florence			
Share Capital Euro 182,000	Services	100.00	100.00
CASCINE TRENNO S.r.l. Turin			
Share Capital Euro 10,000	Real Estate	IMMOBILIARE LOMBARDA S.p.A. 100.00	84.89
COLPETRONE S.r.l. Umbertide (PG)			
Share Capital Euro 10,000	Agriculture	SAIAGRICOLA S.p.A.100.00	96.86

	Sector	Percentage of control		Group Holding
		Direct	Indirect	
CASTELLO CONSORTIUM				
Florence				
Share Capital Euro 51,000	Real Estate		NUOVE INIZIATIVE TOSCANE S.r.l. 99.66	98.23
CRIVELLI S.r.l.				
Milan				
Share Capital Euro 10,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	84.89
DDOR NOVI SAD ADO				
Novi Sad (Serbia)				
Share Capital RSD 2,579,597,280	Mixed Insurance	83.32		83.32
DIALOGO ASSICURAZIONI S.p.A.				
Milan				
Share Capital Euro 8,831,774	Non-Life Insurance		MILANO ASSICURAZIONI S.p.A. 99.85	53.83
DIALOGO VITA S.p.A.				
Florence				
Share Capital Euro 6,240,000	Life Insurance	40.00	MILANO ASSICURAZIONI S.p.A. 60.00	72.35
DOMINION INSURANCE HOLDING Ltd				
London (GB)				
Share Capital GBP 35,438,267.65	Financial		FINSAI INTERNATIONAL S.A. 100.00	99.99
EFFE FINANZIARIA S.p.A.				
Florence				
Share Capital Euro 516,500	Financial		THE LAWRENCE RE IRELAND Ltd 100.00	100.00
EUROPA TUTELA GIUDIZIARIA S.p.A.				
Milan				
Share Capital Euro 5,160,000	Non-Life Insurance	100.00		100.00
EUROSAI FINANZIARIA DI PARTECIPAZIONI S.r.l.				
Turin				
Share Capital Euro 1,305,600	Financial		SAIFIN-SAIFINANZIARIA S.p.A. 100.00	100.00
FINITALIA S.p.A.				
Milan				
Share Capital Euro 15,376,285	Financial		BANCA SAI S.p.A. 100.00	100.00
FINSAI INTERNATIONAL S.A.				
Luxembourg				
Share Capital Euro 44,131,900	Financial	19.92	SAINTEINTERNATIONAL S.A. 43.92 SAILUX S.A. 36.15	99.99
FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE S.r.l.				
Florence				
Share Capital Euro 10,400	Services		CASA DI CURA VILLANOVA S.r.l. 100.00	100.00

	Sector	Percentage of control		Group Holding
		Direct	Indirect	
FONDIARIA NEDERLAND B.V.				
Amsterdam (NL)				
Share Capital Euro 19,070	Financial	100.00		100.00
IMMOBILIARE LITORELLA				
S.r.l.				
Milan				
Share Capital Euro 10,329	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	84.89
IMMOBILIARE LOMBARDA S.p.A.				
Milan				
Share Capital Euro 697,907,753.59	Real Estate	78.88	MILANO ASSICURAZIONI S.p.A. 11.15	84.89
INIZIATIVE				
VALORIZZAZIONI EDILI –				
IN.V.ED. S.r.l.				
Rome				
Share Capital Euro 10,329	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	84.89
INSEDIAMENTI AVANZATI NEL				
TERRITORIO I.A.T. S.p.A.				
Rome				
Share Capital Euro 2,580,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	84.89
ITALIBERIA INVERSIONES				
FINANCIERAS SL				
Madrid				
Share Capital Euro 122,193,595	Finance	100.00		100.00
LIGURIA SOCIETA' DI				
ASSICURAZIONI S.p.A.				
Segrate (Mi)				
Share Capital Euro 23,000,000	Non-Life Insurance	99.97		99.97
LIGURIA VITA S.p.A.				
Segrate (Mi)				
Share Capital Euro 6,000,000	Life Insurance		LIGURIA ASSICURAZIONI S.p.A. 100.00	99.97
MANTEGNA S.r.l.				
Milan				
Share Capital Euro 10,000	Real Estate	100.00		100.00
MARINA DI LOANO S.p.A.				
Milan				
Share Capital Euro 5,536,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	84.89
MASACCIO S.r.l.				
Milan				
Share Capital Euro 10,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	84.89
MERIDIANO AURORA S.r.l.				
Milan				
Share Capital Euro 10,000	Real Estate	100.00		100.00

	Sector	Percentage of control		Group Holding
		Direct	Indirect	
MERIDIANO BELLARMINO S.r.l.				
Turin				
Share Capital Euro 10,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	84.89
MERIDIANO BRUZZANO S.r.l.				
Turin				
Share Capital Euro 10,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	84.89
MERIDIANO EUR S.r.l.				
Milan				
Share Capital Euro 10,000	Real Estate		MILANO ASSICURAZIONI S.p.A. 100.00	53.91
MERIDIANO ORIZZONTI S.r.l.				
Milan				
Share Capital Euro 10,000	Real Estate		MILANO ASSICURAZIONI S.p.A. 100.00	53.91
MERIDIANO PRIMO S.r.l.				
Turin				
Share Capital Euro 10,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	84.89
MERIDIANO QUARTO S.r.l.				
Turin				
Share Capital Euro 10,000	Real Estate		SAI HOLDING ITALIA S.p.A 100.00	100.00
MERIDIANO QUINTO SRL				
Turin				
Share Capital Euro 800,000	Real Estate	100.00		100.00
MERIDIANO RISPARMIO S.r.l.				
Milan				
Share Capital Euro 10,000	Real Estate	100.00		100.00
MERIDIANO SECONDO S.r.l.				
Turin				
Share Capital Euro 10,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	84.89
MERIDIANO TERZO S.r.l.				
Turin				
Share Capital Euro 10,000	Real Estate		SAI HOLDING ITALIA S.p.A. 100.00	100.00
MILANO ASSICURAZIONI S.p.A.				
Milan				
Share Capital Euro 251,217,463.64	Mixed Insurance	51.10	FONDIARIA NEDERLAND BV 1.89 NOVARA VITA S.p.A. 0.02 PRONTO ASSISTANCE S.p.A. 0.07 SAI HOLDING S.p.A.0.63 SAINTERNATIONAL S.A. 0.25	53.91
MIZAR S.r.l.				
Rome				
Share Capital Euro 10,329	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	84.89
NOVARA VITA S.p.A.				
Novara				
Share Capital Euro 106,000,000	Life Insurance		SAI HOLDING ITALIA S.p.A. 50.00	50.00
NUOVA IMPRESA EDIFICATRICE MODERNA S.r.l.				
Rome				
Share Capital Euro 10,329	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	84.89

	Sector	Percentage of control		Group Holding
		Direct	Indirect	
NUOVE INIZIATIVE TOSCANE S.r.l.				
Florence				
Share Capital Euro 26,000,000	Real Estate	96.88	MILANO ASSICURAZIONI S.p.A. 3.12	98.56
POPOLARE VITA S.p.A.				
Verona				
Share Capital Euro 87,600,005	Life Insurance	50.00		50.00
PONTORMO S.r.l.				
Milan				
Share Capital Euro 120,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	84.89
PORTOFINO VETTA S.r.l.				
Florence				
Share Capital Euro 10,400	Real Estate	100.00		100.00
PROGETTO BICOCCA LA PIAZZA S.r.l.				
Milan				
Share Capital Euro 3,151,800	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 74.00	62.82
PRONTO ASSISTANCE S.p.A.				
Turin				
Share Capital Euro 2,500,000	Non-Life Insurance	100.00		100.00
PRONTO ASSISTANCE SERVIZI S.p.A.				
Turin				
Share Capital Euro 516,000	Services		PRONTO ASSISTANCE S.p.A. 60.00 SAIFIN-SAIFINANZIARIA S.p.A. 40.00	100.00
RISTRUTTURAZIONI EDILI MODERNE – R.EDIL.MO S.r.l.				
Rome				
Share Capital Euro 10,329	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	84.89
SAI ASSET MANAGEMENT SGR S.p.A.				
Milan				
Share Capital Euro 5,000,000	Asset Management	100.00		100.00
SAI HOLDING ITALIA S.p.A.				
Turin				
Share Capital Euro 143,100,000	Financial	100.00		100.00
SAI INVESTIMENTI S.G.R. S.p.A.				
Turin				
Share Capital Euro 3,913,588	Asset Management	51.00	MILANO ASSICURAZIONI S.p.A. 29.00	66.63
SAI MERCATI MOBILIARI SIM S.p.A.				
Milan				
Share Capital Euro 20,000,000	Real Estate Brokerage	100.00		100.00
SAIAGRICOLA S.p.A. AGRICULTURAL COMPANY				
Turin				
Share Capital Euro 50,000,000	Agriculture	92.00	MILANO ASSICURAZIONI S.p.A. 6.80 PRONTO ASSISTANCE S.p.A. 1.19	96.86
SAIFIN-SAIFINANZIARIA S.p.A.				
Turin				
Share Capital Euro 102,258,000	Financial	100.00		100.00

	Sector	Percentage of control		Group Holding
		Direct	Indirect	
SAILUX S.A.				
Luxembourg			SAIFIN-SAIFINANZIARIA S.p.A. 99.99	
Share Capital Euro 30,000,000	Financial		FINSAI INTERNATIONAL S.A. 0.01	100.00
SAINTERNATIONAL S.A.				
Luxembourg				
Share Capital Euro 154,000,000	Financial	99.99		99.99
SALEVOX S.r.l.				
Turin				
Share Capital Euro 50,000	Services		STARVOX S.p.A. 100.00	100.00
SANTA MARIA DEL FICO S.r.l.				
Umbertide (PG)				
Share Capital Euro 78,000	Agriculture		SAIAGRICOLA S.p.A. 100.00	96.86
SASA ASSICURAZIONI RIASSICURAZIONI S.p.A.				
Trieste				
Share Capital Euro 52,000,000	Non-Life Insurance	99.99		99.99
SASA VITA S.p.A.				
Trieste				
Share Capital Euro 16,500,000	Life Insurance	50.00	SASA ASS.NI RIASS.NI S.p.A. 50.00	100.00
SERVICE GRUPPO FONDIARIA-SAI S.r.l.				
Florence				
Share Capital Euro 104,000	Services	70.00	MILANO ASSICURAZIONI S.p.A. 30.00	86.17
SERVIZI SALUTE E MALATTIA S.c.r.l.				
Milan				
Share Capital Euro 1,000,000			MILANO ASSICURAZIONI S.p.A. 19.09 BANCA SAI S.p.A. 0.04 BIM VITA S.p.A. 0.01 DIALOGO S.p.A. 0.02 FINALIA S.p.A. 0.02 LIGURIA S.p.A. 0.22 LIGURIA VITA S.p.A. 0.02 NOVARA VITA S.p.A. 0.51 PRONTO ASSISTANCE 0.03 PRONTO ASSISTANCE SERVIZI S.p.A. 0.41 SAI SIM S.p.A. 0.01 SASA S.p.A. 0.49 SASA VITA S.p.A. 0.05 STARVOX S.p.A. 0.09 SYSTEMA S.p.A. 0.01 SYSTEMA VITA S.p.A. 0.01 SAI ASSET MANAGEMEMT S.p.A. 0.01	90.94
	Services	78.97		
SIAT SOCIETÀ ITALIANA ASSICURAZIONI E RIASSICURAZIONI S.p.A.				
Genoa				
Share Capital Euro 38,000,000	Non-Life Insurance		SAI HOLDING ITALIA S.p.A. 94.69	94.69
SIM ETOILE S.A.				
Paris				
Share Capital Euro 3,049,011.34	Real Estate	99.99		99.99
SINTESI SECONDA S.r.l.				
Milan				
Share Capital Euro 10,400	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	84.89

	Sector	Percentage of control		Group Holding
		Direct	Indirect	
SYSTEMA VITA S.p.A				
Florence				
Share Capital Euro 6,240,000	Life Insurance	100.00		100.00
SOCIETA' EDILIZIA IMM.RE				
SARDA S.E.I.S. S.p.A.				
Rome				
Share capital Euro 3,877,500	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 51.67	43.86
SOGEINT S.r.l.				
Milan				
Share Capital Euro 100,000	Other		MILANO ASSICURAZIONI S.p.A. 100.00	53.91
SRP Asset Management S.A.				
Lugano				
Share Capital Swiss Fr. 1,000,000	Services		SAINTERNATIONAL S.A. 100.00	99.99
STARVOX S.p.A.				
Turin				
Share Capital Euro 258,000	Services	100.00		100.00
STIMMA S.r.l.				
Florence				
Share Capital Euro 10,000	Real Estate	100.00		100.00
SYSTEMA COMPAGNIA DI				
ASS.NI S.p.A.				
Milan				
Share Capital Euro 5,164,600	Non-Life Insurance		MILANO ASSICURAZIONI S.p.A. 100.00	53.91
THE LAWRENCE RE IRELAND				
LTD.				
Dublin (IRL)				
Share Capital Euro 635,000	Mixed Insurance		FONDIARIA NEDERLAND B.V. 100.00	100.00
THE LAWRENCE LIFE				
ASSURANCE CO. LTD.				
Dublin (IRL)				
Share Capital Euro 802,886	Life Insurance		FONDIARIA NEDERLAND B.V. 100.00	100.00
TIKAL R.E. FUND				
	Real Estate	53.18	MILANO ASSICURAZIONI S.p.A. 16.25 MERIDIANO RISPARMIO S.p.A. 5.72 MERIDIANO EUR S.p.A. 19.11	77.96
TRENNO OVEST S.r.l.				
Turin				
Share Capital Euro 10,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 100.00	84.89

	Sector	Percentage of control		Group Holding
		Direct	Indirect	
UNISERVIZI Gruppo Fondiaria S.c.a.r.l. Milan Share capital Euro 5,200,000	Services	63.37	MILANO ASSICURAZIONI S.p.A. 28.00 SYSTEMA VITA S.p.A. 0.02 SYSTEMA COMPAGNIA S.p.A. 0.18 DIALOGO ASSICURAZIONI S.p.A. 0.20 EUROPA TUTELAGIUDIZ.S.p.A. 0.02 FINITALIA S.p.A. 0.02 THE LAWRENCE RE IRELAND Ltd 0.02 CAPITALIA ASSICURAZIONI S.p.A. 0.02 BANCA SAI S.p.A. 0.02 DIALOGO VITA S.p.A. 0.02 IMMOBILIARE LOMBARDA S.p.A. 0.02 PRONTO ASSISTANCE S.p.A. 0.90 SAI AGRICOLA S.p.A. 0.02 SAINVESTIMENTI S.p.A. 0.02 SAI ASSET MANAGEMENT S.p.A. 0.02 SAI MERCATI MOBILIARI SIM S.p.A. 0.02 SASA S.p.A. 5.85 SASAVITA S.p.A. 0.34 SERVICE GR.FONDIARIA-SAI S.p.A. 0.02 SIAT S.p.A. 0.84 STARVOX S.p.A. 0.02	86.81
VILLA RAGIONIERI S.r.l. Florence Share Capital Euro 78,000	Real Estate	100.00		100.00

Sector	Percentage of control		Group Holding
	Direct	Indirect	
Companies valued at carrying value:			
AGRISAI S.r.l.			
Turin		SAIAGRICOLA S.p.A. 99.00	
Share Capital Euro 61,000	Services	SAIFIN-SAIFINANZIARIA S.p.A. 1.00	96.90
DDOR AUTO DOO			
Novi Sad (Serbia)		DDOR AUTO DOO 100.00	
Share Capital Euro 9,260.97	Non-Life Insurance		83.32
DDOR PENZIJA PLUS AD			
Novi Sad (Serbia)		DDOR AUTO DOO 100.00	
Share Capital RSD 102,606,250	Services		83.32
DDOR VESTANS DOO			
Novi Sad (Serbia)		DDOR AUTO DOO 100.00	
Share Capital Euro 4,794.33	Real Estate		83.32
GLOBAL CARD SERVICE S.r.l.			
Segrate (Mi)		LIGURIA VITA S.p.A. 51.00	
Share Capital Euro 98,800	Services	LIGURIA ASSICURAZIONI S.p.A. 44.00	94.97
LIGURIA DIREZIONE S.r.l. (in liquidation)			
Treviso		LIGURIA ASSICURAZIONI S.p.A. 100.00	
Share Capital Euro 36,400	Services		99.97
SAINT GEORGE CAPITAL MANAGEMENT S.A.			
Lugano (CH)		BANCA GESFID S.A. 100.00	
Share Capital Swiss Fr. 500,000	Financial		100.00
WAVE TECHNOLOGIES*			
Turin			
Share Capital Euro 99,500	Services	15.00	15.00

* Company controlled by UNISERVIZI GRUPPO FONDIARIA pursuant to article 2359, paragraph 1 No. 3, of the civil code, although not having any holding in the company.

	Sector	Percentage of control		Group Holding
		Direct	Indirect	
ASSOCIATED COMPANIES				
Companies valued under the equity method:				
A 7 S.r.l. Milan Share Capital Euro 200,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 20.00	16.98
BORSETTO S.r.l. Turin Share Capital Euro 1,255,322.11	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 44.93	38.14
BUTTERFLY AM S.a.r.l. Luxembourg Share Capital Euro 41.664	Financial		IMMOBILIARE LOMBARDA S.p.A. 19.99	16.97
CITY LIFE S.r.l. Milan Share Capital Euro 150,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 26.67	22.64
CONSULENZA AZIENDALE PER L'INFORMATICA SCAI S.p.A Turin Share Capital Euro 1,040,000.	Services	30.07		30.07
EX VAR S.C.S. Luxembourg Share capital Euro 307,692	Financial	18.00	IMMOBILIARE LOMBARDA S.p.A. 10.00	26.49
FIN. PRIV S.r.l. Milan Share Capital Euro 20,000	Financial	28.57		28.57
FINADIN S.p.A. Milan Share Capital Euro 100,000,000	Financial		SAIFIN-SAIFINANZIARIA S.p.A. 40.00	40.00
FONDIARIA-SAI SERVIZI TECNOLOGICI S.r.l. Florence Share Capital Euro 120,000	Services	51.00		51.00
GARIBALDI S.C.S. Luxembourg Share Capital Euro 1,001	Financial		MILANO ASSICURAZIONI S.p.A. 47.95	25.85
IGLI S.p.A. Milan Share Capital Euro 24,120,000	Financial		IMMOBILIARE LOMBARDA S.p.A. 33.33	28.29
METROPOLIS S.p.A. Florence Share Capital Euro 120,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 29.73	25.24
PENTA DOMUS S.p.A. Turin Share Capital Euro 120,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 20.00	16.98

	Sector	Percentage of control		Group Holding
		Direct	Indirect	
PROGETTO ALFIERE S.p.A.				
Rome				
Share Capital Euro 120,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 19.00	16.13
SERVIZI IMMOBILIARI MARTINELLI S.p.A.				
Cinisello Balsamo (Mi)				
Share capital Euro 100,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 20.00	16.98
SOCIETA' FUNIVIE DEL PICCOLO SAN BERNARDO S.p.A.				
La Thuile (AO)				
Share capital Euro 9,213,417.5	Others		IMMOBILIARE LOMBARDA S.p.A. 27.38	23.24
SVILUPPO CENTRO EST S.r.l.				
Rome				
Share Capital Euro 10,000	Real Estate		IMMOBILIARE LOMBARDA S.p.A. 40.00	33.96
Companies valued at carrying value:				
MB VENTURE CAPITAL FUND I PARTECIPATING COMPANY DI N.V.				
Amsterdam				
Share Capital Euro 50,000	Other	30.00		30.00
QUINTOGEST S.p.A.				
Milan				
Share Capital Euro 3,000,000	Financial	49.00		49.00
SOCIETA' FINANZ PER LE GEST.ASSICURATIVE S.r.l.				
in liquid.				
Rome				
Share Capital Euro 47,664,600	Financial	14.91	MILANO ASSICURAZIONI S.p.A. 7.504	18.95
SOAIMPIANTI - ORGANISMI DI ATTESTAZIONE S.p.A.				
in liquidation				
Milan				
Share Capital Euro 588,892	Other	21.64		21.64
UFFICIO CENTRALE ITALIANO S.c.a.r.l.				
Milan			SIAT S.p.A. 0.10	
Share Capital Euro 510,000	Other	14.14	MILANO ASSICURAZIONI S.p.A. 10.98 LIGURIA ASSICURAZIONI S.p.A. 0.31	20.45

PART B - Information on the Consolidated Balance Sheet

Balance Sheet - Assets

1. INTANGIBLE ASSETS

The breakdown is as follows:

(Euro thousand)	30/06/2008	31/12/2007	Changes
Goodwill	1,636,233	1,474,258	161,975
Other intangible assets	308,114	279,996	28,118
TOTAL	1,944,347	1,754,254	190,093

Goodwill

The account is broken down as follows:

(Euro thousand)	30/06/2008	31/12/2007	Changes
Goodwill deriving from the incorporation of La Fondiaria	504,763	504,763	-
Goodwill relating to the consolidation of Milano Assicurazioni	167,379	167,379	-
Other goodwill	1,692	2,031	(339)
Consolidation difference	962,399	800,085	162,314
TOTAL	1,636,233	1,474,258	161,975

The Group verifies the recovery of the goodwill allocated to the Cash Generating Units (CGU's) at least on an annual basis or more frequently when there is an indication of a loss in value.

Reference should be made to the financial statements of December 31, 2007 for the description of the methods utilised for the determination of the recoverable value of the goodwill recorded.

The reduction of Other Goodwill refers to the loss in value in the period of the residual goodwill relating to the Profilo Life portfolio.

The account Consolidation differences increased, taking into account the exchange differences, by Euro 162,314 thousand following the acquisition by the Parent Company of the Serbian insurance company DDOR Novi Sad Ado in January. This value, to be considered provisional as per IFRS 3.62, is based on the valuation made supporting the definition of the price with the seller.

In the first half of the year, there were no other indications that the goodwill recorded had incurred a reduction in value compared to the existing book value at December 31, 2007, when subjected to impairment test as per IAS 36.

Other Intangible Assets

The other intangible assets amount to Euro 308,114 thousand (Euro 279,996 thousand at 31/12/2007) and are composed of:

(Euro thousand)	Gross carrying value	Amortisation and impairment	Net value
Studies and research expenses	206,894	(171,627)	35,267
Utilisation rights	10,691	(7,685)	3,006
Other intangible assets	350,416	(80,575)	269,841
TOTAL	568,001	(259,887)	308,114

None of the above intangible assets were generated internally.

The above intangible assets have a definite useful life and are therefore amortised over their duration. The expenses for research studies relate to the capitalisation in 2008, and in previous years, of the costs incurred for the preparation of IT technology and applications of a long-term nature.

In particular, they include the charges for the preparation and functioning of the Group claims system and for the functional and IT integration of the various legal entities. They are amortised over a period of three or five years based on the characteristics and useful life of the assets.

The Other Intangible Assets increased due to the portfolio of DDOR Novi Sad for Euro 48,473 thousand, net of the amortisation for the period and taking into account the changes in the exchange rate. This is a provisional value as per IFRS 3.62.

Following verifications made, there was no impairment in the values recorded.

2. PROPERTY, PLANT & EQUIPMENT

The account amounts to Euro 1,242,998 thousand (Euro 1,201,862 thousand at 31/12/2007), an increase of Euro 41 thousand.

The breakdown of the tangible fixed assets is as follows:

(Euro thousand)	Buildings		Land		Other tangible assets		Total	
	30/06/2008	31/12/2007	30/06/2008	31/12/2007	30/06/2008	31/12/2007	30/06/2008	31/12/2007
Gross carrying value	1,037,273	1,000,530	79,182	79,159	371,248	350,799	1,487,703	1,430,488
Depreciation and impairment	(83,608)	(79,639)	-	-	(161,097)	(148,987)	(244,705)	(228,626)
Net value	953,665	920,891	79,182	79,159	210,151	201,812	1,242,998	1,201,862

The account relating to land represents the indefinite useful life component separated from the buildings. The separation of the land is made based on specific independent expert's valuations at the transition date (January 1, 2004) while the subsequent acquisitions are made at the acquisition date.

The buildings included under property, plant and equipment are those utilised by the business operations (so-called buildings for direct use). These buildings are recorded at cost and are depreciated over their useful lives on a component basis.

The increase in buildings relates for Euro 45.8 million to the real estate held by the newly acquired DDOR Novi Sad.

The account also include the buildings held by the Group in Immobiliare Lombarda which were considered inventories and therefore valued in accordance with IAS 2.

Their contribution to the consolidation amounts to Euro 732 million (Euro 746 million at 31/12/2007).

No building of the Group within this account is subject to restrictions on ownership, nor has any significant amounts been recorded in the income statement for reductions in value, losses, sales or damages.

The residual "other tangible fixed assets" prevalently relates to assets of the Group utilised in the exercise of its activities, such as furnishings, plant and office equipment, as well as the final inventory of the companies operating in the agricultural sector valued in accordance with IAS 2. They include the down-payments by the subsidiary Milano Assicurazioni in relation to real estate operations regarding the areas in Milan - via Lancetti and via Confalonieri-via de Castilia (Lunetta dell'Isola) and in Rome - via Fiorentini, for an amount of Euro 144 million at 30/06/2008 (Euro 148 million at 31/12/2007.)

3. TECHNICAL RESERVES – REINSURANCE AMOUNT

The total amount of the account is Euro 848,147 thousand (Euro 905,307 thousand at 31/12/2007), decreasing by Euro 57,160 thousand. The breakdown of the account is as follows:

(Euro thousand)	30/06/2008	31/12/2007	Changes
Non-life division technical reserves attributed to reinsurers	642,429	699,707	(57,278)
Life division technical reserves attributed to reinsurers	205,718	205,600	118
Class D reserves attributed to reinsurers	-	-	-
TOTAL	848,147	905,307	(57,160)

Of this amount, Euro 605 million refers to reinsurance (Euro 658 million at 31/12/2007), while Euro 243 million refers to reserve cessions (Euro 247 million 31/12/2007).

4. INVESTMENTS

The breakdown is as follows:

(Euro thousand)	30/06/2008	31/12/2007	Changes
Investment property	2,257,836	2,142,923	114,913
Investments in subsidiaries, associates and joint ventures	283,673	270,025	13,648
Investments held-to-maturity	-	-	-
Loans and receivables	1,682,906	1,333,262	349,644
Available-for-sale financial assets	20,318,161	23,335,001	(3,016,840)
Financial assets at fair value recorded through profit or loss	10,260,494	10,939,541	(679,047)
TOTAL	34,803,070	38,020,752	(3,217,682)

Investment property

The account includes all the buildings held by the Group for rental or for capital appreciation.

The investment properties are recorded at purchase cost in accordance with IAS 16 (which IAS 40 refers to in the case of adoption of the cost model): for accounting purposes, the Group has separated the value of the land from the value of the buildings held, considering that this component, having an indefinite useful life, must not be depreciated.

The separation of the land component from the buildings is made based on updated expert valuations at the date of transition to the international accounting standards and, for the acquisitions subsequent to January 1, 2004, on the basis of expert independent valuations prepared at the moment of purchase.

The part of the property referring to buildings is depreciated systematically with regard to the useful life of the components therein. Of the significant components, those relating to the plant of the building are depreciated separately.

The composition of the investment property and the movement in the period is shown below.

(Euro thousand)	30/06/2008	31/12/2007	Changes
Gross carrying value	2,544,691	2,405,893	138,798
Depreciation and impairment	(286,855)	(262,970)	(23,885)
Net value	2,257,836	2,142,923	114,913

The increase in the first half year is principally due to the purchases, by the Tikal R.E. Fund, of the buildings located in Milan – via dei Missaglia and via Fraschini – and at Rome – via del Dragoncello. In particular, the latter two, purchased by the Immobiliare Lombarda Group constitute intercompany operations and resulted in the reclassification of the historical cost of the Group from Tangible Fixed Assets to Investment Property.

A further payment, for Euro 21 million, made by the Tikal Fund for the future purchase of a hotel complex – congress centre located in the Pero Municipality is added to this increase.

During the period, the rental income from investment property amounted to over Euro 48 million.

There are no significant limits to the realisation of the investment property due to restrictions of a legal, contractual or any other nature.

Investments in subsidiaries, associated companies and joint ventures

The account includes the book value of some subsidiary investments which, given the insignificance in relation to the size and nature of the activities undertaken, are not significant in order to ensure the reliability of the present interim accounts.

The Group investments in associated companies are measured under the net equity method.

Reference should be made to the attachment in relation to the details of the investments in non-consolidated subsidiaries.

(Euro thousand)	30/06/2008	31/12/2007	Changes
Subsidiary companies	3,659	3,598	61
Associated companies and joint ventures	280,014	266,427	13,587
TOTAL	283,673	270,025	13,648

The most significant investments in associated companies are those held by the Parent Company in the associated company Fin. Priv. S.r.l. for Euro 42 million and by the subsidiary Saifin-Saifinanziaria in the associated company Finadin S.p.A. for Euro 42 million, as well as that held by Immobiliare Lombarda in IGLI S.p.A., City Life S.r.l., Butterfly AM S.a.r.l. and Progetto Alfiere S.p.A. (respectively Euro 106 million, Euro 46 million, Euro 6 million and Euro 5 million).

The adjustments to values recorded in the income statement in the half-year due to the valuation of the investments in associated companies amounted to Euro - 3.7 million, principally relating to IGLI (Euro - 1.8 million) and Citylife (Euro - 0.9 million).

Loans and receivables

The account amounts to Euro 1,682,906 thousand (Euro 1,333,262 thousand at December 31, 2007) which has increased due to the greater amount of time deposit operations at the end of the period. The breakdown of the account is as follows:

(Euro thousand)	30/06/2008	31/12/2007	Changes
Bank and interbank receivables	554,325	472,178	82,147
Debt securities	99,270	102,327	(3,057)
Time deposits and repurchases	295,524	29,820	265,704
Loans on life policies	64,329	66,858	(2,529)
Deposits held by reinsurers	31,410	32,272	(862)
Receivables from sub-agents for indemnities paid to agents terminated	204,434	208,846	(4,412)
Other loans and receivables	433,614	420,961	12,653
TOTAL	1,682,906	1,333,262	349,644

Bank receivables for interbank deposits and bank clients includes the receivable of the consolidated BancaSAI and Banca Gesfid from other credit institutions for deposits of Euro 168,736 thousand and the receivable from bank clients of Euro 385,589 thousand.

The debt securities includes the book values of some issuers (in particular the securities of the special Ania issues) for which it is considered appropriate to utilise the amortised cost and not the fair value in the absence of an active market. The account refers to financial assets present in the consolidated financial statements for which it is considered that the relative fair value cannot be calculated in a precise manner.

The time deposit operations refer to open operations of the Parent Company and the subsidiaries Milano Assicurazioni and SAI Mercati Mobiliari SIM.

The receivables from sub-agents for the recovery of indemnities paid to agents are recorded in this account in accordance with the requirements of Isvap Regulation No. 7/2007 and in consideration of their interest bearing nature, in favour of the Group.

The other loans and receivables include receivables of Euro 167 million against the forward sale of Intesa SanPaolo shares owned by the Parent Company through the exclusive mandatory conversion of 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, with a positive effect on the income statement in the period of Euro 2.6 million.

The other loans and receivables comprise Euro 16 million relating to share capital loans granted by Immobiliare Lombarda to its associated companies. There is also a non secured loan to S.c.s. Ex Var of Euro 20 million granted for Euro 13 million by the Parent Company and for Euro 7 million by the subsidiary Immobiliare Lombarda. The account also includes Euro 29 million of loans provided to the associated Company Garibaldi s.c.s. related to the “Garibaldi Repubblica” real estate project at Milan. Finally, the account includes Euro 183.8 million relating to the consumer receivables of the subsidiary Finitalia from its customers.

Available-for-sale financial assets

The available-for-sale financial assets include bonds and equity securities, as well as investment unit funds, not otherwise classified.

The financial assets are divided as follows:

(Euro thousand)	30/06/2008	31/12/2007	Changes
Equity securities	2,268,380	3,096,783	(828,403)
Fund units	798,913	842,179	(43,266)
Debt securities	17,248,043	19,393,264	(2,145,221)
Other financial investments	2,825	2,775	50
TOTAL	20,318,161	23,335,001	(3,016,840)

The equity securities include listed securities of Euro 2,228 million, while the debt securities listed amount to Euro 16,559 million.

The reduction of the AFS investments principally relates to the fair value adjustments recorded at the end of the period, caused by the financial tensions in the first part of the year, in addition to a decrease of Euro 861 million due to the consolidation of Po Vita. The account also includes Euro 35 million relating to the newly acquired DDOR Novi Sad.

It should also be noted that for some equity investments whose fair value at June 30, 2008 is negative compared to the historical carrying value (differences which are shown in the negative component of the AFS Reserve), the Group did not consider it appropriate to record permanent losses in value. In fact it is reasonable, in this phase of financial market tension, to focus attention on the fundamentals and the implicit values of these financial instruments, as opposed to the fair value represented by the Stock Exchange quotations at June 30, 2008.

Of the equity securities, we highlight the holding of the Group in the Bank of Italy of 2%. This investment is measured at cost in the absence of an active market and given the wide variability of the possible estimates in value of this investment.

The book value of the quoted financial instruments is adjusted to the stock exchange price on the last day of the period.

Overall the measurement at fair value had a positive impact for the Group share and before tax amounted to Euro 63.4 million (Euro 485.4 million in 2007) on the equity securities and investment funds and a negative effect of Euro 475.3 million (compared to a negative effect of Euro 239.1 million in 2007) on the debt securities.

Financial assets at Fair Value recorded through profit or loss

The breakdown is as follows:

(Euro thousand)	30/06/2008	31/12/2007	Changes
Equity securities	237,550	286,123	(48,573)
Fund units	1,177,888	1,793,540	(615,652)
Debt securities	8,168,570	8,323,615	(155,045)
Other financial investments	676,486	536,263	140,223
TOTAL	10,260,494	10,939,541	(679,047)

The component relating to the financial assets designated at fair value through profit or loss amounted to Euro 8,482 million and these include the investments where the risk is borne by the policyholders and deriving from the management of pension funds for Euro 8,117 million (Euro 9,510 million at December 31, 2007).

Their fair value was determined using the stock exchange prices on the last day of the period as a benchmark reference.

The change includes the deconsolidation of Po Vita: the contribution of the company at December 31, 2007 amounted to Euro 1,166 million.

5. OTHER RECEIVABLES

The breakdown of the account is as follows:

(Euro thousand)	30/06/2008	31/12/2007	Changes
Receivables from direct insurance operations	1,686,101	1,812,015	(125,914)
Receivables from reinsurance operations	168,445	183,476	(15,031)
Other receivables	536,770	578,683	(41,913)
TOTAL	2,391,316	2,574,174	(182,858)

The Group considers that the carrying value of trade and other receivables approximates their fair value. The trade receivables are non-interest bearing and are generally payable within 90 days.

The composition of the receivables deriving from direct insurance operations is as follows.

(Euro thousand)	30/06/2008	31/12/2007	Changes
Receivables from policyholders for premiums in period	730,001	874,833	(144,832)
Receivables from policyholders for premiums in previous periods	56,320	25,876	30,444
Receivables from insurance brokers	572,164	645,455	(73,291)
Receivables from insurance companies	245,986	181,073	64,913
Amounts to be recovered from policyholders and third parties	81,630	84,778	(3,148)
TOTAL	1,686,101	1,812,015	(125,914)

The receivables from reinsurance operations include Euro 94,766 thousand of receivables from insurance and reinsurance companies for reinsurance operations and Euro 73,679 thousand from reinsurance brokers.

The other receivables include:

- trade receivables of Euro 158 million principally comprising receivables from clients;
- receivables from the Tax Administration of Euro 180 million, prevalently relating to tax reimbursement requests and VAT credits, of which Euro 26 million relates to receivables of the Parent Company with the Tuscan Tax Office relating to settlements in order to accelerate and optimise the receipt of some tax reimbursements requested, relating to positions already closed;
- Euro 24 million for advances paid by the subsidiary Immobiliare Lombarda to suppliers for real estate projects to be undertaken on constructible areas.
- Euro 12 million of receivables of the subsidiary Popolare Vita for the management of Unit-Linked policies.

With reference to the receivables from policyholders for premiums, agents and other brokers, as well as insurance and reinsurance companies, the Group does not have significant concentrations of credit risks, as the credit exposure is divided among a large number of counterparties and clients.

6. OTHER ASSETS

The total amount of the account is Euro 900,301 thousand (Euro 822,370 thousand at 31/12/2007). The account increased by Euro 77,931 thousand compared to the previous year.

The breakdown of the account is as follows:

(Euro thousand)	30/06/2008	31/12/2007	Changes
Non-current assets or of a discontinued group held for sale	-	1,366	(1,366)
Deferred acquisition costs	256,715	290,517	(33,802)
Deferred tax assets	156,951	103,867	53,084
Current tax assets	150,118	149,051	1,067
Other assets	336,517	277,569	58,948
TOTAL	900,301	822,370	77,931

Deferred acquisition costs

The deferred acquisition costs, amounting to Euro 256,715 thousand (Euro 290,517 thousand at 31/12/2007), principally refer to the acquisition commissions to be amortised on the long-term contracts. These amounts are deferred and amortised over seven years for the Non-Life classes and six years for the Life classes in accordance with analysis on the average duration of the contracts in portfolio. The deferment is based on the cost accrual principles. The decrease of the deferred acquisition costs is due to the lower long-term obligations on Non-Life contracts which are substantially in run-off: the income statement impact in the Non-Life Classes was a loss of Euro 40,833 thousand (gain of Euro 4,782 thousand in the first half of 2007).

Deferred tax assets

The account amounts to Euro 156,951 thousand (Euro 103,867 thousand at 31/12/2007) and is calculated on the total amount of the temporary differences between the book value of the assets and liabilities in the accounts and the respective tax value according to the “balance sheet liability method” as per IAS 12 in relation to the probability of their recovery related to the capacity to generate assessable taxable income in the future.

The balance at the end of the period takes into account the compensation, where possible, of the same tax assets with the corresponding deferred tax liabilities in accordance with IAS 12.

Current tax assets

The current tax assets, amounting to Euro 150,118 thousand (Euro 149,051 thousand at 31/12/2007), refer to the financial receivables for payments on account, withholding taxes and income tax credits, before compensation, where permitted, of the current tax liabilities in accordance with IAS 12.

The account also includes the amounts paid on account pursuant to article 1, paragraph 2 of Legislative Decree No. 209/02, converted into article 1 of Law 265/2002, as supplemented. This is in accordance with Isvap Regulation No. 7/2007, even though not applicable in accordance with IAS 12 as it is not related to taxes on income.

Other assets

The other assets amount to Euro 336,517 thousand (Euro 277,569 thousand at December 31, 2007) and include deferred commissions on investment contracts of life policyholders for Euro 67 million, other accounts for Euro 30 million, coupons to be received of Euro 24 million, security sales to be credited for Euro 8 million, indemnities paid to agents awaiting application of recovery for Euro 10 million and policy indemnities of Euro 5 million.

The account also includes bills in transit of Euro 15 million, bills held of Euro 4 million and Euro 1 million relating to fiscal withholding taxes on interest matured on bank current accounts.

A residual amount of Euro 49 million relates to the adjustment to the provisional contribution paid to the Road Victims' Fund.

7. CASH ON HAND AND AT BANK

The account amounts to Euro 592,399 thousand (Euro 701,195 thousand at 31/12/2007).

The account includes the liquidity held by the Group and deposits and bank current account with maturity less than 15 days. They include highly liquid assets (cash and deposits on demand) and cash equivalents or rather short term financial investments, readily convertible into known cash amounts and which are not subject to variations in value.

The book value of these assets closely approximates their fair value. The interest on deposits and bank current accounts are remunerated at fixed or variable interest rates which mature and/or are credited on a quarterly basis or in relation to the lower duration of the restrictions on the deposits.

Balance Sheet – Shareholders’ Equity & Liabilities

1. SHAREHOLDERS’ EQUITY

The consolidated net equity, amounting to Euro 4,501,389 thousand, includes the result for the period and minority share, and decreased by Euro 669,546 thousand compared to December 31, 2007.

The movements in the period are shown below:

(Euro thousand)	30/06/2008	31/12/2007	Changes
Group Net Equity	3,430,647	3,857,752	(427,105)
Share capital	168,693	168,534	159
Other equity instruments	-	-	-
Capital reserves	208,942	207,785	1,157
Retained earnings and other reserves	3,129,280	2,807,956	321,324
Treasury shares	(330,604)	(310,961)	(19,643)
Translation reserve	(107)	(1,623)	1,516
Profit or loss on available-for-sale financial assets	(35,822)	415,143	(450,965)
Other gains and losses recorded directly in equity	81,836	63,952	17,884
Group profit	208,429	506,966	(298,537)
Minority interest equity	1,070,742	1,313,183	(242,441)
Minority capital and reserves	1,068,822	1,157,681	(88,859)
Gains and losses recorded directly in equity	(50,926)	42,417	(93,343)
Minority interest profit	52,846	113,085	(60,239)
TOTAL	4,501,389	5,170,935	(669,546)

The change in the consolidated net equity is shown in the specific table.

The disclosures required by IAS 1.76 A is provided below:

	Ordinary 30/06/2008	Saving 30/06/2008	Ordinary 31/12/2007	Saving 31/12/2007
Number of shares	125,492,928	43,361,222	125,265,390	43,361,222

At June 30, 2008 a total of 161,471 ordinary shares were issued which were recorded in the Company's Register in July.

From the conversion of the 06/08 warrants, a further 769,562 ordinary shares were issued in July; these were also recorded in the Company's Register on July 17 (these latter shares are obviously not included in the table below which reports the shares in circulation at June 30, 2008).

The table below shows the movements of the share capital of the Parent Company Fondiaria-SAI in the first half of the year.

	Ordinary	Saving	Total
Shares existing at 1/1/2008	125,244,822	43,361,222	168,606,044
Treasury shares (-)	11,362,557	568,051	11,930,608
Shares outstanding: balance at 1/1/2008	113,882,265	42,793,171	156,675,436
<u>Increases:</u>			
Sale of treasury shares			
Exercise of warrants	248,106		248,106
<u>Decreases:</u>			
Acquisition of treasury shares	680,000	231,949	911,949
Shares outstanding: balance at 30/6/2008	113,450,371	42,561,222	156,011,593

The capital reserves, amounting to Euro 208,942 thousand, refers to the share premium reserve recorded in the financial statements of the Parent Company. The account increased by Euro 1,157 thousand.

The ordinary and savings shares issued both have a nominal value of Euro 1.

Nature and purpose of the other reserves

The profit reserves and the other equity reserves include the other net equity reserves of the Parent Company, which have increased following the allocation of the result for 2007 and the reserves from the consolidation.

The minority interest shareholders' equity, including the result for the period, decreased by Euro 242,441 thousand, principally following the decrease of the minority holding in Immobiliare Lombarda, in addition to the fair value changes on the available-for-sale financial assets.

The change in the consolidated net equity is shown in the specific table.

Treasury shares

The account amounts to Euro 330,604 thousand (Euro 310,961 thousand at 31/12/2007). This account includes the book value of the instruments representative of the capital of the Parent Company Fondiaria-SAI for Euro 92.4 million while the residual amount refers to the positions held by the subsidiaries Milano Assicurazioni S.p.A. (Euro 209.9 million) and Sai Holding S.p.A. (Euro 28.3 million).

The account is negative in accordance with the provisions of IAS 32. Following the sale/purchases operations undertaken during the period, no profits or losses were recorded in the income statement.

Reserve for net exchange differences

The balance is a negative amount of Euro 107 thousand (Euro -1,623 thousand at 31/12/2007) and includes the translation differences deriving from the conversion of the foreign subsidiaries financial statements into Euro.

Profit or loss on available-for-sale financial assets

The account, amounting to Euro -35,822 thousand (Euro 415,143 thousand at 31/12/2007), includes the gains and losses deriving from the valuation of the available-for-sale financial assets. This is shown net of the related deferred tax liability, both for the part attributable to the policyholders and allocated to the insurance liabilities. The negative amounts relate to high rating government bonds and capital securities issued by primary listed companies which do not have any significant operational problems.

As already reported in relation to the AFS Investments, in this phase of financial market tension, the Group does not consider it appropriate to record permanent losses in values in relation to the fundamentals and of the implicit value of these financial instruments.

Other gains and losses in the period recorded directly in equity

The account, amounting to Euro 81,836 thousand (Euro 63,952 thousand at 31/12/2007) includes the cumulative effects of the reversal of the gains realised on subsidiary companies of Euro 56 million. In fact, the transactions of the shares of subsidiaries and which do not result in the loss or acquisition of control do not impact the consolidated results as they are considered only as modifications in the ownership structure of the Group. An exception are the results in the separated management of the Life Division.

The residual amount principally refers to the gains and losses on cash flow hedging instruments and to the direct recording under equity of the gains and losses from actuarial valuations, in accordance with IAS 19.

2. PROVISIONS

The account amounts to Euro 271,913 thousand (Euro 236,155 thousand at 31/12/2007) as follows:

(Euro thousand)	30/06/2008	31/12/2007	Changes
Provisions of a fiscal nature	43	43	-
Other provisions	271,870	236,112	35,758
TOTAL	271,913	236,155	35,758

The other provisions include amounts for which uncertainty exists as to the payment date or the amount of future expenses required to comply with the obligation.

During the period, the provision increased by Euro 35.8 million against higher accruals made by the Parent Company and by Milano Assicurazioni principally for the potential risk of disputes with institutional counterparties. The other provisions have not changed significantly compared to the composition of the provision at the end of the previous year. The movements in the period relate to the normal operational changes in the first half of the year.

3. TECHNICAL RESERVES

These amount to Euro 29,534,824 and decreased by Euro 1,808,240 thousand on December 31, 2007.

The breakdown of the technical reserves is as follows:

(Euro thousand)	30/06/2008	31/12/2007	Changes
Non-Life division technical reserves	11,375,994	11,605,682	(229,688)
Life technical reserves	13,806,607	15,178,062	(1,371,455)
Technical reserves where investment risk borne by policyholders and from pension fund management	4,352,223	4,559,320	(207,097)
TOTAL TECHNICAL RESERVES	29,534,824	31,343,064	(1,808,240)

The technical reserves of the Non-Life Division include the unearned premium reserve of Euro 2,749 million and the claims reserve of Euro 8,610 million. The residual, amounting to Euro 17 million, relates to the other technical reserves including the ageing reserve.

The life technical reserves includes the actuarial reserve of Euro 13,691 million, the reserves for sums to be paid of Euro 434 million, as well as the other technical reserves, negative for Euro 318 million, as reduced by Euro 453 million for deferred liabilities against contracts with discretionary profit participation (Euro 263 million at December 31, 2007).

In relation to the losses, these were only considered as adjustments to the technical reserves where concerning the Separated Management whose returns are greater than the guaranteed minimum.

The decrease of the Life technical reserves also includes Euro 1,327 million from the deconsolidation of Po Vita, and the addition of the non-life reserves of Euro 137 million deriving from DDOR Novi Sad.

4. FINANCIAL LIABILITIES

(Euro thousand)	30/06/2008	31/12/2007	Changes
Financial liabilities at fair value through profit or loss account	3,858,838	5,031,453	(1,172,615)
Other financial liabilities	2,593,535	2,154,234	439,301
Total	6,452,373	7,185,687	(733,314)

The Financial liabilities at fair value recorded through the profit or loss are:

Financial liabilities held for trading

The account amounts to Euro 94,827 thousand (Euro 79,731 thousand at 31/12/2007). The account refers for Euro 80,014 thousand to time deposit operations on loans agreed by the subsidiary SAI Mercati Mobiliari. The account also includes Euro 482 thousand (Euro 33,295 thousand at 31/12/2007) relating to hedging operations undertaken by the Parent Company and by the subsidiary Milano Assicurazioni against which the financial instruments owned by the Group registered similar positive variations with effect in the income statement.

Financial liabilities designated at Fair Value recorded through profit or loss

The account amounts to Euro 3,764,011 thousand (Euro 4,951,722 thousand at 31/12/2007). In accordance with IAS 39, the account includes the investment contracts not in application of IFRS 4 as they do not have a significant insurance risk and, therefore, accounted in accordance with the Deposit Accounting method. The account amounts to Euro 3,763,639 thousand (Euro 4,949,833 thousand at 31/12/2007).

Other financial liabilities

The account amounts to Euro 2,593,535 thousand (Euro 2,154,234 thousand at 31/12/2007).

The account includes the financial liabilities defined and governed by IAS 39 not included in the category "Financial liabilities at fair value through profit or loss".

They include deposits as guarantee in relation to risks ceded in reinsurance of Euro 311,244 thousand (Euro 305,238 thousand at 31/12/2007) and subordinated liabilities of Euro 812,836 thousand (Euro 820,007 thousand at 31/12/2007).

The residual payables, amounting to Euro 1,469 million (Euro 1,029 million at December 31, 2007) include the following significant amounts, already commented upon in the Directors' Report on Operations:

- Euro 252 million relating to the senior loan agreed by Fondiaria-SAI;
- Euro 208 million refers to the bank debt of the Immobiliare Lombarda Group;
- Euro 186 million relates to the loan signed by the subsidiary Sainernational, with maturity in 2010;
- Euro 156 million refers to the loan granted to the Tikal R.E. Closed Real Estate Fund by Banca IntesaSanPaolo;
- Euro 33 million refers to the loans of the subsidiary Finitalia.

The account also includes customer deposits at the subsidiaries BancaSai and Banca Gesfid of Euro 364,495 thousand (Euro 354,377 thousand at 31/12/2007), Euro 13,327 thousand (Euro 15,961 thousand at 31/12/2007) relating to investment contracts agreed with life policyholders valued in accordance with the amortised cost method and finally Euro 157,834 thousand (Euro 50,524 thousand at 31/12/2007) relating to time deposits on loans agreed by the subsidiary Sai Mercati Mobiliari.

5. PAYABLES

The account amounts to Euro 1,201,490 thousand and is comprised of:

(Euro thousand)	30/06/2008	31/12/2007	Changes
Payables from direct insurance operations	237,294	185,576	51,718
Payables from reinsurance operations	89,439	106,259	(16,820)
Other payables	874,757	849,790	24,967
Total	1,201,490	1,141,625	59,865

With reference to the payables deriving from the direct insurance operations, they consist of:

(Euro thousand)	30/06/2008	31/12/2007	Changes
Payables to insurance brokers	196,521	132,509	64,012
Payables to insurance companies	37,876	50,241	(12,365)
Payables for policyholder deposits	2,615	512	2,103
Payables for guarantee provisions for policyholders	282	2,314	(2,032)
Total	237,294	185,576	51,718

The increase of the payables towards insurance intermediaries is entirely attributable to the payable of Popolare Vita to Banco Popolare following the strong increase in business.

The payables deriving from reinsurance operations refer to reinsurance companies of Euro 59,411 thousand and Euro 30,028 thousand to reinsurance brokers.

The breakdown of the other payables is shown below:

(Euro thousand)	30/06/2008	31/12/2007	Changes
Trade payables	221,761	288,791	(67,030)
Leaving indemnity	84,718	85,316	(598)
Policyholders' tax due	170,515	102,270	68,245
Other taxes due	27,084	90,502	(63,418)
Social security and welfare institutions	15,789	23,292	(7,503)
Other payables	354,890	259,619	95,271
Total	874,757	849,790	24,967

Leaving indemnity

For the purposes of the actuarial valuation of the liability related to the Employee Leaving Indemnity in accordance with IAS 19, and applying the indications of the Actuarial Body, ABI and Assirevi, the differing cases were divided as follows:

- Group Companies with less than 50 employees:
 - the valuation of the liability was made in accordance with the traditional actuarial criteria, already utilised in the past;
- Group Companies with 50 or more employees;
 - the quota of the Employee Leaving Indemnity matured at 1/1/2007 as a defined contribution plan, both in the case of the option for the complementary pension and in the case of the allocation to the INPS Treasury Fund were not calculated in accordance with actuarial criteria.

The movements in the period are shown below:

(Euro thousand)	30/06/2008	31/12/2007
Balance at beginning of period	85,316	127,092
Curtailement	-	(34,872)
Balance at end of period Post Reform	85,316	92,220
Provisions to income statement for Interest Cost	1,872	3,585
Provisions to income statement for Service Cost	109	229
Actuarial Gains/Losses	(175)	2,170
Utilisations	(3,590)	(14,593)
Changes in the consolidation scope	1,185	1,705
Balance at end of period	84,718	85,316

Health assistance post service

The principal statistical-actuarial and financial assumptions utilised for the determination of the Health Assistance of employees as per IAS 19 is not substantially different from that utilised in the preparation of the annual accounts.

Reference should therefore be made to the 2007 annual accounts for the numeric assumptions made.

At June 30, 2008, the liabilities related to the health coverage for Executives amounted to Euro 31,105 thousand (Euro 30,014 thousand at December 31, 2007).

6. OTHER LIABILITIES

The breakdown is as follows:

(Euro thousand)	30/06/2008	31/12/2007	Changes
Liabilities in a discontinued group held for sale	-	-	-
Deferred tax liabilities	261,331	276,854	(15,523)
Current tax liabilities	40,558	110,729	(70,171)
Other liabilities	458,700	514,864	(56,164)
Total	760,589	902,447	(141,858)

Deferred tax liabilities

The deferred tax liabilities, amounting to Euro 261,331 thousand, include all the temporary tax differences, relating to balance sheet and income statement accounts, which will reverse in future years.

The balance takes into account the compensation, where permitted, with the corresponding deferred tax asset in accordance with IAS 12.

Current tax liabilities

The account amounts to Euro 40,558 thousand (Euro 110,729 thousand at 31/12/2007) and refers to the total income taxes accrued by the Group at the period-end, net of the current tax asset compensated in accordance with IAS 12.

The income taxes are calculated applying the respective income tax rates, determined based on prudent estimates of the nominal tax rates applied for the full year results.

Other liabilities

The Other liabilities amount to Euro 458,700 thousand (Euro 514,864 thousand at 31/12/2007) and comprise:

(Euro thousand)	30/06/2008	31/12/2007	Changes
Commissions on premium collection	117,704	132,637	(14,933)
Deferred commission expenses for life investment management services	83,282	146,161	(62,879)
Cheques issued against claims and life sums collected by the beneficiaries after June 30, 2007	29,629	23,616	6,013
Transitory reinsurance accounts	17	502	(485)
Other liabilities	228,068	211,948	16,120
TOTAL	458,700	514,864	(56,164)

The sub-account “other liabilities” includes accruals for the period of Euro 61 million, bills to be debited of Euro 30 million, over-commissions of Euro 12 million and payables for withholding taxes on current and deposit accounts of Euro 3 million.

There is also a residual amount of Euro 3 million for the payable which the subsidiary Immobiliare Lombarda estimated against charges due for the presentation of the request pursuant to law 724/94 which permits the change of use of some properties.

PART C - Information on the Income Statement

NET PREMIUMS

The net premiums consolidated amount to Euro 5,709,572 thousand (Euro 5,933,977 thousand in the first half of 2007).

Total Group gross premiums written amounted to Euro 5,926,602 thousand (down 4.11% on the previous half-year), as follows:

(Euro thousand)	30/06/2008	30/06/2007	Changes	31/12/2007
Gross Life premiums written	2,128,252	2,374,809	(246,557)	4,564,123
Gross Non-Life premiums written	3,798,350	3,805,744	(7,394)	7,318,145
Change gross premium reserve	60,803	88,547	(27,744)	54,177
Total Non-Life Division	3,737,547	3,717,197	20,350	7,263,968
Gross premiums	5,865,799	6,092,006	(226,207)	11,828,091

The account “gross premiums written” does not include the cancellation of securities issued in previous years, which were recorded in the account “Other costs”. The above amounts are net of inter-company reinsurance.

The premiums ceded, amounting to Euro 158,589 thousand, accounted for 2.7% of the total premiums written (2.5% in the first half of 2007).

(Euro thousand)	30/06/2008	30/06/2007	Changes	31/12/2007
Life Division	13,516	12,066	1,450	21,229
Non-Life Division	145,073	142,895	2,178	290,270
Change in reinsurers reserves for unearned premiums	(2,362)	3,068	(5,430)	15,519
Total Non-Life Division	142,711	145,963	(3,252)	305,789
Premiums ceded to re-insurers	156,227	158,029	(1,802)	327,018

The Group reinsurance policy negatively impacted on the consolidated accounts for Euro 46,228 thousand (Euro 46,327 thousand in the Non-Life Division).

In accordance with IFRS 4.36b, it is communicated that the Group does not defer and amortise the gains and losses deriving from reinsurance.

In relation to further illustration on the Non-Life and Life Divisions of the account 1.1 of the Income Statement, reference should be made to the Attachment at the end of the half-year report.

COMMISSION INCOME

The commission income in the first half of 2008 amounted to Euro 53,622 thousand, a decrease on the first half of the previous year of Euro 6,625 thousand.

(Euro thousand)	30/06/2008	30/06/2007	Changes	31/12/2007
Commission income	53,622	60,247	(6,625)	119,597

The account includes both the explicit and implicit loading relating to the investment contracts issued by the Group insurance companies and, as such, are not recorded in accordance with IFRS 4, as well as the commissions for the management of internal funds.

In particular, approx. Euro 27 million refers to the subsidiaries Novara Vita and Milano Assicurazioni.

They also include approx. Euro 25 million of commission income matured by the companies operating in the asset management and consumer credit sectors.

NET INCOME FROM FINANCIAL INSTRUMENTS RECORDED AT FAIR VALUE THROUGH PROFIT OR LOSS

These amount to Euro -403,385 thousand, a decrease on the first half of 2007 of Euro 401,373 thousand.

The table is broken down as follows:

(Euro thousand)	Interest	Other net income	Profits realised	Losses realised	Valuation gains and recovery in values	Valuation losses and adjust. in values	Total 30/06/08	Total 30/06/07	Changes	Total 31/12/2007
<i>Result of investments from:</i>										
Financial assets held for trading	33,582	89,263	8,441	(87,600)	5,760	(230,699)	(181,253)	62,615	(243,868)	(88,601)
Financial assets designated at fair value recorded through profit or loss	129,758	(2,815)	26,608	(42,884)	213,716	(554,760)	(230,377)	(36,688)	(193,689)	(249,053)
Financial liabilities held for trading	-	-	-	-	14,174	(5,929)	8,245	(27,939)	36,184	81,929
TOTAL	163,340	86,448	35,049	(130,484)	233,650	(791,388)	(403,385)	(2,012)	(401,373)	(255,725)

The result of the investments deriving from financial assets designated at fair value through profit or loss include Euro -357,344 thousand relating to investments in class D, offset by similar positive changes in the commitments to policyholders.

FINANCIAL INCOME AND CHARGES FROM INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES, FROM OTHER FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTIES

The following table shows the breakdown:

	<i>Net interest</i>	<i>Other net income</i>	<i>Profits realised</i>	<i>Losses realised</i>	<i>Valuation gains and recovery in values</i>	<i>Valuation losses and adjustment in values</i>	<i>Total 30/06/2008</i>	<i>Total 30/06/2007</i>	<i>Changes</i>	<i>Total 31/12/2007</i>
<i>Result from:</i>										
Investment property	-	17,141	450	-	-	(22,003)	(4,412)	4,956	(9,368)	54,872
Investments in subsidiaries, associated companies and joint ventures	-	(3,450)	30,061	-	-	-	26,611	16,578	13,028	23,519
Investments held to maturity	-	-	-	-	-	-	-	-	-	-
Loans and receivables	33,405	9,137	-	(1,907)	129	(10)	40,754	31,814	8,940	59,514
Available-for-sale financial assets	382,076	123,301	56,409	(55,726)	-	-	506,060	512,855	(6,795)	1,071,038
Other receivables	6,514	(132)	-	-	-	-	6,382	5,681	701	15,186
Cash and cash equivalents	14,486	-	-	-	317	-	14,803	14,480	323	31,801
Other financial liabilities and other payables	(72,863)	-	-	(5)	-	-	(72,868)	(62,898)	(9,970)	(118,036)
			(57,638)		446	(22,013)	517,330	523,466	(3,141)	1,137,894
TOTAL	363,618	145,997	86,920		446	(22,013)	0	523,466	(3,141)	94

The columns gains and losses realised show the economic effects deriving from the sale of the different financial instruments and of the Investment Properties. The decrease in the result deriving from investment properties is due to the higher charges on the investment properties (Euro 31 million compared to Euro 28 million in the first half of 2007) and to higher valuation losses represented by depreciation (Euro 22 million compared to Euro 18 million in the first half of 2007).

The gains realised on holdings in subsidiaries, associated companies and joint ventures principally refer to the 50% sale of Po Vita by Sai Holding Italia S.p.A.

The interest expense on the other financial liabilities includes the Group debt charges.

During the period, interest income did not mature on financial assets written down for impairment in previous periods.

OTHER REVENUES

The other revenues amount to Euro 201,101 thousand (Euro 218,888 thousand in the first half of 2007) and are summarised in the table below:

(Euro thousand)	30/06/2008	30/06/2007	Changes	31/12/2007
Gains related to non-current assets	4	29	(25)	22
Other technical income	35,183	16,657	18,526	121,874
Utilisation of reserves	9,418	33,598	(24,180)	40,441
Exchange differences	2,179	4,227	(2,048)	9,812
Prior period income	12,045	13,468	(1,423)	21,618
Gains realised on fixed assets	50	13	37	58
Other revenues	142,222	150,896	(8,674)	287,865
Total	201,101	218,888	(17,787)	481,690

In particular, the sub-account “other revenues” relates to the following income:

- Euro 71 million (Euro 54 million in the first half of 2007) revenues from the subsidiary Immobiliare Lombarda, relating to the Real Estate Sector, whose buildings, as treated as inventories, are classified under tangible fixed assets;
- Euro 16 million (Euro 15 million in the first half of 2007) revenues from retirement home subsidiaries of the Group;
- Euro 11 million (Euro 12 million in the first half of 2007) revenues from the subsidiary Pronto Assistenza Servizi;
- Euro 5 million (Euro 4 million in the first half of 2007) revenues from the agricultural holdings.
- Euro 3 million (Euro 11 million at in the first half of 2007) revenues for the sale of hardware and IT services externally, relating to subsidiary companies operating in this sector;

From the current half year, the account Other revenues no longer includes the revenues of Scai S.p.A. (Euro 6 million in the first half of 2007), considering that the company is no longer a subsidiary but an associated company.

NET CHARGES RELATING TO CLAIMS

The claims paid, including the sums of the Life Classes and the relative expenses, gross of the quota ceded in reinsurance, amount to Euro 4,845,258 thousand, an increase of 28.78% on the previous period.

Claims costs, amounts paid and changes in technical reserves

(Euro thousand)	30/06/2008	30/06/2007	Changes	31/12/2007
<i>Non-Life Division</i>				
Amount paid	2,935,521	2,700,887	234,634	5,325,562
Change in recoveries	(29,664)	(60,542)	30,878	(92,271)
Change in other technical reserves	2,266	230	2,036	3,988
Change in claims reserve	(400,741)	(25,537)	(375,204)	(85,667)
Total Non-Life Division	2,507,382	2,615,038	(107,656)	5,151,612
<i>Life Division</i>				
Amounts paid	1,909,737	1,061,637	848,100	2,840,453
Change in actuarial and other technical reserves	(430,430)	248,366	(678,796)	170,814
Change technical reserves where investment risk borne by policyholders and from pension fund management	201,730	968,964	(767,234)	1,439,929
Change reserve for sums to be paid	125,868	97,477	28,391	36,291
Total Life Division	1,806,905	2,376,444	(569,539)	4,487,487
Total Non-Life + Life	4,314,287	4,991,482	(677,195)	9,639,099
Amounts paid	4,815,594	3,701,982	1,113,612	8,073,744
Reserves changes	(501,307)	1,289,500	(1,790,807)	1,565,355

Claims costs, reinsurers portion

(Euro thousand)	30/06/2008	30/06/2007	Changes	31/12/2007
<i>Non-Life Division</i>				
Amounts paid by reinsurers	114,813	75,186	39,627	217,035
Change in other technical reserves	(543)	(418)	(125)	(2,097)
Change in recoveries	-	-	-	0
Change in claims reserve	(47,829)	36,853	(84,682)	41,086
Total Non-Life Division	66,441	111,621	(45,180)	256,024
<i>Life Division</i>				
Amounts paid by reinsurers	18,544	14,370	4,174	30,194
Change in actuarial and other technical reserves	(6,859)	281	(7,140)	(6,440)
Change reserve for sums to be paid	956	(1,292)	2,248	(414)
Total Life Division	12,641	13,359	(718)	23,340
Total Non-Life + Life	79,082	124,980	(45,898)	279,364
Amounts paid by reinsurers	132,814	89,138	43,676	245,132
Reserves changes	(53,732)	35,842	(89,574)	34,232

The change in the net technical reserves of the Non-Life Classes amount to Euro -350,646 thousand, a decrease of Euro 288,486 thousand compared to 30/06/2007.

The net technical reserves of the Life Division, including the reserves for amounts to be paid, changed by Euro -96,929 thousand (Euro 1,315,818 thousand at 30/06/2007).

In relation to further details on the Non-Life and Life division of the account 2.1 of the Income Statement, reference should be made to Attachment 10 at the end of the present report.

COMMISSION EXPENSES

Commission expenses in the first half of 2008 amounted to Euro 28,150 thousand, a decrease on the first half of 2007 of Euro 4,806 thousand.

(Euro thousand)	30/06/2008	30/06/2007	Changes	31/12/2007
Commission expenses	28,150	32,956	(4,806)	70,777

This account includes the acquisition costs related to investment contracts which do not fall under the application of IFRS 4.

MANAGEMENT EXPENSES

(Euro thousand)	30/06/2008	30/06/2007	Changes	31/12/2007
<i>Non-Life Division</i>				
Acquisition commissions and changes in deferred acquisition costs	566,216	549,364	16,852	1,076,671
Other acquisition expenses	98,801	90,838	7,963	167,119
Collection commissions	24,382	25,932	(1,550)	66,348
Reinsurers commissions and profit participation	(29,943)	(30,187)	244	(61,348)
Total Non-Life Division	659,456	635,947	23,509	1,248,790
<i>Life Division</i>				
Acquisition commissions and changes in deferred acquisition costs	80,238	95,193	(14,955)	177,688
Other acquisition expenses	17,837	17,787	50	38,024
Collection commissions	5,047	6,270	(1,223)	13,510
Reinsurers commissions and profit participation	(974)	(1,022)	48	(2,166)
Total Life Division	102,148	118,228	(16,080)	277,056
Investment management charges	9,855	6,059	3,796	13,753
Other administration expenses	220,220	169,923	50,297	378,520
Total	991,679	930,157	61,522	1,868,119

The increase of the “Other Administration Expenses” is due to the consolidation of the newly acquired Popolare Vita and DDOR Novi Sad and also the positive effects recorded in the first half of 2007 of the “curtailment” of the employee leaving indemnity recalculated following the Pension Reform.

OTHER COSTS

The other costs amount to Euro 448,717 thousand (Euro 380,173 thousand in the first half of 2007) and are summarised below:

(Euro thousand)	30/06/2008	30/06/2007	Changes	31/12/2007
Other technical charges	232,933	184,899	48,034	339,490
Provisions	41,226	23,325	17,901	52,356
Losses on receivables	2,028	5,566	(3,538)	28,813
Prior year charges	13,064	13,315	(251)	35,627
Depreciation of property, plant & equipment	6,868	7,959	(1,091)	12,709
Amortisation of intangible assets	34,572	18,886	15,686	58,613
Exchange differences	6,138	6,927	(789)	17,737
Other costs	111,888	119,296	(7,408)	248,346
Total	448,717	380,173	68,544	793,691

In particular, the sub-account “other costs” relates to the following charges:

- Euro 68 million (Euro 55 million in the first half of 2007) relating to the normal costs of the subsidiary Immobiliare Lombarda of which Euro 40 million for services, Euro 18 million for purchases, Euro 5 million for other operating charges, Euro 4 million for personnel and Euro 1 million for rental and leases;
- Euro 10 million (Euro 9 million in the first half of 2007) relating to the costs incurred by the retirement home subsidiaries of the Group for their normal operations and personnel costs;
- Euro 9 million (Euro 10 million in the first of 2007) relates to costs incurred by the subsidiary Pronto Assistenza Servizi to guarantee policyholders and clients of the Group the call centre and assistance services in the case of claims;
- Euro 3 million (Euro 10 million in the first half of 2007) relating to the production and personnel costs of the subsidiaries Salevox and Starvox;
- Euro 3 million (Euro 3 million in the first half of 2007) relating to management costs of the subsidiary Saiagricola.

The other costs also no longer include, from the current period, the normal operational charges of Scai S.p.A. (Euro 6 million in the first half of 2007).

INCOME TAXES

The breakdown of the account is as follows:

(Euro thousand)	30/06/2008	30/06/2007	Changes	31/12/2007
Current income tax	61,913	124,534	(62,621)	285,960
Deferred taxes	51,301	62,046	(10,745)	(12,725)
Total	113,214	186,580	(73,366)	273,235

Income taxes for the period amounted to Euro 113,214 thousand (Euro 186,580 thousand in the first half of 2007) of which current taxes of Euro 61,913 thousand and deferred tax charge of Euro 51,301 thousand.

The national income taxes (Ires and Irap) and the income taxes of the foreign subsidiary are determined applying the relative nominal income tax rates applicable to the annual accounts.

PART D – Segment Information

In accordance with IAS 14, segment information provides the readers of the accounts with an additional tool for a better understanding of the financial results of the Group.

The underlying logic in the application of the principle is to provide information on the manner in which the Group results are formed, consequently providing information on the overall operations of the Group, and, specifically, on the areas where profits and risks are concentrated.

The primary reporting of the Group is by sector of activity. The companies of the Group are organised and managed separately based on the nature of their products and services, for each sector of activity which represents a strategic business unit offering different products and services.

In order to identify the primary sectors, the Group made an analysis of the risk-return profile of the sectors and considered the internal reporting structure. The Non-Life sector provides insurance cover pursuant to article 2, paragraph 3 of Legislative Decree 209/05. The Life sector offers insurance cover with payment of capital or an annuity against an event relating to human life, as well as the securitisation contracts with or without significant insurance risk (article 2, paragraph 1 of Legislative Decree 209/05).

The Real Estate sector rents offices, buildings and residential homes which exceed the coverage requirements of the technical/assurance reserves of the Group and actively operate in the management of investment properties.

The Other Activities Sector, by its nature residual, offers products and services in asset management and the financial and agricultural sectors. The identification of the residual sector is based on a discretionary valuation in order to illustrate the primary sources of risks and benefits for the Group.

The inter-sector operations are generally concluded on the same conditions with third parties.

It is also reported that the geographical breakdown of Group activities in the first half of 2008 was prevalently undertaken in the European Union and therefore there are no other geographical sectors which satisfy the requirements of IAS 14 paragraph 69.

The balance sheet and income statement by segment follow:

SEGMENT BALANCE SHEET

(Euro thousand)

	Non-Life Insurance Sector		Life Insurance Sector		Real Estate Sector		Other Sectors	
	30/06/2008	31/12/2007	30/06/2008	31/12/2007	30/06/2008	31/12/2007	30/06/2008	31/12/2007
1 INTANGIBLE ASSETS	1,067,413	801,169	870,025	887,359	7,783	7,993	59,126	57,733
2 PROPERTY, PLANT & EQUIPMENT	389,864	339,523	14,109	10,683	749,366	761,015	89,685	90,667
3 TECHNICAL RESERVES - REINSURANCE AMOUNT	642,429	699,707	205,718	205,600				
4 INVESTMENTS	9,535,464	10,117,000	22,522,845	25,395,246	1,295,479	1,230,300	1,995,047	1,736,615
4.1 Investment property	1,122,554	1,106,919	35,887	37,856	1,069,156	973,317	30,239	24,831
4.2 Investments in subsidiaries, associated companies and joint ventures	65,399	24,034	261	-1,656	175,613	149,843	42,400	97,804
4.3 Investments held to maturity								
4.4 Loans and receivables	567,579	406,123	223,881	226,399	23,265	28,881	1,411,956	1,130,268
4.5 Available-for-sale financial assets	7,215,515	8,228,377	12,715,658	14,632,156	21,505	73,197	367,473	401,271
4.6 Financial assets at fair value through the profit or loss account	564,417	351,547	9,547,158	10,500,491	5,940	5,062	142,979	82,441
5 OTHER RECEIVABLES	1,999,008	2,167,857	201,161	249,976	134,316	122,629	93,473	134,559
6 OTHER ASSETS	519,972	526,738	447,811	531,334	21,066	16,568	54,915	22,315
6.1 Deferred acquisition costs	240,945	273,336	15,770	17,181				
6.2 Other assets	279,027	253,402	432,041	514,153	21,066	16,568	54,915	22,315
7 CASH AND CASH EQUIVALENTS	334,829	350,167	244,485	326,258	58,095	89,827	86,775	126,330
TOTAL ASSETS	14,428,979	15,002,161	24,506,154	27,606,456	2,266,105	2,228,332	2,379,021	2,168,219
1 SHAREHOLDERS' EQUITY								
2 PROVISIONS	232,200	198,284	18,550	14,971	15,954	17,743	5,209	5,157
3 TECHNICAL RESERVES	11,375,994	11,605,681	18,158,830	19,737,383				
4 FINANCIAL LIABILITIES	1,223,052	976,604	4,407,160	5,543,149	427,085	396,215	1,063,429	915,230
4.1 Financial liabilities at fair value through profit or loss account	482	33,365	3,764,012	4,951,726			94,344	46,362
4.2 Other financial liabilities	1,222,570	943,239	643,148	591,423	427,085	396,215	969,085	868,868
5 PAYABLES	706,788	753,163	227,388	245,790	112,346	77,949	165,835	168,308
6 OTHER LIABILITIES	516,466	657,445	314,679	419,038	45,635	46,128	62,244	55,969
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES								

SEGMENT INCOME STATEMENT

(Euro thousand)

	Non-Life Insurance Sector		Life Insurance Sector		Real Estate Sector		Other Sectors	
	30/06/2008	30/06/2007	30/06/2008	30/06/2007	30/06/2008	30/06/2007	30/06/2008	30/06/2007
1.1 Net premiums	3,594,836	3,571,235	2,114,736	2,362,743	0	0	0	0
1.1.1 Gross premiums	3,737,547	3,717,198	2,128,252	2,374,809				
1.1.2 Premiums ceded to re-insurers	-142,711	-145,963	-13,516	-12,066				
1.2 Commission income			29,148	30,863			25,275	29,752
1.3 Income and charges from fin. inst. at fair value through profit or loss account	-23,957	36,004	-383,583	-41,600	-11	380	4,166	3,407
1.4 Income from investments in subsidiaries, associates and joint ventures	320		29,833	17,896	21			1,586
1.5 Income from other financial instruments and property investments	247,515	224,904	358,081	362,483	21,729	27,743	86,427	59,326
1.6 Other revenues	82,786	105,814	27,817	7,084	71,042	59,368	146,571	144,618
1 TOTAL REVENUES AND INCOME	3,901,500	3,937,957	2,176,032	2,739,469	92,781	87,491	262,439	238,689
2.1 Net charges relating to claims	-2,440,941	-2,503,417	-1,794,264	-2,363,288	0	0	0	0
2.1.2 Amounts paid and changes in technical reserves	-2,507,382	-2,615,038	-1,806,905	-2,376,647				
2.1.3 Reinsurers' share	66,441	111,621	12,641	13,359				
2.2 Commission expenses			-18,765	-22,184			-9,385	-10,771
2.3 Charges from investments in subsidiaries, associates and joint ventures	-132	-66			-3,224	-2,394	-207	
2.4 Charges from other financial instruments and property investments	-79,132	-59,040	-64,562	-48,434	-29,368	-26,701	-50,196	-31,531
2.5 Management expenses	-810,200	-748,873	-144,226	-146,411	-105	-106	-37,148	-34,767
2.6 Other costs	-286,111	-224,761	-71,719	-54,051	-72,214	-59,385	-146,364	-142,647
2 TOTAL COSTS AND CHARGES	-3,616,516	-3,536,157	-2,093,536	-2,634,368	-104,911	-88,586	-243,300	-219,716
PROFIT BEFORE TAXES	284,984	401,800	82,496	105,101	-12,130	-1,095	19,139	18,973

PART E - Information on business combinations

In accordance with IFRS 3, the following operations took place utilising the business combination method and the Consolidated Income Statement of the Fondiaria-SAI Group includes the income of the companies acquired from the acquisition date.

Purchase of 83.32% of DDOR NOVI SAD ADO

On January 1, 2008, the Parent Company purchased 83.32% of the Serbian insurance company DDOR NOVI SAD ADO.

The acquisition was made in cash for a total payment of Euro 223 million.

The cost of the operation was compared with the fair value of the current and potential assets and liabilities of the company acquired.

In accordance with IFRS 3.62, the difference was provisionally allocated as follows:

(Euro thousand)

Goodwill	154,163
VOBA	48,041
Deferred tax liabilities	4,804

The VOBA (Value Of Business Acquired) represents the cash flows which will be generated, within a defined time period, by the insurance portfolio acquired: this asset will be amortised based on the receipt of the future cash flows related to the portfolio acquired.

PART F - Other information

INFORMATION ON FINANCIAL RISKS

Derivative financial instruments

The Group makes a limited utilisation of derivative financial instruments. In fact, the characteristics and the nature of the insurance activity requires that the utilisation of derivative financial instruments are regulated in accordance with Supervision Authority Provision No. 297/1996.

In particular, the above-mentioned Provision provides that operations in derivative financial instruments with the purpose of managing so-called efficiency are contained at a tolerable level of the available solvency margin. In this context, it is reported that the operations of the Group in derivative financial instruments are prevalently based on fair value hedges of some significant investments classified as available-for-sale, and to the containment of the interest rate risk on some liability operations.

Against the first type (fair value hedge of significant investments), the Group prepared the relative hedging reports, which illustrate the high effectiveness of the hedges.

The loading value at 30/06/2008 of the above-mentioned derivatives and the adjustment to fair value of the Available-For-Sale shares are listed below.

(Euro thousand)	Assets for hedging contracts	Liabilities for hedging contracts	AFS Shares Hedged
Fondiaria-SAI S.p.A.	148,148	0	(148,148)
Milano Assicurazioni S.p.A.	84,793	482	(84,311)
Total	232,941	482	(232,459)

The carrying value of the hedged assets was adjusted to the fair value changes through profit or loss. The gains and losses deriving from fair value measurement of the hedge derivatives are also recognised in the income statement.

For the first half year 2008, relating to Fondiaria-SAI, against write-downs of Euro 132,936 thousand of the shares hedged, revaluations were made for a similar amount of the hedged derivatives. In addition, following the partial release of the hedges during the first half of 2008, the liabilities for derivatives decreased by Euro 2,800 thousand against the sale of Unicredit ordinary shares.

In relation to Milano Assicurazioni, against net write-downs for Euro 84,618 thousand of the shares hedged, revaluations were made of a similar amount on the derivatives hedged.

The impact on the consolidated income statement was zero against the appreciation or depreciation of the hedged financial instruments recording respectively a gain or loss of a similar amount for the derivative hedged.

Against the second type of hedge, the Group signed Interest Rate Swap agreements to manage the risks deriving from changes in interest rates on the debt exposure with banks, converting a part of these loans from variable interest rate to fixed interest rate. These derivative financial instruments are recorded as assets when the fair value is positive, and as liabilities when negative. This fair value is periodically re-measured.

The fair value of the derivative financial instruments represents the present value of the cash flows that the company expects to receive from the contract: these changes in value are recorded against a net equity reserve and released subsequently to the income statement in order to neutralise the effects of the operation.

The part of gains or losses associated to the derivative hedged instrument which equals the absolute value of the fair value changes of the expected cash flows, being considered an effective hedge (range 80%-125%), must be recorded directly in equity; the ineffective portion of the gain or loss on the hedge instrument must be recognised in the income statement if this relates to overhedging. If on the other hand the excess of value is from the instrument hedged (underhedging), the entire fair value change recorded for the derivative must be recorded in net equity.

Where it is considered that the future transaction will not take place, all the components of gains and losses allocated to net equity must be immediately recognised in the income statement.

At the present moment, contracts for a notional value of approx. Euro 594 million exist (Euro 394 million at 31/12/2007): at the beginning of 2008, two new contracts were agreed by Fondiaria-SAI for a notional amount of Euro 100 million each.

At the reporting date, the fair value of the IRS was estimated at around Euro 23 million. These derivative instruments are designated as future cash flow hedge instruments: consequently, the hedge was highly effective.

In fact, the seven derivative contracts and the underlying financial instruments have the same amount, maturity, currency and interest rate. In detail, the IRS operations at 30/06/2008 are as follows:

(Euro thousand) Company	Notional	Expiry	Fixed rate %	Variable rate	Fair value	
					30/06/2008	31/12/2007
Fondiaria-SAI	200,000	23/07/2013	3.970	Euribor 6 months Act/360	8,725	2,656
Fondiaria-SAI	100,000	23/07/2013	3.990	Euribor 6 months Act/360	4,274	-
Fondiaria-SAI	100,000	23/07/2013	3.930	Euribor 6 months Act/360	4,539	-
Tikal	50,000	31/12/2009	3.160	Euribor 6 months Act/360	1,411	1,007
Tikal	58,000	31/12/2009	3.120	Euribor 6 months Act/360	1,671	1,225
Immobiliare Lombarda	42,857	31/12/2012	3.770	Euribor 6 months 30/360	955	560
Immobiliare Lombarda	42,857	31/12/2012	3.695	Euribor 6 months 30/360	1,011	628
TOTAL					22,586	6,146

PART G - Transactions with related parties

The operations between the Parent Company and its subsidiaries were eliminated in the present consolidated report and are not shown in these notes.

The operations between Group and other related parties are detailed in the following tables:

Operations of a commercial and financial nature

(Euro thousand)	30/06/2008		31/12/2007	
	Assets	Liabilities	Assets	Liabilities
Holding company	-	-	-	428
Associated companies and joint ventures	65,159	798	71,230	-
Group companies	10	20	2	21
Other related parties	275,770	56,079	289,064	15,621

(Euro thousand)	30/06/2008		30/06/2007	
	Income	Charges	Income	Charges
Holding company	346	370	345	291
Associated companies and joint ventures	2,315	71	1,805	50
Group companies	-	-	19	-
Other related parties	8,569	74,960	4,449	13,378

All of the above operations were concluded at normal market conditions. The receivables recorded under assets are not guaranteed and will be paid in cash. No provision was made in the period for any losses on receivables from related entities.

The principal transactions with associated Companies and joint ventures were:

- Euro 29 million due from Garibaldi S.c.s. for an interest-bearing loan granted by Milano Assicurazioni S.p.A.;
- Euro 20 million due from Ex Var S.c.s. for an interest-bearing loan granted by Fondiaria-SAI S.p.A. and a shareholder loan granted by Immobiliare Lombarda S.p.A.;
- Euro 15.9 million relating to Borsetto S.r.l for Euro 7 million, A7 S.r.L. for Euro 2.4 million, Metropolis S.p.A. for Euro 2.8 million and Sviluppo Centro Est S.r.l. for Euro 3.7 million for shareholder loans from Immobiliare Lombarda S.p.A..

The principal transactions with Other Related Parties refer to:

- Euro 78.2 million down-payment from Milano Assicurazioni to the company Avvenimenti e Sviluppo Alberghiero S.r.l. in relation to the area in Rome, Via Fiorentini. This operation, undertaken in 2003, resulted in the sale of the land to Avvenimenti e Sviluppo Alberghiero S.r.l. and the purchase of the completed real estate complex under construction on the land in question at a price of Euro 96.2 million;
- Euro 32.8 million paid to IM.CO. S.p.A. in relation to the real estate operations concerning the land at Milan, Via Confalonieri-Via de Castillia (Lunetta dell'Isola).
This operation, which commenced in 2005, resulted in:
 - the sale by Milano Assicurazioni S.p.A. to the Company IM.CO. S.p.A. of this land;
 - the purchase from IM.CO. S.p.A., by Milano Assicurazioni S.p.A., of a building for office use, under construction on the land in question of IM.CO S.p.A. at a price of Euro 93.7 million;
- Euro 33.2 million down-payment to IM.CO in relation to Via Lancetti, Milan. This operation, undertaken in 2003, resulted in the sale of the land to IM.CO S.p.A. and the purchase of the completed real estate complex under construction on the land in question at a price of Euro 36.4 million. The decrease of Euro 6.4 million on 31/12/2007 refers to the sale/purchase of the so-called "linking buildings", now under the ownership of Milano Assicurazioni S.p.A.
- Euro 11 million payment on account paid to IM.CO. S.p.A. by Immobiliare Lombarda S.p.A. for the future construction of various buildings and improvements on buildings owned; Euro 4.5 million paid by the subsidiary Villa Ragionieri Sr.l. on the advancement of work on owned buildings; Euro 90 million incurred by the TIKAL R.E. Fund as payment on account for the acquisition of "cosa futura" building relating to the construction of a hotel congress centre located in the municipality of Pero (MI) – Via Keplero. This operation, completed in 2008, results in the reclassification of the amount advanced at December 2007.
- Euro 12 million of Immobiliare Lombarda S.p.A. with I.C.E.IN S.p.A. as down-payments on extraordinary maintenance and future constructions; Euro 2 million by Fondiaria-SAI S.p.A. for incremental expenses on buildings owned.
- Euro 3.6 million incurred by the subsidiary Campo Carlo Magno S.p.A. with I.C.E.IN S.p.A. against restructuring work on the hotel real estate complex.

The liabilities to Other Related Parties principally refer to the trade payables of the subsidiary Immobiliare Lombarda S.p.A. to IM.CO. S.p.A. for Euro 16 million, I.C.E.IN. S.p.A for Euro 13 million, Marcora S.p.A. for Euro 3 million, MI.PR.AV. S.r.l. for Euro 2.5 million, as well as the subsidiary Villa Ragionieri S.r.l to IM.CO S.p.A for Euro 11 million for invoices to be received against property redevelopment being carried out.

The income from Associated Companies and Joint Ventures relate to interest on loans incurred by the associated company Garibaldi S.c.s. with Milano Assicurazioni S.p.A. and Ex Var with Fondiaria-SAI and Immobiliare Lombarda.

The other charges from Other Related Parties principally refer to the fees of Directors for offices covered in companies of the Group for Euro 2.5 million.

Finally, Euro 39 million was incurred by Immobiliare Lombarda S.p.A. for building maintenance costs, in particular for I.C.E.IN. S.p.A. for Euro 20 million and Euro 28 million incurred by Uniservizi S.C.R.L. on behalf of Wave Logistica S.r.l. and Wave Technologies S.r.l. for supply of services.

The Companies IM.CO S.p.A., I.C.E.IN. S.p.A., MI.PR.AV. S.r.l. and Avvenimenti e Sviluppo Alberghiero S.r.l. are related parties in that there are members on the board of directors of these companies, or their holding companies, also on the boards of Fondiaria-SAI and/or its subsidiaries.

In relation to the operations with related parties, there were no significant positions or transactions deriving from atypical and/or unusual transactions.

DIVIDENDS

The amount of the dividends paid on the 2007 profits totalled Euro 135,907 thousand for the ordinary shares (Euro 125,171 thousand in 2007) and Euro 49,031 thousand for the savings shares (Euro 45,563 thousand in 2007).

SOLVENCY MARGIN AND ASSETS COVERED

The constituting elements of the solvency margin of the Group is adequate to cover the margin required in accordance with Isvap regulation No. 18 of March 12, 2008.

Based on the growth trend in the second half of the year, it is expected that the margin to be constituted at the end of the period for the fully consolidated subsidiary companies will be covered in the correlated constituting elements.

At the date of the preparation of the present half year report, the consolidated insurance companies have sufficient assets against the increase in the technical reserves from Italian direct premiums and there are no deficiencies in the constituting elements of the solvency margins.

Earnings per share

The earnings per share is calculated by dividing the net profit attributable to the ordinary shareholders of the Parent Company by the average weighted number of ordinary shares outstanding during the period. It is reported that the weighted average shares outstanding is reduced by the weighted average treasury shares held by the Fondiaria-SAI Group.

In the calculation of the diluted earnings per share, account is taken of the potential ordinary shares as per IAS 33; it is recalled that at June 30, 2008 the exercise period for the 02/08 warrants expired. In the calculation of the diluted earnings, account was not taken of the potential savings shares for the stock option plans in the absence of any diluting effects.

In accordance with IAS 33, Information is shown below for the calculation of the basic and diluted earnings per share:

	30/06/2008	30/06/2007
Net profit attributed to the ordinary shareholders of the parent company (Euro thousand)	153,459	203,937
Weighted average number of ordinary shares to calculate the basis earnings per share	113,938,387	117,102,648
Basic earnings per share	1.35	1.74
<i>Effect of the dilution:</i>		
Weighted average number of ordinary shares to calculate the diluted earnings per share	114,853,303	118,271,508
Diluted earnings per share	1.34	1.72

It should also be noted that the net profit attributable to the ordinary shares of the Parent Company was adjusted deducting the theoretical profit of the saving shareholders from the Group consolidated net profit. This method corresponds to the current best practice which derives from an “economic” reading of the accounting principle; the comparative data was restated based on the above method. Up to the last half year, as for the other listed companies, a calculation was made based on a more literal and formal interpretation whereby, giving prevalence to the concept of IAS 33 of dividends approved and/or due, only the actual amount distributed (or expected to be distributed) to the savings shareholders of the Parent Company was deducted from the result of the group.

Stock options plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Consequently, in accordance with IFRS 2 “Share-based payments”, the recognition in the consolidated financial statements of the implicit costs relating to the above stock option plan were re-determined. Through appropriate evaluation models, the fair value of the options was determined; consequently personnel costs in the consolidated financial statements of Fondiaria-SAI (net of the options assigned to subsidiaries) increased against a net equity reserve of Euro 4.4 million, of which Euro 3.2 million relating to the Parent Company. As the plan involves some executive directors and management of the subsidiaries Milano Assicurazioni and Immobiliare Lombarda, the economic effects of the stock option plan are also recorded in the financial statements of these companies for their share. On the other hand, the consolidated financial statements of Fondiaria-SAI do not include the cost of the options assigned to the executive directors and management of its parent company. The total cost of the plan is estimated, for the Fondiaria-SAI Group, at Euro 36 million, of which Euro 30 million was already expensed at the date of the preparation of the present half-year report.

(in Euro)	Number options granted	Residual life	Value of option	Total cost	Cost at 30/06/2008
Tranche A	5,178,560	0	2.792	14,345,862	-
Tranche B	3,883,920	0	2.708	10,433,219	2,597,600
Tranche C	3,883,920	1	2.809	10,822,218	1,797,120
Total Fondiaria-SAI Group	12,946,400			35,601,298	4,394,720
Options granted to the holding company	2,053,600				
Total	15,000,000				

SELECTED EXPLANATORY NOTES

With reference to paragraph 16 of IAS 34, it is noted that:

- the insurance sector is not, per se, a seasonal type of activity. At the current moment, there are therefore no indicators that would highlight cyclical elements in the preparation of the accounts;
- There are no unusual matters in the period considered that would significantly impact on the income statement, balance sheet or cash flow statements;
- There are no changes in the estimates made in the period or previous periods that would result in a significant effect on the result for the period.

With reference to the provisions of IAS 37, it is reported that the Group is not aware of any significant potential assets or liabilities of a significant size acquired since 31/12/2007 for which it is necessary to provide specific information.

**DECLARATION in accordance with art. 154 BIS, paragraph 2, of legislative decree
24/02/1998, No. 58**

The undersigned Fausto Marchionni (as Chief Executive Officer of Fondiaria-SA) and Piergiorgio Bedogni (as Executive responsible for the preparation of the corporate accounting documents of Fondiaria-SAI S.p.A.)

certify

pursuant to article 154, paragraph 3 and 4, of Legislative Decree No. 58 of February 24, 1998

- the accuracy of the information on company operations and
- the effective application,

of the administrative and accounting procedures for the compilation of the condensed half-year financial statements for the first half-year of 2008.

The evaluation of the adequacy of the accounting and administrative procedures for the preparation of the condensed half-year financial statements at June 30, 2008 is based on a Model defined by Fondiaria-SAI S.p.A. in accordance with the “Internal Control – Integrated Framework” and “Cobit” which represent benchmarks for internal control systems generally accepted at international level.

The undersigned certify that

- the condensed half-year financial statements:
 - a) were prepared in accordance with international accounting standards, recognised in the European Union pursuant to EU regulation No. 1606/2002 of the European Parliament and Council, of July 19, 2002;
 - b) corresponds to the underlying accounting documents and records;
 - c) were prepared in accordance with article 9 of Legislative Decree No. 38/2005 and the applicable ISVAP measures, regulations and circulars and provide a true and fair representation of the balance sheet, financial position and results of the issuer and of the consolidated companies;
- the Interim Directors’ Report on operations includes the significant events in the first six months of the year and their impact on the condensed half-year financial statements, with a description of the principal risks and uncertainties for the remaining six months, as well as information on significant operations with related parties.

Milan, August 27, 2008

*Chief Executive Officer of Fondiaria-SAI
Mr. Fausto Marchionni*

*The Executive Responsible for
the prep. of the corporate accounting documents
Dr. Pier Giorgio Bedogni*

Attachments

CONSOLIDATION SCOPE (Amounts in Euro)

Number	Company	State	Method (1)	Activity (2)	Direct Holding %	Total Holding % (3)	Voting % in Ordinary Shareholder Meeting (4)	% consolidated
4	NOVARA VITA SPA	86	G	1	0.00	50.00	50.00	100.00
6	PRONTO ASSISTANCE SPA	86	G	1	100.00	100.00	100.00	100.00
8	SIAT SOCIETA' ITALIANA ASS E RIASS SPA	86	G	1	0.00	94.69	94.69	100.00
10	BIM VITA SPA	86	G	1	50.00	50.00	50.00	100.00
13	EUROSAI FINANZIARIA DI PARTECIPAZIONE SRL	86	G	11	0.00	100.00	100.00	100.00
15	FINSAI INTERNATIONAL SA	92	G	11	19.92	99.99	100.00	100.00
20	SAIAGRICOLA SPA	86	G	11	92.00	96.86	99.99	100.00
21	SAIFIN - SAIFINANZIARIA SPA	86	G	11	100.00	100.00	100.00	100.00
22	SAINTERNATIONAL SA	92	G	11	99.99	99.99	99.99	100.00
23	SAI HOLDING ITALIA SPA	86	G	11	100.00	100.00	100.00	100.00
24	SAILUX SA	92	G	11	0.00	100.00	100.00	100.00
26	SIM ETOILE SA	29	G	10	99.99	99.99	99.99	100.00
28	SRP ASSET MANAGEMENT SA	71	G	11	0.00	99.99	100.00	100.00
33	COLPETRONE SRL	86	G	11	0.00	97.14	100.00	100.00
34	SASA ASS. E RIASS. SPA	86	G	1	99.99	99.99	99.99	100.00
35	SASA VITA SPA	86	G	1	50.00	100.00	100.00	100.00
36	CONSORZIO CASTELLO	86	G	10	0.00	98.35	99.66	100.00
37	DIALOGO ASSICURAZIONI SPA	86	G	1	0.00	53.83	99.85	100.00
38	DOMINION INSURANCE HOLDING LTD	31	G	11	0.00	99.99	99.99	100.00
39	EFFE FINANZIARIA SPA	86	G	11	0.00	100.00	100.00	100.00
41	SYSTEMA VITA SPA (ex EFFE VITA)	86	G	1	100.00	100.00	100.00	100.00
42	EUROPA TUTELA GIUDIZIARIA SPA	86	G	1	100.00	100.00	100.00	100.00
43	FONDIARIA NEDERLAND B.V.	50	G	11	100.00	100.00	100.00	100.00
44	DIALOGO VITA SPA (ex FONDIPREV)	86	G	1	40.00	72.35	100.00	100.00
46	SERVICE GRUPPO FONDIARIA SRL	86	G	11	70.00	86.17	100.00	100.00
51	MILANO ASSICURAZIONI SPA	86	G	1	51.10	53.91	53.92	100.00
52	NUOVE INIZIATIVE TOSCANE SRL	86	G	10	96.88	98.56	100.00	100.00
53	PORTOFINO VETTA SRL	86	G	10	100.00	100.00	100.00	100.00
54	STIMMA SRL	86	G	10	100.00	100.00	100.00	100.00
55	SYSTEMA COMPAGNIA DI ASS.NI SPA	86	G	1	0.00	53.91	100.00	100.00
57	THE LAWRENCE RE IRELAND LTD	40	G	5	0.00	100.00	100.00	100.00
58	THE LAWRENCE LIFE ASSURANCE CO. LTD	40	G	2	0.00	100.00	100.00	100.00
59	UNISERVIZI SCARL	86	G	11	63.37	86.81	99.98	100.00
60	VILLA RAGIONERI SRL	86	G	10	100.00	100.00	100.00	100.00
62	CASCINE TRENNO SRL	86	G	10	0.00	84.89	100.00	100.00
63	TRENNO OVEST SRL	86	G	10	0.00	84.89	100.00	100.00
64	INSEDIAMENTI AVANZATI NEL TERRITORIO I.A.T. SPA	86	G	10	0.00	84.89	100.00	100.00
65	MERIDIANO BELLARMINO SRL	86	G	10	0.00	84.89	100.00	100.00
66	MERIDIANO BRUZZANO SRL	86	G	10	0.00	84.89	100.00	100.00
67	MERIDIANO EUR SRL	86	G	10	0.00	53.91	100.00	100.00
68	MERIDIANO ORIZZONTI SRL	86	G	10	0.00	53.91	100.00	100.00
69	MERIDIANO PRIMO SRL	86	G	10	0.00	84.89	100.00	100.00
70	MERIDIANO RISPARTO SRL	86	G	10	100.00	100.00	100.00	100.00
71	MERIDIANO SECONDO SRL	86	G	10	0.00	84.89	100.00	100.00
73	BANCA SAI SPA	86	G	7	100.00	100.00	100.00	100.00
74	BRAMANTE SRL	86	G	10	0.00	84.89	100.00	100.00
76	CAMPO CARLO MAGNO SPA	86	G	10	0.00	53.91	100.00	100.00
77	CARPACCIO SRL	86	G	10	0.00	84.89	100.00	100.00
78	CASA DI CURA VILLA DONATELLO SPA	86	G	11	100.00	100.00	100.00	100.00
79	CASA DI CURA VILLANOVA SRL	86	G	11	100.00	100.00	100.00	100.00
81	PONTORMO SRL (ex COS.ED SPA)	86	G	10	0.00	84.89	100.00	100.00
82	CRIVELLI SRL	86	G	10	0.00	84.89	100.00	100.00
83	FINITALIA SPA	86	G	11	0.00	100.00	100.00	100.00
84	IMMOBILIARE LITORELLA SRL	86	G	10	0.00	84.89	100.00	100.00
85	IMMOBILIARE LOMBARDA SPA	86	G	10	78.88	84.89	90.03	100.00
86	INIZIATIVE VALORIZZAZIONI EDILI IN V.ED. SRL	86	G	10	0.00	84.89	100.00	100.00
87	MANTEGNA SRL	86	G	10	100.00	100.00	100.00	100.00
88	MASACCIO SRL	86	G	10	0.00	84.89	100.00	100.00
89	MERIDIANO QUARTO SRL	86	G	10	0.00	100.00	100.00	100.00
90	MERIDIANO TERZO SRL	86	G	10	0.00	100.00	100.00	100.00
91	MIZAR SRL	86	G	10	0.00	84.89	100.00	100.00
92	NUOVA IMPRESA EDIFICATRICE MODERNA SRL	86	G	10	0.00	84.89	100.00	100.00
93	MARINA DI LOIANO SPA (EX PORTOBELLO SPA)	86	G	10	0.00	84.89	100.00	100.00
94	PROGETTO BICOCCA I.A. PIAZZA SRL	86	G	10	0.00	62.82	74.00	100.00
95	PRONTO ASSISTANCE SERVIZI SPA	86	G	11	0.00	100.00	100.00	100.00
97	RISTRUTTURAZIONI EDILI MODERNE R.EDIL.MO SRL	86	G	10	0.00	84.89	100.00	100.00
98	SAI INVESTIMENTI SGR SPA	86	G	8	51.00	66.63	80.00	100.00
99	SAI MERCATI MOBILIARI SIM SPA	86	G	11	100.00	100.00	100.00	100.00
100	SALEVOX SRL	86	G	11	0.00	100.00	100.00	100.00
101	SANTA MARIA DEL FICO SRL	86	G	11	0.00	96.86	100.00	100.00
103	SOGEINT SRL	86	G	11	0.00	53.91	100.00	100.00
104	STARVOX SPA	86	G	11	100.00	100.00	100.00	100.00
105	TIKAL R.E. FUND	86	G	10	53.18	77.96	94.26	100.00
106	SAI ASSET MANAGEMENT SGR SPA (EX EFFE GESTIONI)	86	G	8	100.00	100.00	100.00	100.00
107	FLORENCE CENTRO DI CHILURGIA AMBULATORIALE SRL	86	G	11	0.00	100.00	100.00	100.00
108	LIGURIA SOCIETA' DI ASSICURAZIONI SPA	86	G	1	99.97	99.97	99.97	100.00
109	LIGURIA VITA SPA	86	G	1	0.00	99.97	100.00	100.00
110	MERIDIANO AURORA	86	G	10	100.00	100.00	100.00	100.00
111	BANCA GESFID SA	71	G	7	100.00	100.00	100.00	100.00
112	CAPITALIA ASSICURAZIONI SPA	86	G	1	51.00	51.00	51.00	100.00
113	ITALIBERIA INVERSIONES FINANCIERAS SL	67	G	11	100.00	100.00	100.00	100.00
114	BIPIEMME VITA SPA	86	G	1	0.00	27.49	51.00	100.00
115	MERIDIANO QUINTO S.r.l. (EX FONSAI MB&A)	86	G	10	100.00	100.00	100.00	100.00
116	POPOLARE VITA SPA (EX BPV VITA SPA)	86	G	1	50.00	50.00	50.00	100.00
117	SINTESI SECONDA SRL	86	G	10	0.00	84.89	100.00	100.00
118	SOCIETA' EDILIZIA IMMOBILIARE SARDA S.E.I.S. SPA	86	G	10	0.00	43.86	51.67	100.00
119	DDOR NOVI SAD ADO	86	G	2	83.32	83.32	83.32	100.00
120	SERVIZI SALLITE E MALATTIA SCRL	86	G	11	78.97	90.94	100.00	100.00
121	AUTO PRESTO & BENE SRL (ex Sai Sistemi Assicurativi)	86	G	11	100.00	100.00	100.00	100.00

(1) Consolidation method: Line-by-line =G, Proportional=P, Line-by-line for man. unit =U

(2) 1= Italian Ins; 2= EU Ins; 3=Other Ins; 4=Holding insurance; 5=EU reins; 6=Reins. other; 7=Banks; 8=SGR; 9=Other holding; 10=Property 11=Other

(3) total shareholding relating to all companies which, through the various holdings, connect the company that prepares the consolidated financial statements and the company held. Where this company is held directly by more than one subsidiary it is necessary to aggregate the holdings

(4) total voting rights in an ordinary shareholders meeting if different from the direct or indirect shareholding

DETAILS OF NON-CONSOLIDATED INVESTMENTS

(Amounts in Euro)

Number	Company	State	Activity (1)	Type (2)	Direct Holding %	Total Holding % (3)	Voting % in Ordinary Shareholder Meeting (4)	Carrying value
1	AGRISAI SRL	86	11	a	0.00	96.90	100.00	54,000.00
10	FINADIN SPA	86	11	b	0.00	40.00	40.00	42,036,000.00
12	SOCIETA' FUNIVIE DEL PICCOLO SAN BERNARDO SPA	86	11	b	0.00	23.24	27.38	4,038,000.00
13	A7 SRL	86	10	b	0.00	16.98	20.00	731,000
14	BORSETTO SPA	86	10	b	0.00	38.14	44.93	3,963,000
16	CITY LIFE SRL	86	10	b	0.00	22.64	26.67	45,783,000
17	FIN. PRIV. SRL	86	11	b	28.57	28.57	28.57	42,396,000
18	GARIBALDI SCS	92	11	b	0.00	25.85	47.95	462,000
20	MB VENTURE CAPITAL FUND	50	11	b	30.00	30.00	30.00	9,315,000
21	METROPOLIS SPA	86	10	b	0.00	25.24	29.73	987,000
22	SERVIZI IMMOBILIARI MARTINELLI SPA	86	10	b	0.00	16.98	20.00	72,000
23	SOCIETA' FINANZ. PER LE GEST. ASSICURATIVE SRL	86	11	b	14.91	18.95	22.41	0
24	SOAIMPIANTI-ORGANISMI DI ATTESTAZIONE SPA	86	11	b	21.64	21.64	21.64	317,000
25	UFFICIO CENTRALE ITALIANO SCARL	86	11	b	14.14	20.45	25.53	130,000
26	PROGETTO ALFIERE SRL	86	10	b	0.00	16.13	19.00	5,068,000
28	EX VAR SCS	86	11	b	18.00	26.49	28.00	14,000
29	PENTA DOMUS SPA	86	10	b	0.00	16.98	20.00	2,263,000
30	SVILUPPO CENTRO EST SRL	86	10	b	0.00	33.96	40.00	239,000
32	GLOBAL CARD SERVICE SRL	86	11	a	0.00	94.97	95.00	486,000
33	LIGURIA DIREZIONE SRL (in liquidation)	86	11	a	0.00	99.97	100.00	0
34	WAVE TECHNOLOGIES	86	11	a	15.00	15.00	15.00	1,500,000
35	FONDIARIA-SAI SERVIZI TECNOLOGICI SRL	86	11	b	51.00	51.00	51.00	7,453,000
38	IGLI SPA	86	11	b	0.00	28.29	33.33	105,997,000
39	QUINTOGEST SPA	86	11	b	49.00	49.00	49.00	1,980,000
41	DDOR AUTO DOO	43	2	a	0.00	83.32	100.00	153,000
42	DDOR PENZIJA PLUS AD	43	11	a	0.00	83.32	100.00	1,145,000
43	DDOR VESTNS DOO	43	10	a	0.00	83.32	100.00	10,000
44	CONSULENZA AZIENDALE PER L'INFORMATICA SCAI SPA	86	11	b	30.07	30.07	30.07	1,227,000
45	BUTTERFLY AM SARL	92	11	b	0.00	16.97	19.99	6,467,000
46	SAINT GEORGE CAPITAL MANAGEMENT SA	71	11	a	0.00	100.00	100.00	311,000

(1) 1= Italian Ins; 2= EU Ins; 3=Other Ins; 4=Holding insurance; 5=EU reins; 6=Reins. other; 7=Banks; 8=SGR; 9=Other holding; 10=Property 11=Other

(2) a=subsidiaries (IAS27) ; b=associated companies (IAS28); c=joint venture (IAS 31); indicate with an asterisk (*) the companies classified as held for sale in accordance with IFRS 5 and shown in the key below

(3) total shareholding relating to all companies which, through the various holdings, connect the company that prepares the consolidated financial statements and the company held. Where this company is held directly by more than one subsidiary it is necessary to aggregate the holdings

(4) total voting rights in an ordinary shareholders meeting if different from the direct or indirect shareholding

DETAILS OF TANGIBLE AND INTANGIBLE FIXED ASSETS

(in thousands of Euro)

	At cost	At revalued amount or fair value	Total book value
Investment property	2,257,836	0	2,257,836
Others buildings	1,032,847	0	1,032,847
Other tangible assets	210,151	0	210,151
Other intangible assets	1,944,347	0	1,944,347

DETAILS OF FINANCIAL ASSETS

(in thousands of Euro)

	Investments held to maturity		Loans and receivables		Available-for-sale financial assets		Financial assets at fair value through the profit or loss account				Total book value	
							Financial assets held for trading		Financial assets designated at fair value recorded through profit or loss			
	30/06/2008	31/12/2007	30/06/2008	31/12/2007	30/06/2008	31/12/2007	30/06/2008	31/12/2007	30/06/2008	31/12/2007	30/06/2008	31/12/2007
Equity securities and derivatives valued at cost	0	0	0	0	0	0	0	0	0	0	0	0
Equity securities at fair value	0	0	0	0	2,268,380	3,096,783	160,082	202,773	77,468	83,350	2,505,930	3,382,906
<i>of which listed securities</i>	0	0	0	0	2,227,567	3,024,989	159,331	202,211	77,468	83,350	2,464,366	3,310,550
Debt securities	0	0	99,270	102,327	17,248,043	19,393,263	1,597,732	1,049,231	6,570,838	7,274,384	25,515,883	27,819,205
<i>of which listed securities</i>	0	0	3	0	16,559,295	19,284,917	1,534,952	976,296	3,759,775	4,903,557	21,854,025	25,164,770
Fund units	0	0	0	0	798,913	842,180	6,542	12,333	1,171,346	1,781,207	1,976,801	2,635,720
Loans and receivables from banks	0	0	385,589	304,243	0	0	0	0	0	0	385,589	304,243
Loans and interbank receivables	0	0	168,736	167,935	0	0	0	0	0	0	168,736	167,935
Deposits with reinsurers	0	0	31,410	32,272	0	0	0	0	0	0	31,410	32,272
Financial asset components of insurance contracts	0	0	0	0	0	0	0	0	0	0	0	0
Other loans and receivables	0	0	997,355	725,995	0	0	0	0	0	0	997,355	725,995
Non-hedging derivatives	0	0	0	0	0	0	14,299	13,834	317,621	350,368	331,920	364,202
Hedging derivatives	0	0	0	0	0	0	0	0	255,527	42,425	255,527	42,425
Other financial investments	0	0	546	490	2,825	2,775	0	0	89,039	129,636	92,410	132,901
Total	0	0	1,682,906	1,333,262	20,318,161	23,335,001	1,778,655	1,278,171	8,481,839	9,661,370	32,261,561	35,607,804

Details of assets and liabilities relating to contracts issued by insurance companies where the investment risk is borne by policyholders and from pension fund management

(in thousands of Euro)

	Returns based on performance of investments funds and market indices		Returns related to the management of pension funds		Total	
	30/06/2008	31/12/2007	30/06/2008	31/12/2007	30/06/2008	31/12/2007
Assets in accounts	7,945,704	9,333,028	171,384	176,485	8,117,088	9,509,513
Inter-group assets*		0		0	0	0
Total Assets	7,945,704	9,333,028	171,384	176,485	8,117,088	9,509,513
Financial liabilities in accounts	3,592,259	4,773,348	171,380	176,485	3,763,639	4,949,833
Technical reserves in accounts	4,352,223	4,559,320			4,352,223	4,559,320
Inter-group liabilities*					0	0
Total Liabilities	7,944,482	9,332,668	171,380	176,485	8,115,862	9,509,153

* Assets and liabilities eliminated in consolidation

Details of the technical reserves - reinsurance amount

(in thousands of Euro)

	Total book value	
	30/06/2008	31/12/2007
Non-Life reserves	642,429	699,707
Life reserves	205,718	205,600
Technical reserves where investment risk is borne by policyholders and from pension fund management		0
Actuarial reserves and other reserves	205,718	205,600
Technical reserves attributed to reinsurers	848,147	905,307

Details of technical reserves

(in thousands of Euro)

	Total book value	
	30/06/2008	31/12/2007
Non-Life reserves	11,375,994	11,605,682
Unearned premium reserve	2,749,196	2,621,821
Claims reserve	8,609,897	8,969,398
Other reserves	16,901	14,463
<i>of which reserves set aside following the liability adequacy test</i>	0	0
Life reserves	18,158,830	19,737,382
Reserve for sums to be paid	433,695	279,362
Actuarial reserves	13,691,437	15,007,663
Technical reserves where investment risk is borne by policyholders and from pension fund management	4,352,223	4,559,320
Other reserves	-318,525	-108,963
<i>of which reserves set aside following the liability adequacy test</i>	0	0
<i>of which deferred liabilities to policyholders</i>	-452,742	-262,767
Total Technical Reserves	29,534,824	31,343,064

Details of financial liabilities

(in thousands of Euro)

	Financial liabilities at fair value through profit or loss acc.				Other financial liabilities		Total book value	
	Financial liabilities held for trading		Financial liabilities designated at fair value through profit or loss		30/06/2008	31/12/2007	30/06/2008	31/12/2007
	30/06/2008	31/12/2007	30/06/2008	31/12/2007				
Equity financial instruments	0	0	0	0	0	0	0	0
Sub-ordinated liabilities	0	0	0	0	812,836	820,007	812,836	820,007
Liabilities from financial contracts issued by insurance companies deriving	0	0	3,763,639	4,949,833	13,327	15,961	3,776,966	4,965,794
From contracts for which the investment risk is borne by policyholders	0	0	3,592,259	4,773,348	0	0	3,592,259	4,773,348
From the management of pension funds	0	0	171,380	176,485	0	0	171,380	176,485
From other contracts	0	0	0	0	13,327	15,961	13,327	15,961
Deposits received from reinsurers	0	0	0	0	311,244	305,238	311,244	305,238
Financial liability components of insurance contracts	0	0	0	0	0	0	0	0
Debt securities issued	0	0	0	0	205,015	181,028	205,015	181,028
Payables to bank clients	0	0	0	0	364,495	354,377	364,495	354,377
Interbank payables	0	0	0	0	4,416	4	4,416	4
Other loans obtained	0	0	0	0	410,244	96,241	410,244	96,241
Non-hedging derivatives	14,331	16,779	0	1,075	0	0	14,331	17,854
Hedging derivatives	482	33,295	0	0	0	0	482	33,295
Other financial liabilities	80,014	29,657	372	814	471,958	381,378	552,344	411,849
Total	94,827	79,731	3,764,011	4,951,722	2,593,535	2,154,234	6,452,373	7,185,687

Details of insurance technical reserves

(in thousands of Euro)

		30/06/2008	30/06/2007
Non-Life Division			
NET PREMIUMS		3,594,836	3,571,235
a	Premiums written	3,653,277	3,662,851
b	Change in unearned premium reserve	-58,441	-91,616
NET CHARGES RELATING TO CLAIMS		-2,440,941	-2,503,418
a	Amounts paid	-2,820,708	-2,625,701
b	Change in claims reserve	352,912	62,390
c	Change in recoveries	29,121	60,124
d	Change in other technical reserves	-2,266	-231
Life Division			
NET PREMIUMS		2,114,736	2,362,740
NET CHARGES RELATING TO CLAIMS		-1,794,264	-2,363,287
a	Sums paid	-1,891,193	-1,047,266
b	Change in reserve for sums to be paid	-124,912	-98,769
c	Change in actuarial reserve	426,270	-246,017
d	Change technical reserves where investment risk borne by policyholders and from pension fund management	-201,730	-968,964
e	Change in other technical reserves	-2,699	-2,271

Financial income and charges and from investments

(in thousands of Euro)

	Interest	Other Income	Other expenses	Profits realised	Losses realised	Total income and charges realised	Valuation gains		Valuation losses		Total income and charges not realised	Total income and charges 30/06/2008	Total income and charges 30/06/2007
							Valuation gains	Write-back of value	Valuation losses	Impairment			
Result from investments	578,821	275,268	-42,691	121,969	-188,117	745,250	219,339	66	-807,360	-112	-587,867	157,383	592,128
a Deriving from property investments	0	48,338	-31,197	450	0	17,591	0	0	-21,891	-112	-22,003	-4,412	4,956
b Deriving from investments in subsidiaries, associates and joint ventures	0	113	-3,563	30,061	0	26,611	0	0	0	0	0	26,611	16,578
c Deriving from investments held-to-maturity	0	0	0	0	0	0	0	0	0	0	0	0	0
d Deriving from loans and receivables	33,403	9,137	0	0	-1,907	40,633	63	66	-10	0	119	40,754	31,814
e Deriving from available-for-sale financial assets	382,076	124,865	-1,564	56,409	-55,726	506,060	0	0	0	0	0	506,060	512,855
f Deriving from financial assets held for trading	33,582	89,535	-272	8,441	-87,600	43,686	5,760	0	-230,699	0	-224,939	-181,253	62,615
g Deriving from financial assets designated at fair value through profit or loss	129,758	3,280	-6,095	26,608	-42,884	116,667	213,716	0	-554,780	0	-341,044	-230,377	-36,890
Result of other receivables	6,514	0	-132	0	0	6,382	0	0	0	0	0	6,382	5,681
Result of cash and cash equivalents	14,486	0	0	0	0	14,486	317	0	0	0	317	14,803	14,480
Result of financial liabilities	-65,560	0	0	0	0	-65,560	14,174	0	-5,929	0	8,245	-57,315	-87,191
a Deriving from financial liabilities held for trading	0	0	0	0	0	0	14,174	0	-5,929	0	8,245	8,245	-27,939
b Deriving from financial liabilities designated at fair value through profit or loss	0	0	0	0	0	0	0	0	0	0	0	0	0
c Deriving from other financial liabilities	-65,560	0	0	0	0	-65,560	0	0	0	0	0	-65,560	-59,252
Result of payables	-7,303	0	0	0	-5	-7,308	0	0	0	0	0	-7,308	-3,646
Total	526,958	275,268	-42,823	121,969	-188,122	693,250	234,030	66	-813,289	-112	-579,305	113,945	521,452

Details of insurance management expenses

(in thousands of Euro)

	Non-Life Division		Life Division	
	30/06/2008	30/06/2007	30/06/2008	30/06/2007
Gross commissions and other acquisition expenses net of commissions and profit participations received from reinsurers	-659,455	-635,947	-102,149	-118,228
Investment management charges	-3,881	-2,233	-5,720	-3,239
Other administration expenses	-146,864	-110,693	-36,357	-24,944
Total	-810,200	-748,873	-144,226	-146,411

List of direct and indirect holdings in non-listed companies of above 10% of the share capital at 30/06/2008

(In accordance with article 125-126 of CONSOB Resolution No. 11971 of 14/05/1999)

FONDIARIA-SAI S.P.A. IS THE OWNER AS AT 30/06/2008 OF THE FOLLOWING SHARES/QUOTAS WITH VOTING RIGHTS

Name of Company Registered offices	Company holding	Voting shares held	% Holding	% Total
AGRISAI S.r.l. ITALY	SAIAGRICOLA SPA SAIFIN SAIFINANZIARIA SPA	60,390 610	99.000 1.000	100.000
AUTO PRESTO & BENE S.r.l. ITALY	FONDIARIA-SAI S.p.A.	51,000	100.000	100.000
A7 SRL ITALY	IMMOBILIARE LOMBARDA SPA	40,000	20.000	20.000
BANCA GESFID S.A. SWITZERLAND	FONDIARIA-SAI S.p.A.	10,000	100.000	100.000
BANCA SAI S.p.A. ITALY	FONDIARIA-SAI S.p.A.	1,166,771,610	100.000	100.000
BIM VITA SPA ITALY	FONDIARIA-SAI S.p.A.	3,750,000	50.000	50.000
BIPIEMME VITA SPA ITALY	MILANO ASSICURAZIONI SPA	7,497,000	51.000	51.000
BORSETTO SRL ITALY	IMMOBILIARE LOMBARDA SPA	564,002	44.929	44.929
BRAMANTE SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000
BUTTERFLAI AM Sarl LUXEMBOURG	IMMOBILIARE LOMBARDA SPA	6,666	19.999	19.999
CAMPO CARLO MAGNO SPA ITALY	MILANO ASSICURAZIONI SPA	18,622,400	100.000	100.000
CAPITALIA ASSICURAZIONI SPA ITALY	FONDIARIA-SAI S.p.A.	2,652,000	51.000	51.000
CARPACCIO SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000
CASA di CURA VILLA DONATELLO SPA - ITALY	FONDIARIA-SAI S.p.A.	70,000	100.000	100.000
CASA di CURA VILLANOVA SRL ITALY	FONDIARIA-SAI S.p.A.	350,000	100.000	100.000
CASCINE TRENNO SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000
CITYLIFE SRL ITALY	IMMOBILIARE LOMBARDA SPA	39,997	26.665	26.665

Name of Company Registered offices	Company holding	Voting shares held	% Holding	% Total
COLPETRONE SRL ITALY	SAI AGRICOLA SPA	10,000	100.000	100.000
COMPAGNIA TIRRENA DI ASSICURAZIONI SPA voluntary liquidation ITALY	MILANO ASSICURAZIONI SPA	3,900,000	11.143	11.143
COMPANIA DE SEGUROS Y REASEGUROS KAIROS SA in liq. SPAIN	EUROSAI FINANZIARIA DI PARTECIPAZIONI SRL	48,815	11.486	11.486
CASTELLO CONSORTIUM ITALY	NUOVE INIZIATIVE TOSCANE SRL	99,660	99.660	99.660
CONSULENZA AZIENDALE PER L'INFORMATICA - SCAI SPA ITALY	FONDIARIA-SAI S.p.A.	601,400	30.070	30.070
CRIVELLI SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000
DDOR AUTO DOO SERBIA	DDOR NOVI SAD A.D.O.	1	100.000	100.000
DDOR NOVI SAD A.D.O. SERBIA	FONDIARIA-SAI S.p.A.	1,761,723	83.319	83.319
DDOR PENZIJA PLUS AD SERBIA	DDOR NOVI SAD A.D.O.	82,085	100.00	100.000
DDOR VESTANS DOO SERBIA	DDOR NOVI SAD A.D.O.	1	100.000	100.000
DIALOGO ASSICURAZIONI S.p.A. ITALY	MILANO ASSICURAZIONI S.p.A.	8,818,363	99.848	99.848
DIALOGO VITA COMPAGNIA ASSICURAZIONI S.p.A. ITALY	FONDIARIA-SAI S.p.A. MILANO ASSICURAZIONI S.p.A.	4,800,000 7,200,000	40.000 60.000	100.000
DOMINION INSURANCE HOLDING Ltd GREAT BRITAIN	FINSAI INTERNATIONAL SA.	50,780,305	100.000	100.000
EFFE FINANZIARIA SPA ITALY	THE LAWRENCE RE IRELAND Ltd	10,000	100.000	100.000
EUROPA TUTELA GIUDIZIARIA S.p.A. ITALY	FONDIARIA-SAI S.p.A.	2,000,000	100.000	100.000
EUROSAI FINANZIARIA DI PARTECIPAZIONI SRL ITALY	SAIFIN SAIFINANZIARIA SPA	1,305,600	100.000	100.000
EX VAR SCS LUXEMBOURG	FONDIARIA-SAI S.p.A. IMMOBILIARE LOMBARDA S.p.A.	55,382 30,770	17.999 10.000	27.999
FINADIN SPA FINANZIARIA DI INVESTIMENTI ITALY	SAIFIN SAIFINANZIARIA SPA	40,000,000	40.000	40.000
FINITALIA SPA ITALY	BANCA SAI S.p.A.	15,376,285	100.000	100.000

Name of Company Registered offices	Company holding	Voting shares held	% Holding	% Total
FIN.PRIV. SRL ITALY	FONDIARIA-SAI S.p.A.	5,714	28.571	28.571
FINSAI INTERNATIONAL S.A. LUXEMBOURG	FONDIARIA-SAI S.p.A. SAILUX S.A.	80,000 145,183	19.922 36.154	100.000
FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE SRL – ITALY	CASA DI CURA VILLANOVA SRL	176,383	43.924	
FONDIARIA NEDERLAND BV HOLLAND	FONDIARIA-SAI S.p.A.	10,400	100.000	100.000
FONDIARIA-SAI SERVIZI TECNOLOGICI SRL ITALY	FONDIARIA-SAI S.p.A.	1,907	100.000	100.000
GARIBALDI SCS LUXEMBOURG	FONDIARIA-SAI S.p.A.	61,200	51.000	51.000
GARIBALDI SCS LUXEMBOURG	MILANO ASSICURAZIONI SPA	480	47.952	47.952
GLOBAL CARD SERVICE SRL ITALY	LIGURIA S.p.A. LIGURIA VITA SPA	43,472 50,388	44.000 51.000	95.000
IFB INTERNATIONAL FUR BROKERS SPA in liquidation - ITALY	FONDIARIA – SAI S.p.A.	60,000	60.000	60.000
IGLI SPA ITALY	IMMOBILIARE LOMBARDA SPA	8,040,000	33.333	33.333
IMMOBILIARE LITORELLA SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,329	100.000	100.000
INIZIATIVE VALORIZZAZIONI EDILI – IN V.ED.SRL – ITALY	IMMOBILIARE LOMBARDA SPA	10,329	100.000	100.000
INSEDIAMENTI AVANZATI NEL TERRITORIO I.A.T. SPA ITALY	IMMOBILIARE LOMBARDA SPA	500,000	100.000	100.000
ISTITUTO EUROPEO DI ONCOLOGIA SRL ITALY	FONDIARIA-SAI S.p.A. MILANO ASSICURAZIONI SPA	10,186,526 1,394,536	12.883 1.764	14.646
ITAL IBERIA INVERSIONES FINANCIERAS SL SPAIN	FONDIARIA-SAI S.p.A.	122,193,595	100.000	100.000
LIGURIA DIREZIONE SRL in liquidation – ITALY	LIGURIA SOCIETA' DI ASSICURAZIONI S.p.A.	36,400	100.000	100.000
LIGURIA SOCIETA' DI ASSICURAZIONI S.p.A. ITALY	FONDIARIA-SAI S.p.A.	22,992,121	99.966	99.966
LIGURIA VITA S.p.A. ITALY	LIGURIA SOCIETA' DI ASSICURAZIONI S.p.A.	1,200,000	100.000	100.000
MANTEGNA SRL ITALY	FONDIARIA-SAI S.p.A.	10,000	100.000	100.000
MARINA DI LOANO ITALY	IMMOBILIARE LOMBARDA SPA	5,536,000	100.000	100.000
MASACCIO SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000
MB VENTURE CAPITAL FUND I PARTECIP. COMPANY D NV HOLLAND	FONDIARIA-SAI S.p.A.	15,000	30.000	30.000
MERIDIANO AURORA SRL ITALY	FONDIARIA - SAI S.p.A.	10,000	100.000	100.000

Name of Company Registered offices	Company holding	Voting shares held	% Holding	% Total
MERIDIANO BELLARMINO SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000
MERIDIANO BRUZZANO SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000
MERIDIANO EUR SRL ITALY	MILANO ASSICURAZIONI SPA	10,000	100.000	100.000
MERIDIANO ORIZZONTI SRL ITALY	MILANO ASSICURAZIONI SPA	10,000	100.000	100.000
MERIDIANO PRIMO SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000
MERIDIANO QUARTO SRL ITALY	SAI HOLDING ITALIA S.p.A.	10,000	100.000	100.000
MERIDIANO QUINTO SRL ITALY	FONDIARIA – SAI S.p.A.	800,000	100.000	100.000
MERIDIANO RISPARMIO SRL ITALY	FONDIARIA-SAI S.p.A.	10,000	100.000	100.000
MERIDIANO SECONDO SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000
MERIDIANO TERZO SRL ITALY	SAI HOLDING ITALIA S.p.A.	10,000	100.000	100.000
METALS BANKA AD SERBIA	DDOR NOVI SAD A.D.O.	49,302	15.127	15.127
METROPOLIS SPA ITALY	IMMOBILIARE LOMBARDA SPA	35,676	29.730	29.730
MIZAR SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,329	100.000	100.000
NOVARA VITA SPA ITALY	SAI HOLDING ITALIA S.p.A.	53,000,000	50.000	50.000
NUOVA IMPRESA EDIFICATRICE MODERNA SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,329	100.000	100.000
NUOVE INIZIATIVE TOSCANE SRL ITALY	FONDIARIA-SAI S.p.A. MILANO ASSICURAZIONI SPA	48,440,000 1,560,000	96.880 3.120	100.000
PENTA DOMUS SPA ITALY	IMMOBILIARE LOMBARDA SPA	24,000	20.000	20.000
PONTORMO SRL ITALY	IMMOBILIARE LOMBARDA SPA	120,000	100.000	100.000
POPOLARE VITA SPA ITALY	FONDIARIA-SAI S.p.A	8,760,001	50.000	50.000
PORTOFINO VETTA SRL ITALY	FONDIARIA-SAI S.p.A.	20,000	100.000	100.000
PROGETTO ALFIERE SPA ITALY	IMMOBILIARE LOMBARDA SPA	22,800	19.000	19.000

Name of Company Registered offices	Company holding	Voting shares held	% Holding	% Total
PROGETTO BICOCCA LA PIAZZA SRL ITALY	IMMOBILIARE LOMBARDA SPA	2,332,332	74.000	74.000
PRONTO ASSISTANCE SERVIZI SPA ITALY	PRONTO ASSISTANCE SPA SAIFIN SAIFINANZIARIA SPA	309,600 206,400	60.000 40.000	100.000
PRONTO ASSISTANCE SPA ITALY	FONDIARIA-SAI S.p.A.	2,500,000	100.000	100.000
UINTOGEST SPA ITALY	FONDIARIA-SAI S.p.A.	980,000	49.000	49.000
RISTRUTTURAZIONI EDILI MODERNE – R.EDIL.MO. SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,329	100.000	100.000
SAI ASSET MANAGEMENT SGR SPA ITALY	FONDIARIA-SAI S.p.A.	500,000	100.000	100.000
SAI HOLDING ITALIA S.p.A. ITALY	FONDIARIA-SAI S.p.A.	143,100,000	100.000	100.000
SAI INVESTIMENTI SGR SPA ITALY	FONDIARIA- SAI S.p.A. MILANO ASSICURAZIONI SPA	1,995,930 1,134,940	51.000 29.000	80.000
SAI MERCATI MOBILIARI – SOC.- DI INTERMEDIAZIONE MOBILIARE SPA ITALY	FONDIARIA-SAI S.p.A.	20,000,000	100.000	100.000
SAIAGRICOLA SPA- Società Agricola ITALY	FONDIARIA-SAI S.p.A. MILANO ASSICURAZIONI SPA PRONTO ASSISTANCE SPA	46,002,093 3,402,001 595,906	92.004 6.804 1.192	100.000
SAIFIN SAIFINANZIARIA SPA ITALY	FONDIARIA-SAI S.p.A.	102,258,000	100.000	100.000
SAILUX S.A. LUXEMBOURG	FINSAI INTERNATIONAL S.A. SAIFIN SAIFINANZIARIA SPA	10 9,387,800	0.000 99.999	100.000
SAINTERNATIONAL S.A. LUXEMBOURG	FONDIARIA-SAI S.p.A.	15,399,997	99.999	99.999
SALEVOX SRL ITALY	STARVOX SPA	50,000	100.000	100.000
SANTA MARIA DEL FICO SRL ITALY	SAIAGRICOLA SPA	78,000	100.000	100.000
SASA Assicurazioni Riassicurazioni S.p.A ITALY	FONDIARIA-SAI S.p.A.	51,999,988	99.999	99.999
SASA VITA S.p.A. ITALY	FONDIARIA-SAI S.p.A. SASA S.p.A.	8,250,000 8,250,000	50.000 50.000	100.000
SCONTOFIN S.A. LUXEMBOURG	SAILUX S.A.	950	19.000	19.000
SERVICE GRUPPO FONDIARIA – SAI SRL ITALY	FONDIARIA-SAI S.p.A. MILANO ASSICURAZIONI SPA	140,000 60,000	70.000 30.000	100.000

Name of Company Registered offices	Company holding	Voting shares held	% Holding	% Total
SERVIZI IMM. MARTINELLI SPA ITALY	IMMOBILIARE LOMBARDA SPA	200	20.000	20.000
SERVIZI SALUTE E MALATTIA SCRL ITALY	BANCA SAI S.p.A	398	0.040	100.000
	BIM VITA S.p.A	142	0.014	
	DIALOGO ASSICURAZIONI S.p.A	171	0.017	
	DIALOGO VITA COMPAGNIA DI ASSICURAZIONI S.p.A.	4	-	
	EUROPA TUTELA GIUDIZIARIA S.p.A	19	0.002	
	FINITALIA S.p.A	155	0.016	
	FONDIARIA-SAI S.p.A	789,664	78.966	
	LIGURIA SOCIETA' DI ASSICURAZIONEI S.p.A	2,170	0.217	
	LIGURIA VITA S.p.A	195	0.020	
	MILANO ASSICURAZIONI S.p.A	190,896	19.087	
	NOVARA VITA S.p.A	5,093	0.509	
	PRONTO ASSISTANCE SERVIZI S.p.A	4,088	0.409	
	PRONTO ASSISTANCE S.p.A	342	0.034	
	SAI ASSET MANAGEMENT SGR S.p.A	54	0.0005	
	SAI MERCATI MOBILIARI – SCO, DI INTERNAZIONALE MOBILIARE S.p.A	106	0.011	
	SASA ASSICURAZIONI RIASSICURAZIONI S.p.A	4,934	0.493	
	SASA VITA S.p.A	492	0.049	
	STARVOX S.p.A	917	0.092	
	SYSTEMA COMPAGNIA DI ASSICURAZIONI S.p.A	118	0.012	
	SYSTEMA VITA COMPAGNIA DI ASSICURAZIONI S.p.A	69	0.007	
SIAT - SOC. ITALIANA ASSICURAZIONI E RIASSIC. SPA - ITALY	SAI HOLDING ITALIA S.p.A.	35,983,610	94.694	94.694
SIM ETOILE S.A.S FRANCE	FONDIARAI-SAI S.p.A.	199,999	99.999	99.999
SINTESI SECONDA SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,400	100.000	100.000
SOAIMPIANTI-ORGANISMI DI ATTESTAZIONE SPA ITALY	FONDIARIA-SAI S.p.A.	127,419	21.637	21.637
SOCIETA' EDILIZIA IMMOBILIARE SARDA – S.E.I.S.- SPA ITALY	IMMOBILIARE LOMBARDA SPA	387,500	51.667	51.667

Name of Company Registered offices	Company holding	Voting shares held	% Holding	% Total
SOCIETA' FINANZIARIA PER LE GEST.ASS.VE SRL in liq. ITALY	FONDIARIA-SAI S.p.A. MILANO ASSICURAZIONI SPA	13,931,807 7,012,859	14.907 7.504	22.410
SOCIETA' FUNIVIE DEL PICCOLO S. BERNARDO SPA - ITALIA	IMMOBILIARE LOMBARDA SPA	1,441,691	27.384	27.384
SOFINPA SPA ITALY	SAIFIN SAIFINANZIARIA SPA	2,400,000	30.000	30.000
SOGEINT SRL ITALY	MILANO ASSICURAZIONI SPA	100,000	100.000	100.000
SRP ASSET MANAGEMENT S.A. SWITZERLAND	SAINTERNATIONAL S.A.	1,000	100.000	100.000
STARVOX SPA ITALY	FONDIARIA-SAI S.p.A.	258,000	100.000	100.000
STIMMA SRL ITALY	FONDIARIA-SAI S.p.A.	10,000	100.000	100.000
SVILUPPO CENTRO EST SRL ITALY	IMMOBILIARE LOMBARDA SPA	4,000	40.000	40.000
SYSTEMA COMPAGNIA DI ASSICURAZIONI SPA ITALY	MILANO ASSICURAZIONI SPA	10,000	100.000	100.000
SYSTEMA VITA COMPAGNIA DI ASSICURAZIONI SPA ITALY	FONDIARIA-SAI S.p.A.	12,000,000	100.000	100.000
THE LAWRENCE LIFE ASSURANCE COMPANY Ltd IRELAND	FONDIARIA NEDERLAND BV	802,886	100.000	100.000
THE LAWRENCE RE IRELAND Ltd IRELAND	FONDIARIA NEDERLAND BV	635,000	100.000	100.000
TRENNO OVEST SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000
UFFICIO CENTRALE ITALIANO S.c.a.r.l. ITALY	DIALOGO ASSICURAZIONI S.p.A. FONDIARIA-SAI S.p.A. LIGURIA SOCIETA' DI ASS.NI SPA MILANO ASSICURAZIONI SPA SASA ASSICURAZIONI RIASSICURAZIONI S.p.A. SIAT SOCIETA' ITALINA ASSICURAZIONI E RIASSIC. S.p.A. SYSTEMA COMPAGNIA DI ASSICURAZIONE S.p.A.	1 141,358 3,093 109,751 1 948 2	- 14.136 0.309 10.975 - 0.095 -	25.515

Name of Company Registered offices	Company holding	Voting shares held	% Holding	% Total
UNISERVIZI GRUPPO FONDIARIA S.c.r.l. ITALY	BANCA SAI S.p.A.	2,000	0.020	99.960
	CAPITALIA ASSICURAZIONI SPA	2,000	0.020	
	DIALOGO ASSICURAZIONI S.p.A.	20,000	0.200	
	DIALOGO VITA COMPAGNIA DI ASSICURAZIONI SPA	2,000	0.020	
	EUROPA TUTELA GIUDIZIARIA S.p.A.	2,000	0.020	
	FINITALIA SPA	2,000	0.020	
	FONDIARIA – SAI S.p.A.	6,337,000	63.370	
	IMMOBILIARE LOMBARDA SPA	2,000	0.020	
	MILANO ASSICURAZIONI SPA	2,800,000	28.000	
	PRONTO ASSISTANCE SPA	90,000	0.900	
	SAI ASSET MANAGEMENT	2,000	0.020	
	SAI INVESTIMENTI SGR SPA	2,000	0.020	
	SAI MERCATI MOBILIARI - SOC. DI INTERMEDIAZIONE MOBILIARE SPA	2,000	0.020	
	SAIAGRICOLA SPA	2,000	0.020	
	SASA ASS.NI RIASSICURAZIONI S.p.A.	585,000	5.850	
	SASA VITA S.p.A.	34,000	0.340	
	SERVICE GRUPPO FONDIARIA – SAI SRL	2,000	0.020	
	SIAT SOCIETA' ITALIANA ASSICURAZIONI E RIASSIC. S.p.A.	84,000	0.840	
	STARVOX SPA	2,000	0.020	
	SYSTEMA COMPAGNIA DI ASSICURAZIONI S.p.A.	18,000	0.180	
	SYSTEMA VITA COMPAGNIA DI ASSICURAZIONI S.p.A	2,000	0.020	
	THE LAWRENCE RE IRELAND Ltd	2,000	0.020	
VILLA RAGIONIERI SRL ITALY	FONDIARIA-SAI S.p.A.	150,000	100.000	100.000
WAVE TECHNOLOGIES SRL ITALY	FONDIARIA-SAI S.p.A.	14,925	15.000	15.000

Auditors' Report