

FONDIARIA-SAI PURCHASES A MAJORITY INTEREST IN SERBA DDOR

PRESS RELEASE

Ex art. 114 Legislative Decree 58/98

- **Fondiarria-SAI wins the contract for the privatisation of *DDOR Novi Sad*, the second largest Serbian insurance company;**
- **Fondiarria-SAI to purchase an 83.32% capital interest in the company at a price of EUR 220 million;**
- **a further interest of around 10% of the capital to be acquired following a public purchase offer to be launched within 120 days of the transaction's closing;**
- **subject to authorisation being obtained from the relevant Serbian Authorities, the transaction should be closed by the first quarter of 2008.**

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Milan, 26 November 2007

Please note that today, Fondiarria-SAI S.p.A., following conclusion of the open tendering procedure for the sale of the second largest Serbian insurance company *DDOR Novi Sad* ("DDOR"), was awarded a capital interest in the company of around 83.3% at a price of EUR 220 million.

Completion of the sale of the aforementioned interest, being sold by the *Deposit Insurance Agency of Serbia* as both shareholder in its own right and as the representative of a group of minority shareholders, is expected by the first quarter of next year.



DDOR is the second largest insurance company in the Serbian market with market share of around 30% and projected premium income at the end of 2007 of around 180 million Euro, up 20% on 2006. As at 30 June 2007, the company had achieved premium income amounting to approximately EUR 90 million. Company operations are focused on Non-life business and, in particular, on the Motor TPL segment where it picks up around half of all premiums issued.

In 2006, DDOR recorded premium income of EUR 140 million with a loss ratio of 63%. The company closed the financial year with a net profit of approximately EUR 9 million and net equity approaching 54 million Euro. As at 30 June 2007, the company's net equity was around 64 million.

The company boasts a widespread presence throughout the territory with a network of over 100 direct points of sale with a team of around 1,000 sales people, added to which a planned network of 60 over-the-counter banking outlets due to the recent stipulation of a Bancassurance agreement with *Metalsbanka*, the second largest independent bank in the country, 15% owned by said DDOR. Its commercial presence is concentrated, in particular, in the richest areas of the country, Vojvodina and Central Serbia.

DDOR, with around 700,000 customers and a historic and well-established brand, is the leading private operator on the Serbian insurance market, following closely on the heels of the state-owned company *Dunav* (market share of approximately 37%). The Serbian market, with projected growth in GDP of 7% in 2007, falling inflation and a currency which is stable against the Euro, offers significant opportunities since its insurance business is still highly underdeveloped (the ratio between insurance premiums and GDP is 1.8% compared with 7.2% in Italy and an average of 8% in EU countries).

For Serbia, which recently signed a stabilisation and association agreement with the European Union, the first step towards EU entry expected in 2014, Italy represents its main trading partner, accounting for 15% of all exports. The Serbian market also demonstrates the significant presence of direct foreign investment in the country, above all in the financial sector where the country's largest credit institutions are controlled by foreign groups and, in particular, Italian banking groups which control the country's largest and fifth largest bank respectively.

From a financial perspective, the price paid for control of DDOR, at multiples in line with the market average, bears witness to Fondiaria-SAI's desire to seize opportunities for international growth based solely on concrete prospects for creating value for its own shareholders. A positive return on the investment is expected after three years, reaching a return of over 20% on the capital invested when fully operational.

With this transaction, Fondiaria - SAI is taking the first concrete step in its much heralded strategy to expand into foreign markets, by acquiring market leadership in a country with significant growth potential within the insurance sector and few further opportunities for entry by foreign operators, at the same time laying the foundations for a platform that may represent the basis for further growth in Eastern European countries.



Fondiaria – SAI was assisted by KPMG Corporate Finance acting as financial advisor and by an associate of the Law firm Ashurst LLP.

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