
Consolidated Accounts 2004

GROUP STRUCTURE

INCLUDING THE PARENT COMPANY, THE CONSOLIDATED ACCOUNTS OF FONDIARIA-SAI S.P.A COVER A TOTAL OF 111 COMPANIES. OF THESE, 21 OPERATE IN THE INSURANCE SECTOR, 1 IN THE BANKING SECTOR, 27 IN THE PROPERTY AND AGRICULTURAL SECTOR, 21 IN THE FINANCIAL SECTOR AND 3 IN THE STOCKBROKING AND MANAGED SAVINGS SECTOR, THE REST BEING VARIOUS SERVICE COMPANIES.

55 OF THE COMPANIES ARE FULLY CONSOLIDATED, 17 ARE CONSOLIDATED USING THE NET EQUITY METHOD, AND THE REST ARE VALUED AT THEIR BOOK VALUE OR CONSOLIDATED USING THE PROPORTIONAL METHOD.

THE SUBSIDIARY COMPANIES NUMBER 83 AND OF THESE 36 ARE CONTROLLED DIRECTLY BY THE PARENT COMPANY. 15 OF THE COMPANIES HAVE THEIR REGISTERED OFFICES ABROAD.

Management Report

for the financial year ended 31 December 2004

The financial year 2004 confirmed the objectives of technical excellence and profitability already highlighted in the previous financial year, despite the operating environment being characterised by a cooling down of price dynamics in the Motor business.

It is important to note, however, that the appreciable results achieved are the result of growing attention being paid to the development of the Group's client portfolio and of the containment of operating costs, as well as to a well-targeted and balanced investment policy.

Activity carried out

Consolidated premium income was € 9,817.6m compared with € 9,243.4m in 2003, that is a rate of growth of 6.21%.

(€m)	31/12/2004	31/12/2002	% variation
<u>DIRECT BUSINESS</u>			
Non-Life business	6,990.2	6,804.5	2.73
Life business	2,797.2	2,409.7	16.08
Total direct business	9,787.4	9,214.2	6.22
<u>INDIRECT BUSINESS</u>			
Non-Life business	19.8	19.0	4.21
Life business	10.4	10.2	1.96
Total indirect business	30.2	29.2	3.42
<u>OVERALL TOTAL</u>	<u>9,817.6</u>	<u>9,243.4</u>	<u>6.21</u>
of which:			
Non-Life business	7,010.0	6,823.5	2.73
Life business	2,807.6	2,419.9	16.02

Premium income in Non-Life business grew by more than 2.7% with a level of premiums of around € 7.0bn. Growth in Life business was approximately 16.0% with premium income exceeding € 2.8bn.

The majority of the premium income derived from 3,634 agencies (which operate through 3,327 sales outlets), the traditional sales channel, operating with the usual degree of professionalism. The distribution structure includes 1,408 single-firm agencies and other outlets controlled by the Parent Company and a further 2,235 single- and multi-firm agencies that work with the other companies in the Group. 1,087 of these agents operate under a mandate from BancaSai (which also includes the mandates related to the incorporated company Effe Investimenti Sim) in collecting funds invested by the public and market the investment funds of Effe Gestioni SGR, thus working alongside the network of 1,473 BancaSai financial advisers.

In addition to the comments already made regarding the Parent Company in the individual report, here are a few comments about the main companies in the Group. The result achieved by Milano Assicurazioni S.p.A. was extremely positive given the positive performance of technical management in the life branches and the good performance of technical management in the non-life branches.

In addition to the good technical result, asset and financial management also performed satisfactorily, with a significant improvement in value adjustments as a result of increasing share prices, thus confirming, for the subsidiary as well, the accuracy of valuations of the share portfolio carried out in previous financial years.

The result for the Company at group level is € 249m (€ 250m in 2003). Total premium income increased by 5.8% to € 3,205m. The non-life component grew by 3.1% while the life component recorded a significant increase to 21.7%.

A remarkable result was achieved by the subsidiary Sasa which, with a balance sheet profit of € 6.4m, confirms the effectiveness of the restructuring operation undertaken the company was taken over by the SAI Group in 2001.

The subsidiary's profit and loss result for current operations during the financial year is positive to the tune of over € 13m but it was deemed appropriate to continue with the work of strengthening the reserves from previous years, while extraordinary charges not related to insurance were incurred of around € 5.1m. Premiums increased by approximately 26%, which is more than the market trend and confirms the attractiveness of the Company in the market as the brand of one of the country's biggest insurance groups.

The subsidiary Siat continued to be a protagonist in the Transport sector, where it is currently setting the standard in the national and European insurance market.

While sticking to the main objective of pursuing adequate technical profitability, specific attention has been paid to initiatives and action aimed at the sales network, in order to monitor developments closely and base the policies for gaining new business on rigorous technical standards.

The subsidiary therefore ended the financial year 2004 with a profit of approximately € 1.4m, confirming the positive technical result, which was substantially in line with the previous year's result.

The results achieved by group companies operating through bank insurance agreements continued to be praiseworthy.

In 2004, Novara Vita, which is controlled jointly by Fondiaria-SAI and Banca Popolare di Verona e Novara, earned premiums of over € 635m, recording an increase of approximately 1.6% compared to the previous financial year. In particular there was a slowdown in policies relating to traditional products and an increase in branch III indices. Despite this, the market share of Novara Vita in 2004

stood at around 0.9% of the entire market and almost 1.6% of the bank insurance sector. The profit for the year stood at around € 13m and undoubtedly benefited from a ratio between administration expenses and premiums that is among the most competitive in the market, equal to approximately 0.5%.

The excellent operating performance of Pro Vita continues. Premium income in 2004 was equal to € 575m which, despite representing a fall of 16% compared to the exceptional results achieved in the previous financial year, exceeds the allocated budget by 15% and fully complies with the planned mix of Index and Separately Managed.

The result for the year, equal to over € 16m, is significantly influenced both by the good performance of investment income and by adoption of the fiscal transparency scheme, which allowed the appropriation for IRES to be avoided and consequently removed this cost from the charges payable by shareholders.

The features of the products offered by Po Vita, which are well-suited to clients with a low risk/performance profile, may again be a valid reason in 2005 for interest in a market characterised by an uncertain economic and financial scenario.

Lastly we should point out the interesting development of production at the subsidiary Sasa Vita which, with collected premiums in excess of € 60m (+34.4% compared to 2003), marks an interesting increase in pure risk products, and production at the subsidiary Lawrence Life Assurance Co, which achieved total premiums of approximately € 109m with six personalised issues.

The group's real estate activities continued with the completion of the operation to transfer properties to the Tikal R.E. closed property fund, which is illustrated in detail in the Management Report to the statutory financial statements, and with the activities of the subsidiary Progestim S.p.A. and its subsidiaries.

During 2004, activities in this field continued with the valorisation of the existing property assets and an improvement in profitability. Furthermore, the subsidiary Progestim, in addition to having provided the Fondiaria-SAI Group with high quality standards in services provided in the property field, continued with its action aimed at purchasing or managing major property assets, with the assistance inter alia of specifically incorporated companies. Progestim also operates as a property manager for the newly constituted Tikal R.E. closed property fund.

A project aimed at completely restructuring the operations of subsidiaries operating in the managed savings sector is currently coming to completion. This is being achieved both by company transformations and integrations and by strategic repositioning in the market, so as to capitalise on investments made and gradually develop the management of third party capital.

The results achieved by the subsidiaries (BancaSAI, SAI Mercati Mobiliari, Effe Gestioni SGR) in the last financial year are still affected by modest economic growth and a limited demand for financial and banking services, in addition to the significant impact of investments made in previous financial years and ongoing investments aimed at developing the business.

In this context, the Fondiaria-SAI Group employs 5,904 people (6,157 on 31/12/2003), of which 2,749 are employees of the parent company (2,806 in 2003) and 3,155 are employed by subsidiary companies (3,351 in 2003).

Business trends

The positive business trend already reported in the Parent Company's accounts is confirmed at the consolidated level too. The excellent results achieved in the core business are confirmed by the removal of the need to enter significant value adjustments on shares in the portfolio, both because of the generalised recovery in share prices and because of the extreme prudence applied by the group to its valuations.

It is important to add, however, that the positive effects shown in the statutory financial statements of the Parent Company and Milano of the transfer of a number of properties to the Tikal R.E. closed property fund, are only represented to a limited extent in the consolidated accounts because they had already been taken into account both when potential capital gains were allocated to the subsidiary and, in the case of the property assets of the holding company, when write-downs carried out purely for tax purposes in previous years were offset.

The trend during the year can be summarized as follows:

(€K)	31/12/2003	31/12/2002	Variation
Result on the technical account Non-Life business	501,529	531,522	(29,993)
Result on the technical account Life business	88,362	43,943	44,419
Net income from investments (Class C)	717,559	517,098	200,461
Share of the profit on investments transferred to the technical account of Life business	(460,844)	(418,148)	(42,696)
Balance other income and charges	(191,570)	(208,476)	(16,906)
RESULT OF ORDINARY BUSINESS	655,036	465,939	189,097
Extraordinary income	179,091	294,505	(115,414)
Extraordinary charges	(145,360)	(102,275)	(43,085)
RESULT OF EXTRAORDINARY BUSINESS	33,731	192,230	(158,499)
Pre-tax result	688,767	658,169	30,598
Corporation tax for the year	(305,315)	(336,752)	31,437
CONSOLIDATED RESULT	383,452	321,417	62,035
Net profit (loss) for the year of minority interests	109,139	104,136	5,003
Net profit (loss) for the Group	274,313	217,281	57,032

The essential elements of the consolidated result are as follows:

- the consolidated profit was equal to € 383m, € 274m of which was Group net profit while € 109m represents the amount pertaining to minority interests.
 - Non-Life insurance business continued to achieve the good results of the previous year thanks to the favourable trend in losses incurred during the year in Motor Vehicle business, to which must be added the considerable improvement in the technical balances in basic classes of business. In particular, the Motor TPL technical balance of the subsidiary Milano has returned to a situation of substantial equilibrium with in addition an extremely positive result in the basic classes of business.
- Also positive was the trend in core business in the Life classes in which the

substantial increase in premium income was further consolidated by greater interest margins than those allocated to policyholders.

- Gross technical provisions exceeded € 26,634m compared with € 24,871m in 2003. The ratio between the total technical provisions and total premiums underwritten was 271.3% (269.1% in 2003). This ratio was 163.9% in Non-Life business (164.3% in 2003).
- Total operating costs rose from € 1,497m to € 1,524m and represented approximately 15.5% of premiums (16.2% in 2003). The drop was slightly more marked in Non-Life business (from 19.2% in 2004 to 19.4% in 2003) than in Life business (where the incidence fell from 7.1% in 2003 to 6.3%).
- The result of investment activity improved compared with 2003 since a feature of that financial year was a high level of capital losses as a result of valuations carried out on shares. Nevertheless even during 2004 some capital assets were subject to prudent valuations involving recording write-downs representing permanent losses of value in the profit and loss account.

Overall income from investments, net of the relative charges, amounted to € 993m (€ 599m as at 31/12/2003).

Gross income amounted to € 1,296m (€ 1,033m as at 31/12/02) and was adjusted by more than € 303m (€ 434m as at 31/12/02) to take account of the relative charges, more than € 112m of which related to capital losses arising from valuations of securities and shareholdings.

- Net losses, amounting to € 192m, included € 119m of write-downs of intangible assets, € 67m of which was for goodwill.
- Extraordinary income included approximately € 135m in capital gains resulting from the sale of long-term assets: € 68m of which relate to property (€ 19m relate to capital gains on the transfer of property to Tikal R.E.), while the rest relate to securities.

However, the extraordinary charges include the capital loss recorded by the subsidiaries Milano and Fondiaria Nederland on the sale of the part of the holding in Swiss Life Holding, which amounted to approximately € 16m. The same sale made vice versa by the Parent Company made a capital gain of € 1.2m.

- The charge for corporation tax remained high, although the tax rate was lower than it had been in the previous year. As explained in the Parent Company's financial statements, this is due to the different method used to "detax" the dividends entered in the profit and loss account and to the consequent non-recording of the associated tax credits, which were abolished when the fiscal reform contained in Legislative Decree 344/03 came into force.
- The net equity amounts to € 3,381m (€ 3,083m in 2003) and the share of the Parent Company amounts to € 2,792m (€ 2,584m in 2003).

The ratio between the operating profit and premiums underwritten was 3.9% (3.5% in 2003) and that between the operating profit and Group capital and reserves was 10.9% (9.2% in 2003).

- Finally the ROE for the Group, calculated on the average level of the relevant capital and reserves, less dividends approved and amounts pertaining to minority interests, rose to 10.6% (8.9% in 2003). Thus the overall ROE, also including the result and amounts pertaining to minority interests, amounted to 12.4%.

Finally, it is worth pointing out that the positive impact, as shown in the financial statements of the Parent Company and Milano, of the elimination of interferences of a fiscal nature, is not shown in the consolidated accounts because, as you are aware, they already accounted for this offset.

Share performance

FONDIARIA-SAI

At the end of the year the Company's share capital amounted to € 170,554,149 subdivided into the same number of shares each with a nominal value of € 1 (128,729,892 ordinary shares and 41,824,257 savings shares). In 2004 the price of the shares varied between a low of € 16.496 (05/01/04) and a high of € 19.814 (30/12/04) for ordinary shares and between a low of € 8.993 (02/01/04) and a high of € 14.085 (29/12/04) for savings shares.

At the end of the year the prices on the stock exchange were as follows:

(€m)	31/12/2004	31/12/2003	% variation
Fondiarìa-SAI ord	19.814	16.217	22.18
Fondiarìa-SAI savings	13.873	8.907	55.75

The corresponding stock-exchange market value at the end of the year was € 3,131m.

In accordance with accounting principle n° 28 the following information is provided:

(€K)	2004	2003
Consolidated net profit for the Group	274,313	217,282
Average number of shares (ordinary and savings) in circulation	161,553	164,653
Net return per share	1.70	1.32

It should be noted that the number of shares in circulation does not include own shares owned by the Fondiarìa-SAI Group. 'Potential savings shares' pertaining to the warrants issued are insignificant, therefore they have not been taken into account.

MILANO ASSICURAZIONI

During 2003 the stock-exchange price for ordinary shares rose from € 3.043 at the beginning of the year to € 4.125 at the end of the year, whilst the price of savings shares rose from € 2.829 to € 4.255.

Non-life insurance business

Total premium income amounted to € 7,010.0m compared with € 6,823.5m in 2003, an increase of 2.73%.

Premium income from direct business amounted to € 6,990.2m compared with € 6,804.5m in 2003, an increase of 2.73%.

Gross technical provisions reached the figure of € 11,493m (€ 11,211 in 2003) and the ratio of these to premiums underwritten was 163.9% (164.3% in 2003).

The breakdown of gross premiums according to class of business is shown in the table below:

(€m)	31/12/2003	31/12/2002	% variation
Accident and Health	639.0	630.2	1.40
Land vehicles – motor TPL	4,187.4	4,115.8	1.74
Motor vehicles – other business	711.7	705.1	0.94
Marine, aircraft and goods in transit	194.4	172.4	12.76
Fire and Other Damage to Property	671.3	645.1	4.06
General TPL	468.6	436.7	7.30
Credit and Bonds	67.5	61.7	9.40
Sundry pecuniary losses	27.5	17.9	53.63
Legal protection	14.7	13.6	8.09
Assistance	27.9	25.0	11.60
TOTAL	7,010.0	6,823.5	2.73

For Motor (Motor and Land Vehicle TPL) business, the volume of premiums reached € 4,899m, representing an increase of 1.62%.

Premiums ceded amounted to € 299m (€ 385m in 2003).

Gross claims settled amounted to € 4,752m compared with € 4,490m in the previous year (+5.8%). The breakdown per class of business of claims reported and settled for Italian direct business, including costs, is shown in the table below:

	Claims reported (€m)			Claims paid (Number)		
	2004	2003	% variation	2004	2003	% variation
Accident and Health	286,165	283,348	0.99	377.9	379.5	(0.43) TPL
Land vehicles	992,595	1,007,664	(1.50)	3,148.9	2,862.8	9.99
Motor vehicles – other business	225,023	221,417	1.63	303.9	00.1	1.25
Marine, aircraft and goods in transit	16,606	18,146	(8.49)	120.6	115.6	4.29
Fire and Other Damage to Property	192,298	176,847	8.74	375.3	381.8	(1.71) TPL
General TPL	111,545	100,049	11.49	281.5	258.3	8.98
Credit and Bonds	2,078	2,086	(0.38)	39.8	37.5	6.09
Sundry pecuniary losses	13,045	5,063	157.65	6.7	3.7	81.17
Legal protection	2,593	1,609	61.16	1.4	1.2	20.13
Assistance	58,246	50,184	16.06	10.5	12.3	(14.74)
TOTAL	1,900,194	1,866,413	1.81	4,666.4	4,352.8	7.20

The ratio of claims to earned premiums for the period was 70.63% (70.75% as at 31 December 2003), this ratio continuing to be substantially in line with the figure for the previous year during which, however, considerable savings were made as a result of the provisions for previous years being dismantled. The considerable stability in the ratio during 2004 was a result of the favourable trend in losses incurred during the year, but this in turn was partly offset by the fact that the average cost of the payout exceeded the rate of inflation and the impact of claims for personal injury continued to be negative.

The combined ratio was 92.4%, this too remaining substantially unchanged compared with that recorded in the previous year (91.5%). This ratio was certainly a sign that insurance operations and operations relating to handling and paying claims were managed very efficiently.

This is even more marked when viewed in the light of the growth in premium income in MV business, which was lower than in previous years, in the light of the increase in technical provisions and having regard to the ratio of the latter to premium income.

As regards Motor TPL business, the trend noted in the Parent Company also continued in the Group as a whole: in addition to a reduction in the number of claims reported (-1.5% compared to 2003) there was also a reduction in the frequency of claims compared to 2003. It is worth pointing out that at Group level the average cost of claims for the year in question and previous years is growing

significantly.

Work continued on keeping operating costs down, the rise in which, including the reinsurers' share, was 1.7%, less than the rise in premium income. The result was a lower incidence on premium income, which fell from 19.4% in 2003 to 19.2% in the year in question.

Work began in 2004 to standardise the insurance products of companies in the Fondiaria-Sai group. The first two standard products were created during the first half of the year:

- "Health Protection", a sickness product aimed at a target market of professionals, entrepreneurs and anyone who wishes to make use of private facilities if required. This is one of the first products to have introduced the "guaranteed renewal" concept, allowing it to be ranked among the best products currently available in the market.
- "Accident Protection", for financial protection of the Insured in the event of an accident at work or away from work.

The second half of the year was dedicated to creating the following:

- "Hospitalisation Protection", a product that completes the health insurance package and is aimed at clients who, while making use of public establishments, wish to protect themselves against any financial repercussions.
- "Professional Partner TPL", aimed at professionals wishing to protect their business. The breadth of cover and comprehensiveness of the activities included make the product an excellent tool available to the Group's agencies.
- "Global Office Partner", aimed at protecting the property and use of offices and professional firms. The product completes the package offered to professionals with cover that satisfies the most diverse protection requirements.

With regard to the subsidiary SASA, work continued during 2004 to review the basic products sold by the Company in order to reform the portfolio, inter alia by automating the standard products.

The following products were reviewed:

- a General Third Party Liability cover product;
- a Third Party Liability cover product for Industrial Companies;
- a Professional Third Party Liability cover product;
- a Theft and Robbery cover product

The following table shows the consolidated technical balances of Italian direct business in the main branches:

(€K)	2004	2003	Variation
Motor TPL	135,253	106,887	28,366
Land vehicle hull	260,396	234,903	25,493
Other non-life branches	72,827	143,150	(70,323)
TOTAL	468,476	484,940	(16,464)

The trend recorded in 2004 for the subsidiary companies is summarised in the following table:

(€K)	GROSS PREMIUMS	% VAR.	RESULT	NET EQUITY excluding net profit for the year
EUROPA TUTELA GIUDIZIARIA S.p.A.	12.439	32.92	531	6,243
MILANO ASSICURAZIONI S.p.A.*	2,680,906	3.15	249,116	1,150,468
PRONTO ASSISTANCE S.p.A.	24,209	123.85	112	3,506
SASA S.p.A.	352,297	25.86	6,420	53,026
SIAT S.p.A.	141,907	3.29	1,402	42,032

Below we report on some of the main features of 2004 for the major companies in the Group.

DIALOGO ASSICURAZIONI S.p.A.

Share capital € 8,831,774

(Indirect shareholding 63.57%)

The Company is dedicated to selling MV, Asset Protection and Personal insurance products by telephone. It began to operate on 2 April 2001 and for this purpose it set up a call centre connected to a toll free number available to clients. During the first few months of the year the Company reviewed its market positioning and moved from the target market that had characterised its business at the beginning to a more generalist target market that is more typical of companies in the sector. Particular attention has been paid to the "Affinity Group" business with the signing of agreements with both government organisations and private trade associations.

During the year there was continued growth in premium income (+39.08%) compared to the previous year: during the financial year in fact the Company wrote premiums of € 21,245K compared to € 15,275K in 2003 (+39.08%). Unlike previous financial years, the Company did not make any new investments in advertising and the residual shares of previous financial years were entered entirely in the profit and loss account. The incidence of operating costs on premiums written is still high, although it is slightly lower than in the previous financial year (down from 37.61% in 2003 to 25.74% in 2004).

The Balance Sheet to 31 December 2004 closed with a loss of € 3,150K, compared to a loss of € 4,408 for the previous year.

The loss for the year is however influenced by the prudent assessment of the average cost of claims not yet settled as well as by the decision to record all the remaining intangible asset depreciation represented by the costs of previous advertising campaigns in the profit and loss account. This decision imposed a total cost of € 2,475K on the result for the year.

On 31/3/2004, a capital increase of € 8,831,774.00 was subscribed in view of the loss recorded by the Company over the first nine months of 2003. On 10 November 2004, in view of the loss incurred by the Company to 30 September 2004, the majority shareholder Milano Assicurazioni S.p.A. made a payment of € 2,000K to cover losses.

MILANO ASSICURAZIONI S.p.A.

Share capital € 238,569,327.88

(Direct shareholding 61.11%, Group interest 63.67%)

On 16 December 2004, an agreement was signed for the merger by incorporation of MIS Compagnia di Assicurazioni S.p.A. into Milano Assicurazioni S.p.A. The operation did not involve any changes to the share capital of Milano Assicurazioni, given that the capital of SIS is entirely owned by the incorporating company.

As a result of the back-dating of the merger for tax and accounting purposes, the data for 2004 includes the date of the incorporated Company relating to the whole financial year. In order to make the comparisons meaningful, all the data relating to the previous financial year have therefore been adapted according to a standard method, aggregating the values from the 2003 balance sheets of Milano Assicurazioni and SIS.

The financial year 2004 ended with a net profit of € 306,226K, compared to € 157,196 in the previous year. The result for 2004 benefits from the effects of the so-called "fiscal purging" (reclassification), which means that the effects of the value adjustment carried out purely for tax purposes during the previous financial year on the General shares in the portfolio have been eliminated. The elimination of this value adjustment had a positive impact on the 2004 profit and loss account of € 76,155K, net of the correlated fiscal effect (equal to € 37,509K).

The elements that contributed to the achievement of this result in 2004 can be summarised as follows:

- good performance of the life business, which recorded a profit of € 52,575K compared to € 36,683K in the previous year, with an improvement resulting not only from the greater profitability of the portfolio but also from a greater contribution of financial income achieved during 2004 compared to the previous year.
- positive performance of the non-life business, which recorded a technical profit, net of reinsurance, of € 194,260K, showing further improvement after the already favourable result achieved in the previous financial year, equal to a profit of € 184,486K. With regard to the gross direct business, in addition to a technical balance for the Motor TPL branch, which has regained a state of substantial equilibrium with a profit of € 6,850K, extremely positive results were recorded in the other non-life branches, which ended with a technical profit of € 207,267K (€ 199,587K as at 31 December 2003).
- satisfactory performance of the equity and financial management, which allowed a net profit of € 243,951K to be achieved, compared to € 235,124K in 2003, and profits to be achieved from the realisation of investments entered under working capital of € 34,505K. The more balanced performance of the financial markets also led to a significant improvement in the "value adjustments", which amount to € 9,317K in charges compared to € 80,131K in the previous financial year.

With regard to the shareholding in Swiss Life, Milano Assicurazioni and the other companies of the Fondiaria-Sai Group involved subscribed to the capital increase of Swiss Life Holding which the latter resolved to carry out in May. This participation in the capital increase was self-financed by the sale of Swiss Life convertible bonds, subscribed at the time of the previous capital increase, and of some of the Swiss Life Holding shares held in the portfolio, so as not to increase the overall investment in the Swiss company without simultaneously modifying the size of the stake held in the Swiss company, which only fell slightly from 2.84% to 2.5% approximately.

As regards the property management business, we should point out that during the financial year Milano Assicurazioni and its subsidiary Meridiano Eur, together with Fondiaria-Sai and Meridiano Risparmio S.r.l., a subsidiary of Fondiaria-Sai, subscribed, by a contribution of properties, to shares in the Tikal R.E. closed property investment fund set up by SAI Investimenti S.G.R. The contribution carried out by Milano Assicurazioni related to a property with a book value of € 22,162K and allowed a capital gain of € 37,015K to be achieved.

On 1 December 2004, the company Novara Danni was set up. Subject to authorisation from ISVAP, the plan is for the company to carry out insurance activities in a number of non-life areas, including Motor TPL. The intention is for the company, which is currently 100% controlled and has an initial share capital of € 13,000,000, to be split in equal parts between Milano Assicurazioni and Banco Popolare di Verona e Novara as part of an initiative aimed at distributing insurance products through branches of the Bank.

The agreement in question will allow Milano Assicurazioni to distribute a wide range of non-life insurance products using the network of around 400 branches of Banca Popolare di Novara, significantly expanding distribution of the Company's products through the banking channel and, more generally, the existing collaboration between the FONDIARIA-SAI Group and the banking group.

Finally we should point out that the consolidated balance sheet of the company closed with a profit of € 249,116K and total premiums collected of € 3,205K.

SASA ASSICURAZIONI E RIASSICURAZIONI S.p.A.

Share capital € 52,000,000
(Direct shareholding 94.98%)

The balance sheet of the Company to 31/12/2004 closed with a net profit of € 6,420K (€ 1,026K in 2003). This result was achieved particularly thanks to a significant improvement in the technical account, despite the respective extraordinary charges and costs not related to current business. The Company's financial result for current business in the financial year was in fact positive to the tune of € 13.1m (€ -2.7m in 2003). Net of appropriations and reinforcements of reserves relating to previous years and of the net balance of extraordinary items (not related to insurance) of € 4.9m, this is equal to € 8.2m.

We should also point out that the remarkable level of profitability achieved was in no way prejudicial to the development of premiums written: premiums in fact recorded an increase of 25.9%, rising from € 279,896K in 2003 to € 352,267K in 2004. The increase in premiums collected is led by branches other than MV. The Marine sector recorded an increase of almost 35% and other non-MV branches recorded an increase of approximately 30%. Particularly worthy of note is the development of the Accidents branch (+28.9%) which should allow gradual rebalancing in the

composition of the portfolio in favour of the basic classes of business for the personal insurance segment to be achieved. The Motor TPL branch recorded an increased of 21.1% following a 16.7% increase in the number of policies in the portfolio. The incidence of this branch on the total direct portfolio fell from 56.4% in 2003 to 54.3% this year. The overall increase in premiums is the result of the opening of new points of sale in areas where the Company's presence had been insufficient, and of considerable Group synergies as regards information systems and the claim payment network. The Company was also selective in building up its portfolio, ensuring accurate rationalisation of its network of associates and careful analysis of the risks to be covered. In addition to the restructuring activity, which has now been completed, work has been done for some time now to establish new relationships with intermediaries who can assist the Company in achieving its commercial and profit-making objectives.

As regards the number of claims reported, the 36.6% increase in claims (from 57,162 in 2003 to 78,100 in 2004) is essentially concentrated in the Financial Losses, Sickness, Assistance and Other Damage to Property branches, following a high number of accidents of a small or very small nature. There was however a significant reduction in claims in the Marine and Aviation sector, owing to the absence of a number of major accidents that characterised 2003, leading to a fall in the claims/premium ratio (-153.7%), from 236.6% as at 31/12/2003 to 82.9% as at 31/12/2004.

As at 31 December 2004, the amount of investments made by the Company had reached a total of € 322m (€ 256m as at 31/12/2003), representing an increase of 25.9% compared to the previous financial year.

The entry of the Company into a nation-wide Group, in addition to the profound renewal of the structure implemented throughout the Company in recent years, have allowed the relaunch of activities to gain greater impetus following the first few years dedicated to restructuring.

SIAT – SOCIETÀ ITALIANA ASSICURAZIONI E RIASSICURAZIONI S.p.A.

Share capital € 38,000,000

(Indirect shareholding 87.82%)

The company ended the financial year 2004 with a gross profit of € 2,311K, representing an improvement on the profit of € 2,015K for 2003. The net profit stood at € 1,402K, compared to € 1,366K in the previous financial year, thanks in particular to the company having maintained its role as one of the main players in the "Transport" market, which allowed SIAT to continue pursuing its policy of gaining new business by complying with rigorous technical standards and achieving a satisfactory technical profitability.

The aforesaid profit also confirms the validity of action undertaken in technical management, the balance of which continues to be positive, and demonstrates a satisfactory, if less positive, performance of financial management, which in the previous financial year had benefited from significant one-time profits. There was also a major positive contribution from extraordinary items.

Generally speaking, overall production in 2004 shows an appreciable increase (approximately 3.3%) compared to production in the previous financial year, with total premiums collected increasing from € 137,837K to € 141,907K, mainly as a

result of the significant development recorded in the marine, lake and river vehicle hull branch (€ 72,694K in 2004, compared to € 64,903K in 2003). This increase was achieved by continuing to adopt a policy of technical rigour with regard to new business and achieving greater retention on business that is considered to be most profitable. The selectivity and profitability objectives for the portfolio, in addition to the determination to safeguard the company's leading position in the market, remain unaltered. These have been maintained despite the further weakening in the US dollar that was recorded during the year (a major portion of the business gained in the "Transport" sector, particularly in the marine, lake and river hull branch, is in fact denominated in this currency).

In overall terms there was a considerable fall in the number of claims paid in 2004 for direct business compared to the same figure for the previous financial year, from € 106,906K in 2003 to € 93,62K in 2004. In particular, for the marine, lake and river hull branch, the fall in compensation paid is attributable to the dynamic of payments rather than to specific reasons. The payments made in 2004 relating to claims from previous financial years showed that the respective provision for claims is adequate, with a correlated positive effect on the result for the period.

As at 31 December 2004, the overall amount of investments reached € 106,130K (€ 103,925K as at 31 December 2003), rising by 2.1% compared to the previous financial year.

THE LAWRENCE RE LTD

Share capital € 125,000
(Indirect shareholding 100%)

In 2004 the Company acted as reinsurer for the Fondiaria-Sai Group of companies, undertaking to place business ceded by them on the market.

Premiums written for 2004 amounted to € 140.2m (€ 10.6 of which was for Life business), whilst premiums ceded on the market amounted to € 125.7m, (€ 7.8 of which was for Life business).

The operating profit amounted to € 12,614K net of taxes. Net equity as at 31/12/2004 was € 52,688K.

The excellent technical trend in retained business contributed to this result.

Outward Reinsurance

The financial year 2004 was characterised by the presence of composite Group programmes.

Each Company ceded its portfolios to the subsidiary The Lawrence Re of Dublin according to its reinsurance requirements. The Irish company undertook to amalgamate and standardise the various cessions and subsequently retroceded individual reinsurance contracts to the international market according to the various types of business.

This integration process allowed the company to strengthen its contracting power in the market and therefore to obtain more appropriate cover for a considerably reduced price compared to the price that each individual Company would have been able to obtain.

This procedure was adopted for all branches of business except for Transport, given that the portfolios underwritten by Siat and Sasa, because of their specific typology, require ad hoc reinsurance, and that the Aviation portfolio, even though it is managed and reinsured at Group level, was not channelled through the Irish subsidiary.

The proportional structure was confirmed for the Credit, Deposits, Transport, Aviation and Technological Risks branches. These branches, with the exception of the last one mentioned, also had appropriate non-proportional cover protecting their net retention.

The remaining branches, with the exception of Hail, which continues to be protected by a traditional stop loss cover, had non-proportional cover only.

These excess claims programmes present significant priorities because they are structured in order to protect the Group from peak risks and potential disastrous events. A different structure aimed at finding forms of cover for normal basic claims, would be decidedly more expensive and would not be consistent with the current size of the Group. We should also point out that the rate of claims recorded in the various branches is well within the tolerance levels established by the individual tariffs.

In the specific case of the subsidiaries SIAT and SASA, and with the exception of the Transport branch already mentioned, action was taken to find adequate reinsurance capacity at lower levels than was planned by the main Group programmes. For the respective portfolios, underlying non-proportional programmes were arranged for SASA, while for SIAT a proportional programme was again arranged for the property branches.

In general, however, the reinsurance policy continued to be inspired by the traditional prudential criteria, as regards both the protection structure and the solidity and solvency of the reinsurance partners chosen.

With regard to active reinsurance, the balance sheet data refers to 2004 for all facultative business, while data to 31 December 2003 is included for treaties of a different nature.

Life business, pension funds and managed savings

Total premium income amounted to € 2,808m compared with € 2,420m in 2003, an increase of 16%.

Premium income from direct business amounted to € 2,797m, an increase of 16.1%.

Life premium income represented 28.6% of the total premium portfolio compared with a figure for 2003 that came to approximately 26%. This increase can be ascribed to the excellent results achieved by the Parent Company and the subsidiary Milano, thanks to a higher level of premium income received through the traditional networks and to the considerable improvement recorded by the Companies operating in the bancassurance sector.

Gross technical provisions reached a total of € 15,141m (€ 13,660m in 2003) and the ratio of technical provisions to premiums written was 539% (564% in 2003). The following table shows the breakdown of total premium income according to type of business:

(€m)	31/12/2004	31/12/2003	% Variation
I – Whole of life assurance	1,147.3	1,235.1	(7.11)
III – Insurance referred to under I and II linked to investment funds	922.2	592.8	55.57
IV – Health insurance	0.1	0.1	0.00
V – Capital redemption operations	716.3	571.7	25.29
VI – Pension funds	21.7	20.2	7.43
	2,807.6	2,419.9	16.02

Premiums collected through the banking channel amounted to € 971m and represent 35% of the total collected from direct business.

Premiums ceded amounted to € 26m (€ 32m in 2003).

Gross sums paid, including the related charges, amounted to € 1,763m (€ 1,465m in 2003), an increase of 20.3%.

As regards the performance of operating costs, note that in 2004 the increase compared to the previous financial year was 29.3%, with an incidence on premiums of 6.29%, compared to 7.12% in 2003.

Income attributed to the technical account amounted to € 736.4m, compared to € 499.7m in the previous financial year. The refer in particular to financial income from traditional products in the amount of € 461m (€ 418m in 2003) and to class D products in the amount of € 275m (€ 82m in 2003).

The trend recorded in 2004 for the subsidiary companies is summarised in the following table:

(€K)	GROSS PREMIUMS	% VARIATION	RESULT	NET EQUITY excluding net profit for the year
BIM VITA S.p.A.	12,936	118.99	1,223	12,871
EFFE VITA S.p.A.	6,577	(24.53)	496	9,681
FIRST LIFE S.p.A.	19	(98.95)	91	13,522
LAWRENCE LIFE ASSURANCE CO Ltd.	109,882	1,619.32	309	7,348
MILANO ASSICURAZIONI S.p.A.*	523,302	21.73	249,116	1,150,468
NOVARA VITA S.p.A.	635,542	1.65	13,248	72,272
PO VITA S.p.A.	574,934	(16.10)	16,105	91,380
SASA VITA S.p.A.	60,279	36.41	1,313	9,307

(*) consolidated figures

The figures below show the returns on the main segregated accounts managed by Companies in the Group:

	2004	2003
Press 2000	4.05	4.02
Nuova Press 2000	4.34	4.53
Fondivita	4.04	4.51
Fondicol	4.43	4.54
GEPRE	4.35	4.53
3A	4.24	4.47
Geprecoll	4.83	5.08
Pres Novara Euro	4.04	4.00
Gestione Po Vita	4.00	4.02

During the year the companies in the Group introduced new Life products via the sales networks, this activity having been made possible by the 'product factory' work carried out by the Life Department together with work on analysing and developing the Life portfolio in order to bring about an even higher level of client satisfaction. In particular the distribution networks of the Parent Company and the subsidiary Milano oriented production towards tariff characterised by capital protection guarantees, with guaranteed minimum yield products connected to the separate businesses of the Companies. Conversely, the production of bank assurance companies was oriented towards products characterised by a low mix of risk and performance, with the sale of prevalently non-traditional products.

Below are some figures relating to the new products, to be used purely as a guide. These have been calculated in accordance with the requirements of the supervisory authority.

	Class I	Class III	Class IV	Class V	Total	2003	% Variation
FONDIARIA-SAI S.p.A.	212,425	90,390	5	311,966	614,786	389,973	57.65
NOVARA VITA S.p.A.	113,737	502,499		4,928	621,164	600,607	3.42
PO VITA S.p.A.*	128,771	280,648		131,166	540,585	637,618	(15.22)
MILANO ASSICURAZIONI S.p.A.	50,380	43,775	12	147,515	241,682	162,772	48.48
SASA VITA S.p.A.	29,569	18,333		58	47,960	35,646	34.55
	534,882	935,645	17	595,633	2,066,177	1,826,616	13.12

* 100% figures

The table below contains some figures for managed savings, for the results of which you are referred to other parts of the accounts:

(€K)	GROSS PREMIUMS	% VARIATION	RESULT	NET EQUITY excluding net profit for the year
BANCASAI S.p.A.	14,187	23.07	(9,321)	57,549
EFFE GESTIONI SGR S.p.A.	5,648	20.40	(1,275)	6,155
SAI MERCATI MOBILIARI SIM S.p.A.	11,745	(17.30)	(2,852)	20,000
SAI INVESTIMENTI SGR S.p.A.	1,619	(80.01)	8	4,158

Some of the principal elements for 2004 are shown for the major companies in the Group but you are referred to the previous paragraph for remarks on operations in Life business carried out by the subsidiary company Milano Assicurazioni S.p.A..

Settlement agreements with Consap

At the beginning of 2005, an agreement was reached with CONSAP to settle the dispute regarding the compulsory cessions associated with the Life Portfolio of Milano Assicurazioni. The agreement will be formalised in the course of 2005.

As regards the dispute relating to the portfolio of Maa Vita, incorporated into Milano Assicurazioni on 26 November 2004, a settlement was signed with Consap to settle the dispute. The amount which the settlement apportions to the company is € 7,350,000. This was received on 26 January 2005, with a financial burden of € 901K. € 450K of this had already been earmarked in previous financial years and the rest was charged to the 2004 profit and loss account.

NOVARA VITA S.p.A.

Share capital € 54,000,000
(Indirect shareholding 50%)

In 2004 the Company had premium income of € 635,542K, an increase of approximately 1.6% compared with the previous year, and made an operating profit of € 13,248K (€ 4,914K in 2003) after taxes for the year of € 7,248K are taken into consideration.

When the breakdown of premium income is examined a slowdown in policies for traditional products is noted (premiums collected on Class I personal policies amounted to € 122,713K compared to € 195,489K in 2003), while premiums collected in Class III recorded an increase (from € 376,894K in 2003 to € 505,281K in 2004), mainly due to the new index-linked policies issued during the year. The Pension Fund market (Class IV) collected € 632K, recording an increase of 87% compared to 2003 (€ 338K).

Existing policies as at 31 December 2004 in the "individual" sector numbered 162,198. In the "collective" sector there were 37 conventions amounting to a total of 1,306 individuals.

The market share of Novara Vita in 2004 was approximately 0.9% (1% in 2003) of the total market and almost 1.58% (2% in 2003) of the bank assurance sector.

As in the past Novara Vita had one of the lowest ratios of other administrative expenses to premiums in the market, a mere 0.53%.

As regards the insurance business, it is worth highlighting the technical reserves, which at the end of the financial year amounted to € 2,575,435K compared to € 2,198,402K in 2003, representing an increase of € 377,033K. As at 31 December 2004, the sums paid amounted to € 306,122K in total, compared to € 188,355 in 2003, with an increased disbursement compared to the previous financial year of € 117,767K.

Investments exceeded € 2,641,948K, with an increase of € 437,988K compared to the previous year.

Finally, the company's net equity, before distribution of the profit for the year, amounts to € 85,520. The constituting the solvency margin included in the undistributed profit for the year amount to € 75,851K, while the solvency margin to be created as at 31 December 2004 amounts to € 71,983K.

PO VITA COMPAGNIA DI ASSICURAZIONI S.p.A.

Share capital € 90,200,000

(Indirect shareholding 50%)

The accounts as at 31 December 2004 closed with a net profit of € 16,105K (€ 2,590K as at 31/12/2003). The technical account result was considerably influenced by the good performance of proceeds from investments that benefited from net realisation profits of € 7,537K and value adjustments of € 1,388K.

The result for the year was also significantly influenced by the fact that, having introduced the fiscal transparency system, the company did not set aside IRES taxes for the period, transferring the burden to shareholders. The effect is equal to approximately € 5.3m.

The introduction of this system also led to a write-back of the credit for prepaid tax entered as at 31 December 2003 of € 1,372K. This charge, which was entered under extraordinary charges, was counterbalanced by the capital gains achieved on fixed stocks of € 1,1991K.

Premiums collected in 2004 amounted to € 575m. Despite being down by 16% on the exceptional results achieved in the previous financial year (€ 685m), these exceed the budget by 15% and fully comply with the product placement mix of index-linked and separate management products.

Gross technical provisions amounted to € 2,399,951K (€ 1,917,856K as at 31/12/2003), € 1,141,693K of which (€ 799,258K as at 31/12/2003) related to pension funds and to policies the benefits of which were linked to investment funds and market indices.

Sums paid out during the year rose from € 103,613K to € 153,674K.

On 31 December 2004, the level of total investments reached € 2,484m compared with € 1,947m as at 31 December 2003. This marked increase was due to the expansion of the Company and to the increase in capital and reserves.

During the first half of 2004, the share component of the portfolio increased with the purchase of high capitalisation securities that offered good capital growth prospects and good profitability in terms of dividends. Advantage was then taken of unforeseen market situations, carrying out trading and short-term operations on blue chip securities. On the bond front, particularly given the duration of the liabilities, action was taken to lengthen the financial duration considerably, in order to position the portfolio on maturities that offered higher yields. The company issues component was gradually reduced in favour of government securities, given that the risk/yield profile of these issuers was not considered adequate.

The company's share capital increased from € 70m to € 90.2m during the year as a result of:

- full execution of the € 12m euro capital increase resolved by the extraordinary meeting on 6 April 2004;
- execution of € 8.2m of the € 94.2m capital increase resolved by the extraordinary meeting on 9 September 2004, of which € 6m was effected by payment and € 2.2m by use of the capital reserves.

Over the next few financial years, it is expected that the sales of separately managed products will increase to the detriment of index-linked products, with the aim of maintaining balance in the structure of the Company, whose portfolio as at 31/12/2004 was made up as follows: 52% separate management products and

48% products linked to investment funds and market rates. The specific features of the products offered by Po Vita, which are well-suited to clients who require a low risk/yield profile, could continue to be attractive in 2005, in a market in which investors might be forced to operate in an uncertain economic scenario.

Together with its shareholders, Po Vita Assicurazioni S.p.A. exercised the option to apply the tax transparency system in accordance with article 115 of the consolidation act on income tax, by sending the notification required by law to the Revenue Agency.

By exercising this option it will be required to apply a tax system that assigns a proportion of IRES tax to each shareholder in accordance with his/her share of the profits.

THE LAWRENCE LIFE ASSURANCE CO. LTD

Share capital € 808,886
(Indirect shareholding 100%)

During 2004, the company recorded a net profit of € 309K (compared to a loss of € 2,645K in 2003). This significant improvement is essentially due to the issue of 6 personalised policies to holders in Liechtenstein, which allowed a total of € 108,858K to be collected, in addition to premiums collected for new products, mainly in the Benelux countries, amounting to € 980K.

As regards the insurance business, it is worth highlighting the technical reserves, which at the end of the financial year amounted to € 245,043K compared to € 21,854K in 2003, representing an increase of € 223,189K.

Reinsurance

The proportional programme allows each Company to retain an adequate share of the premium relating to the volume of each individual portfolio, and to protect policies that may compromise the final result by means of reinsurance.

The net retention by each Company is retroceded to the market by means of an appropriate non-proportional instrument.

Outward reinsurance

The structure of the outward reinsurance scheme for 2004 remained almost unchanged and therefore the criteria of prudence continued to be applied. For further information you are referred to the Management Report of the Parent Company, in which the reinsurance policy guidelines are set out in detail.

SAINVESTIMENTI S.G.R. S.p.A.

Share capital € 3,913,588

(Direct shareholding 60%, group interest 85.47%)

The profit and loss result for the period was positive to the tune of € 8K.

The income for the year was € 1,619K, consisting of commissions received for management of the property investment fund of € 1,374K, interest received on government and bank securities of € 134K, other operating income of € 36K, contingent assets of € 45K and profits from financial operations of € 30K. Costs for the period, amounting to € 1,611K consist mainly of various services and expenses amounting to € 1,164K, of which € 673K were paid to the parent company Fondiaria-Sai to cover the cost of seconded personnel, IT services and others, commissions paid of € 343K to the subsidiary Progestim – Società di gestione immobiliare S.p.A., contingent liabilities of € 40K and income tax for the year of € 58K.

The company's assets as at 31 December 2004 amounted to € 5,267K and consisted of government securities of € 4,742K; of Other assets of € 154K, mainly consisting of tax credits, cash on hand of € 205K, accrued assets and deferred liabilities of € 19K and various assets of € 147K.

On the same date, the liabilities consisted of the Net Equity of € 4,158K and Other liabilities of € 1,108K, of which € 589K were in respect of the Parent Company Fondiaria-Sai for services.

Finally, we should point out that, in accordance with a resolution of the Board of Directors dated 16 April 2004, the Company set up the "TIKAL R.E. FUND" closed property investment fund, reserved for qualified investors. On 27 July 2004, the Bank of Italy issued its approval for the rules and regulations of the fund. The Fund is managed by the Company itself, which carries out this task in accordance with legal requirements and current relevant regulations.

SAI MERCATI MOBILIARI SIM S.p.A.

Share capital € 20,000,000
(Direct shareholding 100%)

The financial year that ended on 31 December 2004 was the first since the extraordinary merger operation by which Co.Fi.Mo Sim SpA was incorporated into SAI Gestioni Sim SpA, which then changed its company name to SAI Mercati Mobiliari Sim SpA. This merger took place on 1 July 2004 with accounting and fiscal effects retroactive to 1 January 2004, as shown in the industrial plan which provided for all the trading activities to be concentrated into a single structure.

The balance sheet for the financial year presents a loss of € 2,852K (€ 6,656K in 2003, prior to the merger by incorporation).

Because of the difficulty of comparison with the previous financial year, given the different types of business carried out by the incorporated company, the figures to 31/12/2004 will be compared to the respective consolidated figures relating to the 2003 proforma accounts.

The characteristic operating income, consisting of profits from financial operations, net commissions and net interest, shows an amount of € 4,383K (€ 6,328K in the previous year). The lower value is principally due to the presence in 2003 of commissions for asset management activities with a net value of € 856K and to a fall in commissions for intermediation activities. The intermediation margin, which fell compared to the figure shown in the half-yearly statement, was affected by the more difficult market conditions that characterised the second half of the year compared to the first, in which the trends in the markets in which Sim mainly operates did not allow the expected margins to be achieved.

During the financial year, the operation to transfer the line of business relating to personal asset management to EFFE Gestioni SGR was completed with effect from 1 January 2004. This operation is part of a Group plan aimed at maximising operating synergies in the Finance Area, and particularly in the managed Savings sector, so as to rationalise production processes and achieve fruitful economies of scale.

After having supplied the supervisory authorities with further clarification during the first half of 2004, the company obtained authorisations from Consob on 2 March 2004 to trade on its own account, to trade on behalf of third parties and to provide a placement service. Following these authorisations, action was taken to incorporate the subsidiary Co.Fi.Mo Sim SpA as mentioned above.

BANCASAI S.p.A.

Share capital € 56,677,161
(Direct shareholding 80.47%)

Radical changes were made to the structure and organisation of the bank during 2004. IT processes based on the Siebel system were abandoned and the migration to Cedacri systems was completed. The operation was required because the Siebel systems are extremely expensive and oversized considering the bank's current and prospective business. The Cedacri systems were chosen because of their greater flexibility and because they allow more functions to be used in relation to the organisational and operational development of the bank.

As regards the financial service placement activity, the Kopernico system developed by Effe Investimenti SIM has been chosen because it is more complete and is able to perform not only basic activities but also the additional activities required to support the work of Financial Promoters.

Finally, 31st December saw the completion of the merger by incorporation into bank of Effe Investimenti SIM, which allowed the product distribution activities to be concentrated in a single entity, the bank. The financial year ended with a loss of € 9,321K compared to € 5,386K in the previous financial year. This result takes into account the activities of the incorporated company Effe Investimenti SIM during the whole of 2004.

Total premiums collected amounted to € 309,715, including business done with Group companies, compared to € 258,268 at the end of 2003.

There were no significant variations in the financial service placement activity (mutual investment funds, open-end investment companies, asset management of funds and securities) compared to the previous year in terms of gross collections (approximately € 165m in 2004 and € 154m in 2003), while collections, net of redemptions, amounted to € 35,814K (€ 68,373K in 2003), a level that was a great deal lower than the budgeted figure and to the amount that would be required to improve the financial results of this activity.

The portfolio value of the financial products held by Banca Sai clients increased during the financial year from € 299,934K at the end of 2003 to € 522,390K at the end of the year.

Investments in stocks and shares and interbank are equal to € 470,000K (compared to € 317,743K in 2003). The increase is mainly attributable to increased investment in securities with a view to achieving diversification in the use of available funds on the interbank market and better profitability, and to allowing the launch of swap operations. The guidelines established by the Board of Directors place prudential limits on the duration and quality of the portfolio.

Significant developments were seen during 2004 in treasury activities in a Group context, a considerable share of the flow of money originating in the context of the Group's insurance companies being channeled through the Bank. Also during 2004, the Bank opened two new branches in Milan and Florence at the Group's offices, mainly intended for the Group's employees.

A smaller loss than in 2004 is expected for the current year, mainly thanks to further development of the financial service placement activity and a rationalisation of banking activities. As regards costs, intensive activities aimed at containing them will continue, without however interrupting the process of strengthening the Bank's organisation, operations and control.

EFFE GESTIONI S.G.R. S.p.A.

Share capital € 5,000,000
(Direct shareholding 100%)

The financial statements to 31/12/2004 show a loss of € 1,275K, compared to a loss of € 714K in the previous year.

The loss shown in the financial statements is due to the acquisition of the Personal Asset Management branch from SAI Mercati Mobiliari SIM (formerly SAI Gestioni SIM) that took place with effect from 1 January 2004. This operation completes the rationalisation programme in the Group's finance branch that began in the previous financial year with the demerger of the mutual investment fund management activities of SAI Investimenti SGR, of which the company was a beneficiary. The result of these operations is that all activities relating to mutual investment funds and personal portfolio management aimed at the public have now been concentrated in the company.

Since 1 January 2004, the company has been operating in the area of personal investment portfolio management on behalf of third parties, having acquired the company branch from SAI Mercati Mobiliari SIM S.p.A. At the time of the acquisition, this activity related to the management of securities and funds for 1,557 customers for a total managed sum of over € 123m.

With effect from 1 July 2004, the Company merged the SGAM Ventaglio multisector funds with the EFFE multifunds.

With effect from 1 October 2004, the Company merged the funds and rationalised the offer with a proposal that covers all the main economic sectors and consists of funds of a profitable size in terms of assets managed.

The Company also obtained authorisation from the Bank of Italy to replace the depositary bank used for the Effe system mutual investment funds. As of June, all the Company's funds are deposited with a single depositary bank: Banca Intesa.

Following the operations that took place during the financial year, in 2004 the Company managed: 12 open mutual funds and 3 funds of funds, and continued to manage assets consisting of securities and funds.

Because of the high management costs involved, personal asset management requires a considerable mass under management to be profitable. The company is paying considerable attention to this aspect and will soon be offering a new range of personal asset management products for securities and funds that are subdivided into various lines according to investment profile, aimed at customers who intend to delegate the responsibility for selecting the best portfolio mix to the manager, and into various lines according to the investment market, suited to customers who prefer to keep control of the portfolio structure and therefore the level of risk.

The net equity of managed funds on 31 December 2004 stood at € 684m (€ 665m at the end of the previous financial year). The total personal assets managed on 31 December 2004 stood at € 217m (€ 18m at the end of the previous financial year).

Non-Insurance Activity

The trend in the principal companies in the Group operating in the financial and property-agricultural sectors is summarized in the following table:

(€K)	INCOME 2004	% VARIATION	RESULT	NET EQUITY excluding net profit for the year
<u>FINANCIAL SECTOR</u>				
FINSAI INTERNATIONAL S.A.	2,034	17.17	1,587	64,407
FONDIARIA NEDERLAND B.V.	4,481	(45.55)	(30,408)	410,671
SAIFIN – SAIFINANZIARIA S.p.A.	3,277	(38.53)	(5,091)	133,644
SAINTERNATIONAL S.A.	30,221	3.88	10,207	156,481
SAI HOLDING ITALIA S.p.A.	10,409	273.0	18,793	179,186
<u>PROPERTY/AGRICULTURE SECTOR</u>				
PROGESTIM S.p.A.	17,987	(21.36)	401	303,036
SAIAGRICOLA S.p.A.	9,295	(3.47)	(2,196)	61,807

We should like to point out several elements that featured in the activities carried out by the companies listed above:

FINSAI INTERNATIONAL S.A.

Share capital € 22,801,140
(Direct shareholding 39.53%; indirect 61.47%)

The profit and loss result for the financial year is positive to the tune of € 1,587K, determined by income of € 2,034K, essentially consisting of financial proceeds resulting from the management of its liquidity, of dividends received from the partially owned company Mediobanca and of interest on the financing granted to the parent company in the month of June, and costs of € 447K, consisting mainly of general and administrative costs.

The company's assets as at 31 December 2004 amounted to € 66.6m and consisted of the shareholding in Mediobanca (0.35%), with a book value of € 10.1m, of the investment in the Quercus Fund Beta Class of € 20m, of the financing granted to the parent company in June of € 27m and of sundry liquidities and assets of € 9.0m. The company's liabilities on the same date consisted mainly of the net equity of € 65.99m and tax funds of € 0.5m.

The 2,722,446 Mediobanca shares in the portfolio are bound by an agreement relating to the shareholding in the capital of Mediobanca.

FONDIARIA NEDERLAND B.V.

Share capital € 19,070
(Direct shareholding 100%)

The profit and loss result for the financial year is negative to the tune of € 30,407K, determined essentially by extraordinary charges of € 14,478K and by equity and financial charges of € 19,953. These charges consist essentially of capital losses resulting from operations involving the shares and convertible bonds of Swiss Life Holding held in the portfolio, which represents the Company's main asset with a market value of approximately € 316.6m (approximately CHF 488m).

In the month of June 2004, the company took part in the Swiss Life Holding capital increase that this company's shareholders resolved to carry out on 19 May 2004, subscribing to 500,027 newly issued shares for approximately € 32.3m. The Company did not however subscribe to the newly issued convertible bonds, which were offered to existing shareholders by means of a preferential subscription right.

Furthermore, the Company simultaneously undertook:

- to sell on the market the Swiss Life Holding bonds convertible into shares that were subscribed at the time of the previous capital increase, for a nominal value of approximately € 13m;
- to sell on the market part of the 192,667 Swiss Life Holding shares in the portfolio.

As regards the prices at which the above shares and convertible bonds were sold on the market, the Company incurred a net capital loss of € 12m and a consequent reduction in the book value from 311.70 to 258.78 Swiss Francs.

Furthermore, we should point out that as at 31/12/2004, the company undertook to align its shareholding in Swiss Life Holding, adapting the historical book exchange rate to the current one on 31 December 2004.

SAIFIN SAIFINANZIARIA S.p.A.

Share capital € 102,258,000
(Direct shareholding 100%)

The profit and loss result for the period is negative to the tune of € 5,091K. Income for the year amounts to € 3,251K and consists of interest earned on loans to customers, on fixed income securities and on bank deposits of € 1,377K, of dividends received of € 543K, of value adjustments on financial investments of € 770K, of which € 752K relate to the partially owned company subsidiary RCS Mediagroup, of profits from financial operations of € 210K and of extraordinary income of € 351K. Costs for the period, which amount to € 8,342K, consist mainly of administrative costs of € 447K, of net value adjustments on shareholdings of € 6,601K relating to the alignment of the subsidiary My Fin and of income tax on the profit for the financial year of € 1,277K.

The company assets as at 31 December 2004 amounted to € 128,762K and consisted mainly of shareholdings of € 70,268K, of which € 65,782 were sharedholdings in Group companies and € 4.496K were shareholdings in other companies, of shares of € 19,284K relating mainly to shares in the parent company Fondiaria-Sai, of fixed income securities of € 11,508K, of financial credits of € 25,428K and of sundry liquidities and assets of € 2,264K. The net equity of the company on the same date amounted to € 128,553K.

SAINTERNATIONAL S.A.

Share capital € 154,000,000
(Direct shareholding 99.99%)

The profit and loss result for the financial year was positive to the tune of € 10,207K. Income amounted to € 30,221K, consisting of interest earned on bonds of € 2,125K, proceeds from financial operations of € 2,086K, income from loans granted to the parent company Fondiaria-Sai of € 14,441K, value adjustments on listed securities of € 9,128K and other income of € 296K. The costs amounted to € 20,014K and consisted of administrative and general costs of € 4,178, interest paid and charges on bonded loans of € 9,886K, other charges of a financial nature of € 1,373K, losses on financial operations of € 3,825K, value adjustments on short-term assets of € 167K and income tax for the financial year of € 371K.

During the financial year, the company fully repaid the bonded loans convertible into shares in Assicurazioni Generali, Banca Intesa and Capitalia, using for this purpose the liquidity resulting from repayment of the loan granted to Fondiaria-Sai for a similar amount and under similar conditions. On 29 September 2004, Sainternational issued a new hard mandatory type convertible bonded loan convertible into shares in Banca Intesa with a nominal value of € 180,400K at an annual rate of 6.10% maturing in 2010. The resulting liquidity was used to grant a loan to the parent company under market conditions. On 18 November 2004, a further loan was granted to the parent company of € 40m using the liquidity resulting from the sale of bonds held by the Swiss Branch.

The company's assets as at 31 December 2004 amounted to € 359,473K and consisted mainly of loans granted to the parent company Fondiaria-Sai of € 236,811K, of unlisted shareholdings and of loans to these of € 22,748K, of listed shares of € 37,128K, of other short-term investments of € 35,235K and of liquidities and sundry assets of € 27,540K. The liabilities consist essentially of the company's net equity, equal to € 166,677K, of the debt owed to bondholders of € 180,400K, of tax funds of € 1,018K and of other liabilities of € 11,367K.

During the month of September, the 10,000,000 shares owned were bound to the shareholders' agreement of RCS Mediagroup, to which the Fondiaria-Sai group has subscribed.

SAI HOLDING ITALIA S.p.A.

Share capital € 143,100,000
(Direct shareholding 100%)

The profit and loss result for the financial year was positive to the tune of € 18,793K.

Income amounted to € 10,408K and consisted primarily of dividends of € 5,321K, of extraordinary income of € 4,657K relating to restoration of the historical book value of the shareholding in the subsidiary Milano Assicurazioni S.p.A., aligned in the previous financial year exclusively in pursuance of tax legislation, and of deferred taxes receivable of € 9,091K. Costs amounted to € 692K and consisted mainly of services and sundry expenses of € 618K, interest and other financial charges of € 64K and IRAP for the period of € 8K.

During the financial year, the company implemented a merger by incorporation of the subsidiary Fineuras – Finanziaria Europea di Assicurazioni S.p.A.. As a result of this operation, Sai Holding has a 50% share of the subsidiary Novara Vita.

The company's assets as at 31 December 2004 amounted to € 199,198K and consisted of shareholding in Group companies of € 164,294K, debtors and other assets of € 20,115K, of which € 8,147K related to the loan granted to the parent company Fondiaria-Sai, and of liquidities, primarily invested in time deposits, of € 14,803K. The Net Equity of the company on the same date amounted to € 197,980K.

PROGESTIM – SOCIETÀ DI GESTIONE IMMOBILIARE S.p.A.

Share capital € 300,000,000
(Direct shareholding 100%)

The accounts for the year ended 31 December 2004 showed a profit of € 402K (€ 3,084K in 2003). The fall was significant because the financial year 2003 was influenced by the capital gains resulting from the spin-off operation. Turnover increased from € 13,335K to € 17,987K and consisted of € 4,002K for rent on property, € 6,326K for technical and commercial assistance and € 5,533K for property management on behalf of third parties. Production costs amounted to € 16,593K compared with € 17,598K at the end of 2003. Financial management recorded a positive balance of € 946K, mainly resulting from capital gains on the transfer of shareholdings. Extraordinary business was instead positive to the tune of € 633K. During 2003 the Company managed its own property assets and those of the Fondiaria-SAI Group, which was the subject of considerable movements during the financial year.

Particular attention should be given to the following events:

- on 30 April 2004, the shareholders' meetings of I.S. Srl and its parent company International Strategy Srl resolved the merger by incorporation of I.S. Srl into International Strategy Srl. This operation allows the objectives of cutting operating costs, optimising internal control and taking advantage of the tax benefits associated with merger operations to be pursued. The accounting effects of this operation were set to run from 1 October 2004 while the fiscal effects were set to run from 1 January 2004;
- on 1 October, the merger by incorporation of I.S. Srl into the subsidiary International Strategy Srl, as resolved by the shareholders' meetings of the two companies on 30 April 2004, came into force;
- on 6 October 2004, the 100% stake in International Strategy Srl was transferred to FONDIARIA-SAI for € 65,050,000. The balance of the price, net of the advance previously paid of € 30,000,000, was paid at the time of the transfer;
- during the financial year, a total of € 62,335 was paid on account to the subsidiary Cascine Trenno Srl for future share capital increases. These payments were used in order to cover the losses made in 2003 and to finance the ordinary operations of the company;
- during the financial year, a total of € 69,237 was paid on account to Trenno Ovest Srl for future share capital increases. These payments were used in order to cover the losses made in 2003 and to finance the ordinary operations of the company;
- during the financial year, a total of € 2,792,530 was paid on account to the subsidiary Meridiano Bruzzano S.r.l. for future share capital increases. Out of these payments, a total of € 2,711,399 was used to pay the final instalment of the purchase price for an area situated in Bruzzano, Milan, and measuring approximately 45,000 square metres, with the remaining amount of € 81,131 being used to cover the losses made in 2003 and to finance the ordinary operations of the company;
- during the financial year, a total of € 187,315 was paid on account to the subsidiary Meridiano Bellarmino Srl for future share capital increases. These payments were used in order to cover the losses made in 2003 and to finance the ordinary operations of the company. On 28 September, a total of € 7,570,000 was paid on account to the subsidiary Meridiano Bellarmino S.r.l.

- for future share capital increases. This payment was used to finance payment of the third instalment of the price paid to purchase the areas of property;
- on 25 February, a total of € 20,000,000 was paid on account to the subsidiary Meridiano Primo S.r.l. for future share capital increases. This amount was used to purchase 100% of the shares in FIN.VI S.r.l. on 27 February for € 6,283,024 and of a debt owed to the assignor company by FIN.VI amounting to € 13,716,976; on 18 May, a contract was signed to transfer the shareholding and debt from Meridiano Primo to Euridea S.p.a. On 29 June, Euridea paid an advance of € 2,000,000 to Meridiano Primo S.r.l., which in turn returned the same amount to Progestim during the month of June. As agreed between the parties, on 28 September, the purchaser paid Meridiano Primo € 14,000,000 (including the transferred debt). The balance of the agreed price was returned on 27 October in addition to compensation for damages of € 1,000,000. On 28 September and 27 October, Meridiano Primo returned to Progestim the payments made during the financial year on account for future capital increases of € 20,000,000. The subsidiary also received € 53,047 during the month of June to cover the loss incurred during 2003 and to finance the ordinary operations of the company;
 - on 25 March, a total of € 381,000 was paid on account to the subsidiary Meridiano Secondo S.r.l. for future share capital increases, in order to allow it to make the first deposit on the purchase of a plot of land in San Donato Milanese; on 28 April 2004, a further € 4,182,160 was paid, again on account for future share capital increases. On 30 April, Meridiano Secondo S.r.l. drew up the deed to purchase the area for a total of € 3,800,000 + VAT. On 6 May and 14 June, a total of € 63,047 was paid to cover the losses made in 2003 and to finance the ordinary operations of the company;
 - during the financial year, a total of € 280,000 was paid on account to the subsidiary Selezione Seconda S.r.l. for future share capital increases, in order to finance the property development activities in the areas owned by the company and for ordinary management of the company. On 13 December, the shares held in the capital of Selezione Seconda S.r.l. were sold for € 1,303,000 with a simultaneous repayment of the loan that had previously been granted of € 3,718,490;
 - during the financial year, a total of € 36,927,966 was paid on account to the subsidiary I.A.T. S.p.A. for future capital increases. These amounts were used to repay the first and second instalments of the debt incurred by the company in respect of the previous parent company and for ordinary management of the company;
 - during the financial year, a total of € 62,000 was paid to the partly owned company Borsetto Srl as an interest-bearing loan, in order to finance the property development activity in the areas owned by the company;
 - during the financial year, a total of € 1,173,334 was paid on account to the associated company Citylife Srl (formerly Giulio Cesare Srl) for future share capital increases, in order to cover the costs of taking part in the competitive tender for Fiera di Milano, which were estimated at € 3,000,000. On 24 March, Progestim completed the purchase of part of the share held by the shareholder Grupo LAR with a payment of € 48,267. Therefore, as of this date, the capital held by Progestim Spa increased to 26.67%. On 2 July, the company Citylife Srl won the tender for the area formerly owned by Fiera di Milano with an offer of € 523,000,000;
 - on 29 July, an amount of € 14,029,413 was paid to Generali Properties SpA on behalf of the associated company Citylife Srl, as a deposit relating to the Fiera Operation plus preliminary expenses;
 - on 13 February, a building for residential use was purchased in Fioccardo, Montecalieri, consisting of a villa and smaller detached house with a total

surface area of 2,000 square metres, with adjacent gardens and parkland of 100,000 square metres, for a total price of € 4,100,000 plus registration tax. This structure will be used as a hotel and accommodation facility.

- On 6 July, 2 plots were purchased in areas located in Villasimius (CA) measuring 109,145 square metres in total for a price of € 1,637,175 plus € 185,200 registration tax. The larger plot is adjacent to the area in which an 18-hole golf course is being created; during 2004, "value increasing work" was carried out in the following properties owned by the company:
 - land at Villasimius (CA) for € 5,506,468, to continue with the work of creating the 18-hole golf course;
 - land at Giardini Naxos (ME) for € 240,000, to continue with the design work;
 - Grande Albergo Capotaormina for € 1,045,981, to continue with the work of restructuring and adapting the hotel complex;
 - Milan, via Marelli/Serio for € 6,249,278, to continue with the work of restructuring the property complex;
 - Terme di Petriolo for € 1,800,000, to continue with the restructuring work.

During the financial year, the Shareholder paid € 34m in two instalments to finance the acquisition of property assets. Therefore, as of the last payment on 2 April 2004, the share capital amounted to € 300m.

On 15 October, the Company submitted a non-binding offer, together with a group of other operators in the sector, for the purchase of a share representing 50% of the share capital of a vehicle company which will be given ownership of the property complex situated in Rome and known as "Torri dell'EUR", currently held by FINTECNA.

Among the events of a different nature, we should point out the following:

- on 17 May, an inspection by the Revenue Agency of Turin began in the company's offices in Turin with regard to the tax return for the financial year 2002. On 18 June, the inspection ended with a report showing a higher amount of income for the purposes of IRPEG and IRAP of € 256,537. Believing these findings to be unfounded, the company submitted its arguments and the respective supporting documentation and on 8 February 2005 the dispute with the Revenue Agency was settled;
- on 26 July, authorisation came from the Bank of Italy for the company to operate in respect of the first property fund issued by SAI INVESTIMENTI. The fund includes 12 buildings of particular prestige that were previously owned by companies in the Fondiaria-Sai Group and in the context of this operation Progestim is acting as the property manager. It began to perform this task on 1 August 2004.

SAIAGRICOLA S.p.A.

Share capital € 50,000,000

(Direct shareholding 92%; indirect 8%; group interest 97.53%)

The accounts as at 31 December 2004 showed an operating loss of € 2,196K (compared with a loss of € 1,481 as at 31 December 2003) after depreciation on tangible and non-tangible assets of € 1,853K (€ 1,485K in 2003) and write-downs on credits to clients of € 182K (€ 14K in 2003) were taken into account.

Sales of bottled wine, which accounted for 50% of sales of all agricultural products in 2004, reached € 4,840 (€ 4,784 in 2003). Sales abroad remained unchanged while increases were recorded in group client channels and in the market.

As far as other crops are concerned, sales of white packaged rice remained practically unchanged (€ 295K compared to € 297K in 2003), while sales of brown rice amounted to € 651K (€ 1,106K in 2003), a fall of 41% in value and 27% in quantity compared to 2003.

Investments made during the year, net of community additions, totalled € 4,176K (€ 6,042K in 2003) and related mainly to the acquisition of resettlement rights amounting to € 94K, the planting of new vineyards amounting to € 404K, improvements to land and water delivery systems amounting to € 78K, the purchase of tractors and agricultural machinery amounting to € 295K, the purchase and replacement of plant and equipment for cellars and harvesting amounting to € 796K, the restructuring and extension of commercial and residential buildings amounting to € 730K, in addition to work to build new cellars at Colpetrone and Villetta di Monterufoli amounting to € 1,409K, the purchase of furniture and furnishings amounting to € 101K, the replacement of personal computers and office furniture amounting to € 20K, deposits paid for work on plant and buildings amounting to € 130K, software and multiannual costs of € 119K.

On 21 December 2004, the deed was signed for the merger by incorporation of the agricultural company Ri.Ma into Saiagricola S.p.A., already 100% owned by the company, with accounting and fiscal effects from 1 January 2004.

Property and financial management

INVESTMENTS

As at 31/12/2004 the volume of investments had reached € 26,078, compared with € 24,381 in the previous year (+7.0%).

The following table shows how the breakdown of investments altered compared with 2003:

(€K)	31/12/2004	% composition	31/12/2003	% composition
- Land and buildings (net of provisions)	2,051,603	7.87	2,385,169	9.78
- Bonds	16,308,766	62.54	15,504,707	63.59
- Shareholdings and investment funds	3,737,121	14.33	3,414,773	14.01
- Corporate financing	171,846	0.66	241,923	0.99
- Miscellaneous financial investments	35,144	0.13	48,662	0.20
- Deposits with ceding undertakings	52,750	0.20	57,645	0.24
- Deposits with credit institutions	23,527	0.09	19,318	0.08
- Investments in Class D	3,697,307	14.18	2,708,485	11.11
	26,078,064	100.00	24,380,682	100.00

The growth in the level of investments, excluding class D investments, was equal to 3.3%. It was negatively affected by the repayment, which took place during the month of June, of the convertible bonded loan issued by the subsidiary Sainernational during 2001. This repayment, which was equal to a nominal amount of € 456m, is added to the residual € 31m that relates to a further convertible bonded loan issued by the subsidiary Fondiaria Nederland, which was also repaid in April 2004.

These loans were repaid using the ordinary liquidity produced by operations. As a consequence of this, part of the growth in investments was restricted. During 2004, however, the group invested a further € 180m, resulting from the issue by the subsidiary Sainernational S.A. of the convertible bonded repayable on maturity exclusively in Banca Intesa shares owned by the parent company.

As regards the breakdown of the investments, the Group gave priority to bonds, with significant operations aimed at shortening the duration of the non-life portfolio. Overall, the investments represented by bonds account for approximately 63% of the group's total investments.

The policy of enhancing the value of the property portfolio continues. The lesser weight of property in the asset portfolio as a whole is counterbalanced by the increase in shares held in mutual investment funds, which includes the value of the shares held in the TIKAL R.E. closed property fund, with a countervalue of € 357m and a possession percentage of 89.3%.

During 2004, the Group continue to implement its policy aimed at reducing the share component in the portfolio, which fell from 13.1% of total investments in 2003 to 11.9% in the current financial year.

The following table shows the results of investment and property activity carried out during the past two years, excluding net income from investments in Class D of Life business:

(€K)	31/12/2004	31/12/2003	% variation
Income from stocks and shares	62,437	17,050	266.20
Income from land and buildings	84,787	116,370	(27.14)
Income from other investments	628,095	633,576	(0.87)
	775,319	766,996	1.09
Investment management charges	90,089	99,875	(9.80)
NET INCOME	685,230	667,121	2.71
Net profits on sale of land and buildings	50,557	175,909	(71.26)
Net profits on sale of short-term assets	109,181	63,820	71.08
Net profits on sale of long-term assets	34,410	6,815	404.92
GRAND TOTAL	879,378	913,665	(3.75)
Shares allocated to the technical account of Life business	460,843	418,148	10.21

The average ordinary profitability, calculated on the half-sum of investments, amounted to 2.71% (3.11% in the previous financial year). The overall ordinary profitability was no longer penalised, as in 2003, by considerable value adjustments, and improved thanks, inter alia, to a greater contribution from the net profits on sales. Average profitability, including the contribution net profits on sales, was around 3.49%. For further information you are referred to the tables contained in the notes to the accounts.

DEBT SITUATION OF THE FONDIARIA-SAI GROUP

The debt situation of the Fondiaria-SAI Group S.p.A. is as follows:

(€m)	31/12/2004	31/12/2003	Variation
Subordinated loan	400.0	400.0	-
Exchangeable Sainternational	-	465.5	(465.5)
Exchangeable Fondiaria Nederland	-	45.4	(45.4)
Mandatory	180.4	-	180.4
Bank debts and other corporate financing	29.7	52.0	(22.3)
TOTAL	610.1	962.9	(352.8)

On 27 September 2004, the Luxembourg subsidiary SAINTERNATIONAL S.A. launched a Convertible Bonded Loan (Mandatory Exchangeable Guaranteed Notes) Repayable exclusively with ordinary shares in BANCA INTESA owned by

FONDIARIA-SAI with maturity of 29 September 2010.

The issue was greeted favourably by the market. The placement was managed by MEDIOBANCA, which acted as the sole bookrunner for the operation, and was completed on 27 September.

The bonds, with a total nominal value of € 180,400,000, will be repayable on maturity by delivery of 44,000,000 ordinary shares in BANCA INTESA currently owned by FONDIARIA-SAI, at the exchange price of € 4.10 per share, and therefore with a premium of 35.13% on the price of ordinary BANCA INTESA SHARES at the time when the offer price was set.

The annual bond coupon and the yield at maturity are equal to 6.1%, with bond holders also being paid an amount equivalent to the dividends paid by Banca Intesa.

FONDIARIA-SAI and SAINTERNATIONAL have granted a lock-up period of 90 days on the BANCA INTESA shares, during which they will refrain from carrying out any operation related to the said security.

On 21 October the bonds were accepted for listing on the Luxembourg Stock Exchange. The commitment of SAINTERNATIONAL resulting from the bonded loan in question, which relates essentially to the payment to noteholders of the coupons for the duration of the loan, is covered by an appropriate guarantee policy issued by FONDIARIA-SAI, with SAINTERNATIONAL as the contractor and THE LAW DEBENTURE TRUST CORPORATION p.l.c. as the insured, in its capacity as Trustee, in its own interest and in the interest of noteholders.

As regards the undertaking by SAINTERNATIONAL to deliver the BANCA INTESA shares that are the subject of conversion to noteholders, FONDIARIA-SAI has assumed the commitment to deliver these shares to the noteholders.

This operation allows the Fondiaria-SAI group to rebalance the mix of investments, further decreasing the share component of the portfolio.

On 12 December 2002, the merging Company SAI had entered into a loan agreement with MEDIOBANCA under which the latter had lent the Company the sum of € 400m in order to increase the elements making up the solvency margin. On the basis of the agreements reached with Mediobanca and having obtained authorization from ISVAP, Fondiaria-SAI therefore obtained a new subordinated loan in July 2003 for the same amount, and at the same time the existing loan was repaid early.

Subsequently, again having obtained authorisation from ISVAP, some of the conditions of the loan were renegotiated in order to give it greater stability.

In particular, a gradual reduction of the interest rate of 45 bps was established. The annual reduction in the charge amounts to € 600,000 for the first year and a further € 400,000 for each of the subsequent three years, followed by a total of € 1,800,000 per year until the tenth year, falling from the eleventh year to € 1,600,000 per year as a result of an increase in the step-up planned, with the option for the company to make early repayment.

As already illustrated in the half-yearly report dated 28/06/2004, the subsidiary Sainternational S.A. repaid the convertible bonded loan issued in June 2001 of € 465m and on 20/04/2004 the subsidiary Fondiaria Nederland repaid the existing convertible bonded loan of € 45m.

Also repaid during 2004 was the financing and mortgage loan contract for € 14.8m signed by the subsidiary I.S. s.r.l. with The Royal Bank of Scotland. This position, which is included under "Debts to banks and other loans", currently amounts to a residual € 25.4m, to which are added the € 4.4m relating to temporary debt positions of little unitary value. Therefore, as at 31 December 2004, the Group's

debts amounted to a total of € 610.2m, down by € 352.9m compared to 31/12/2003.

OWN SHARES, SHARES IN THE HOLDING COMPANY AND SHARES IN COMPANIES CONTROLLED BY THE HOLDING COMPANY

During 2004, a total of 1,977,500 own ordinary shares were acquired for an outlay of € 36,987K. Therefore at the end of 2004 there were 5,829,212 ordinary shares in the portfolio representing 4.528% of the ordinary share capital.

Since the end of the financial year 861,000 ordinary shares have been acquired for an outlay of € 17,242K, with the result that on 14/03/2005 there were 6,690,212 ordinary shares in the portfolio representing 5.197% of the ordinary share capital whilst the subsidiary Company Saifin-Saifinanziaria S.p.A. held a further 1,060,000 ordinary shares representing 0.823% of the ordinary share capital and the subsidiary Company Milano Assicurazioni S.p.A. owned a further 3,611,557 shares representing 2.806% of the ordinary share capital.

Shares in the holding company:

During 2004, in the holding company Premafin Finanziaria S.p.A. were bought and sold.

As at 31/12/2004 the Parent Company owned 17,512,527 shares in the holding company, representing 5.597% of the share capital.

Since the end of the financial year, 827,500 shares have been purchased for an outlay of € 1,269K, therefore as at 14/03/2005 your Company owned 18,340,027 shares, representing 5.854% of the share capital, while the subsidiary Saifin-Saifinanziaria S.p.A. owned a further 66,588 ordinary shares representing 0.021% of the share capital and the subsidiary Company Milano Assicurazioni owned a further 5,789,700 ordinary shares representing 1.848%.

SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR

On 1 February 2005, the Company launched its new single motor product for the SAI Division and the Fondiaria Division which applies the same third party liability tariff and the same land vehicle hull underwriting conditions to both Divisions.

The new product, called NUOVA 1a GLOBAL, is split into two type: vehicles and water craft.

Its strengths lie in the more comprehensive and up-to-date cover provided, the flexibility and modularity of its content and price, the clarity of contracts and its compliance with the latest regulatory developments, such as the ANIA – Government – Consumer Association Memorandum of Understanding and the points-system driving licence.

As regards third party liability, the no-claims bonus has been introduced for all kinds of vehicles.

The family no-claims bonus system and the option of choosing an “exclusive driver” tariff formula are expected to be extended to companies.

As regards land vehicle hull insurance, clients can choose between three forms of cover: new value (which pays out in the event of partial damage with no detriment to use), market value (with detriment to use) and total damage only. Furthermore, clients can purchase additional cover from three lines of cover – independent of each other – depending on their attitude to insurance: the “COMPACT” line is aimed at clients who are less likely to spend money on insurance, the “GLOBAL” line is aimed at clients who want complete cover and the “VIP” line is aimed at client with greater insurance requirements.

Finally, five Additional Cover packages are provided and a wide range of roadside assistance cover packages.

As regards the operations of Progestim in the context of the property enhancement process, we should point out that it is continuing with the town planning work aimed at drawing up a plan with Milan City Council for the former exhibition site of Fiera di Milano, purchased by the associated company Citylife. Furthermore, in order to take part in the tender for the management and enhancement of the property assets of Fondiaria Enasarco, Progestim has set up a temporary grouping of companies with primary operators in the field of property.

Business outlook

As we have already mentioned previously, Italy has always been one of the countries in which recourse to private insurance is traditionally modest. The plausible explanation for this trend lies in the different role that the State and the family play in the various countries. For example, unlike citizens of the main countries of the European Union, Italians have so far felt little need to provide for their pensions because, until a few years ago, workers enjoyed one of the most generous public pension systems there was. Similarly, Italian feel little need to purchase cover for health risks because the protection provided by a free and universal public health system.

However, things are changing slowly. Public provision is affected not only by a demographic risk but also by a financial risk, while the social role of the family is changing from that of a central structure providing “mutual assistance” to a less numerous and more isolated structure.

In this respect, private insurance therefore plays a decisive role in the field of complementary welfare and private care. The welfare crisis has brought the debate about privatising care to the fore again and is encouraging the re-emergence of a social public welfare function for the insurance sector.

During 2005, therefore, the development and profitability policy pursued by the Group will have to bear in mind the social role of insurance companies, further emphasizing the company’s mission to serve Italian families and companies.

The position of leadership achieved in the non-life sector will allow the Group to continue on its path to achieving economies of scale by containing costs and rationalising internal processes. The Group’s detailed knowledge of the market and ability to respond to customer requirements by providing flexible and personalised products will allow the positive phased of the motor insurance cycle to be stabilised, which will also have an effects on market shares.

Development will also continue, albeit prudently and selectively, in the non-motor business, in order to increase our market share in the corporate sector.

These aims will also be supported by developments in all distribution channels. Aware as it is of the important social role played by the private insurance system, in the life business the company is ready to take advantage of all the opportunities presented by the welfare reform, both as regards the reform of the pension system and as a response to the lack of self-sufficiency.

We will also continue with the work that began last year on the asset and financial front, aimed at strengthening the Group, continuing with the diversification and rebalancing of the mix of investments, prioritising low risk investments and reducing debt.

CURRENT DISPUTES

The appeal lodged with the Court of Cassation by the Company – and by a number of other leading Companies – against the judgement of the Council of State of 23.04.2002, which confirmed the sanction imposed by the Italian Competition Authority on 16 Companies, including the Parent Company, for exchanging sensitive information through the company RC LOG, is still pending. On 2 December 2004, a discussion hearing was held on the appeal lodged with the Unified Sections of the Court of Cassation and a pronouncement from the Court is being awaited.

The disputes caused by the well-known “antitrust” cases brought (as of April 2001) by policy-holders of the Company continued to increase throughout 2004 in a way that exceeded expectations and is undoubtedly of concern. However, the very recent favourable sentence rendered by the Unified Sections of the Supreme Court of Cassation (no. 2207 of 4 February 2005) – which declared the lack of jurisdiction of the Justices of the Peace in judging the cases in question in favour of the Court of Appeal – should lead to a considerable reduction in the number of new cases (specifically because they have to be lodged with the Court of Appeal and are therefore more expensive for our opponents) as well as to the resolution of the current cases, without any sentence being rendered against the Company.

In fact, the Justices of the Peace will be required to comply with the decision of the Unified Sections and limit themselves to stating their lack of jurisdiction, without making any pronouncement on the merits. However, there is still a possibility that some Justices of the Peace may decide differently. In any case, the estimate of costs for 2005 is undoubtedly destined to fall considerably from the levels reached in the past two financial years.

As at 31 December 2004, there were 11,000 cases pending. The provision for risks and charges contains the costs that the Company would be likely to incur if it should lose the cases.

We should point out that with regard to the subsidiary Milano Assicurazioni there were 3,600 cases pending as at 31 December 2004.

During the month of June 2004, a deed of transition was signed with regard to the court action that followed the merger by incorporation, in 1995, of Compagnia Latina Assicurazioni S.p.A. into La Fondiaria Assicurazioni S.p.A.

We should remind you in this respect, which referring you to the annual report for 2003 for further details, that the Court of Milan made a definitive pronouncement on this case, rendering a judgement following the case brought by a number of shareholders of LATINA who, following the aforesaid merger, took action aimed at having the incorporating Company sentenced to compensate them for the damages that they alleged they had sustained as a consequence of the merger.

We should remind you that the investigating magistrates agreed with the statements made by the expert witness and fixed the compensation payable to the plaintiffs at approximately € 1.7 million, including interest, revaluation and legal fees.

During the time allowed for an appeal, the possibility has been put forward of settling the case with the largest group of plaintiffs in respect of whom the Court has denied or only partially accepted the right to compensation for damages, with reference to their status as shareholders, for the shares owned by them.

This denial of the right to compensation concerns over 1.2 million savings shares and over 200,000 ordinary shares, in respect of which the appropriate documentation has been supplied during the negotiation. If these shares had been admitted for compensation during the appeal proceedings, according to the criteria set by the Court, the Company would have faced a further disbursement, including interest and revaluation, estimated at around € 1.2 million.

The settlement agreement relating to the aforesaid shares amounts to an all-inclusive sum of € 640,000.

This agreement eliminates any further possibility of a dispute the plaintiffs may have threatened at the time the settlement was reached, given that they did not agree with the assessments made by the Court in the aforesaid judgement.

The seven cases brought against the Company by a number of shareholders of the incorporated company La Fondiaria Ass.ni S.p.A. are still at the investigation stage. They demand fulfilment of the duties associated with a take-over bid, the existence of which has apparently been proven, according to the plaintiffs, by Consob, as stated in the latter's press release of 18 December 2002.

The cases currently pending involve your Company as well as Mediobanca and – with the exception of one of them – Premafin, which are considered to be jointly liable with Fondiaria-SAI.

In one of the aforesaid proceedings, even though your Company has been summoned, no claim for compensation has been made against it.

The writs of summons state that the plaintiffs apparently sustained damages when the aforesaid Companies, in executing an agreement existing between them, acquired control of La Fondiaria Ass.ni S.p.A., eluding their take-over bid duties.

The damages are quantified by the various counterparts according to multiple – and debatable – criteria, although essentially they believe that the damages result from the difference between the value of the share based on the take-over bid price and the price that the share reached after events that are considered relevant by the plaintiffs.

The total compensation claimed from the Company jointly with the other Companies in court amounts to € 110,000,000 in capital.

The Company has regularly appeared in Court to contest the reconstruction of events and the legal arguments.

Its defence briefs, apart from contesting the existence of an agreement with Mediobanca and the interpository nature of the investors who purchased the Fondiaria shares from Montedison, state that if the need for a take-over bid had been determined in time, the Company would not necessarily have had to launch one because current legislation provides for – as an alternative – the sale within a year of purchase of any shares that exceed 30% and for the freezing of the voting rights in the meantime.

Furthermore, the law relating to the sector and the consequent need for authorisation from ISVAP – which had denied it – and from the Bank of Italy made the take-over bid route difficult to implement,

Given that the investigation phase is still under way, it is difficult to predict the outcome of the proceedings.

Milan, 23 March 2005

For the Board of Directors
The Chairman
JONELLA LIGRESTI

Consolidated Accounts

Notes to the Accounts

PART A

General drafting criteria and basis of consolidation

Consolidation principles

ACCOUNTS USED FOR THE CONSOLIDATION

The consolidated accounts have been drawn up using the accounts approved by the General Meetings of Shareholders of the various Companies. In cases where the accounts are awaiting approval, the draft accounts examined by the various Boards of Directors have been consolidated. The accounts of the individual Companies have been adjusted for the purposes of consolidation and in order to make them conform to the accounting principles of the Parent Company.

CONSOLIDATION CRITERIA

- Companies included on a line-by-line basis

The consolidated accounts include the accounts of the Parent Company and those of the Companies that carry out insurance business or similar activities in which Fondiaria-SAI has a direct or indirect majority holding (more than 50% of the share capital with voting rights) or exercises effective control. Using the line-by-line basis the book value of the shareholdings is eliminated from the Parent Company's capital and reserves and the total of the subsidiary Company's assets and liabilities is amalgamated. The proportions of capital and reserves and of the consolidated profit and loss account relating to minority shareholders are shown under the appropriate items in the capital and reserves and in the profit and loss account

The negative differences between the book values in the Parent Company's accounts and the proportion of capital and reserves acquired in the subsidiary are allocated direct to the consolidated capital and reserves under Consolidation Provision, which also includes profits accrued and not distributed. The positive differences are attributed either to Land and Buildings, where the higher cost reflects the actual higher value of these assets, or to Difference arising from Consolidation if the higher cost compared with net equity at the time of acquisition reflects the expected value of future profits

- Proportional consolidation

The consolidated accounts also include the undertakings over which an undertaking included in the consolidation has joint control with other members based on agreements with them, provided that the shareholding owned is not less than the percentages indicated in Art. 2359, 3 of the Civil Code. In this event undertakings are included in the consolidated accounts in proportion to the shareholding owned.

- Consolidation using the net equity method

The subsidiary Companies that carry out non-insurance activities are valued using the net equity method.

The companies affiliated for strategic purposes, over which the Parent Company exercises considerable influence and that are important for providing a true and accurate representation of the Group's financial position and of its profits, are valued using the net equity method. In accordance with this procedure the consolidated accounts include only a proportion of the book value of the shareholding, including the profit for the year but not the values of the individual items in the accounts.

In the case of shareholdings valued in this way the positive difference between the cost of acquisition and the proportion pertaining to the net equity of the consolidated Company, if necessary adjusted to take account of any capital gains on capital assets, is shown under Difference arising from Consolidation, provided that the requirements mentioned under a) apply.

However any positive difference is allocated to the relevant provision (Provision for valuation difference of non-consolidated shareholdings) since it represents the results achieved by the participating interests prudentially not included in the value of the shareholding in the Parent Company's accounts.

- Other consolidation operations

The main operations were as follows:

- dividends paid or approved by consolidated Companies have been eliminated;
- significant capital and financial transactions between Companies in the Group have been eliminated;
- profits and losses arising from buying and selling operations carried out between Companies in the Group relating to values included in the net equity, even those consolidated using the net equity method, have been eliminated;
- adjustments have been carried out in order to standardize the accounting principles within the Group;
- the tax effect resulting from the elimination of exclusively fiscal items, from any adjustments carried out in order to standardize the criteria used to place a value on the items in the accounts and from other adjustments arising from consolidation has also been recorded where applicable.

In particular the net equity of participating interests used to determine the differences arising from consolidation, whether positive or negative, has been taken:

- in the case of shareholdings in Companies held in the portfolio on 31 December 1992, the date the Company's first consolidated accounts were drawn up, from the statement of assets and liabilities as at 31 December 1991;
- in the case of shareholdings acquired after 31 December 1992 from the statement of assets and liabilities as at the date of acquisition or, if there wasn't one, from the statement of assets and liabilities included in the official accounting document drawn up nearest to the date of acquisition;
- in the case of shareholdings already belonging to the Fondiaria Group, from the statement of assets and liabilities as at 1 January 2002 (the date on which Fondiaria was incorporated into SAI S.p.A. for accounting purposes).

DATE OF THE CONSOLIDATED ACCOUNTS

The consolidated accounts closed on 31 December 2004, the same date as the accounts of the Companies included on a line-by-line basis.

CURRENCY OF THE ACCOUNT

All amounts are expressed in Euro.

In the case of the Balance Sheets the accounts expressed in currencies other than that of the Eurozone have been converted by applying the exchange rates in force at the end of the financial year, and in the case of the Profit and Loss Accounts the half-sum of the exchange rates at the beginning and the end of the financial year.

TRANSITION TO IAS/IFRS

As a result of European Regulation 1606 of July 2002 coming into force, European companies whose shares are traded on a regulated market must adopt the IAS/IFRS accounting standards when drawing up their consolidated accounts for 2005.

On 30 December 2003, the CESR (Committee of European Securities Regulators) published a recommendation regarding the information to be supplied during the transition to IAS/IFRS.

It is worth pointing out in particular that the CESR invited companies to disseminate information about the transition only once they had sufficiently reliable data, so as to avoid disseminating misleading accounting information. In respect of this recommendation, on 17 February CONSOB published a consultation document aimed at giving, inter alia, instructions regarding a gradual transition for the periodic statements of account for 2005. ANIA and the other trade associations sent their comments by 4 March and we are awaiting publication of the final regulation.

The complexity of valuing insurance contracts was demonstrated by the IASB itself, which, as is well-known, decided to subdivide the project into two stages: the first stage was completed on 31 March 2004 with the publication of IFRS 4, while as regards the second stage, which should lead to application of a new principle inspired by the “asset and liability approach” and “fair value”, there is no exposure draft available yet.

The peculiarity of the insurance sector has also been underlined by the Council of Ministers, which provided for the so-called *doppio binario obbligatorio* (compulsory dual track accounting) in the legislative decree approved on 25 February last (“IAS decree”), on the basis of which companies that produce consolidated accounts must draw them up in accordance with international accounting principles, while the respective statutory accounts must be drawn up according to Legislative Decree no. 173/1997.

It is also worth pointing out that, under the terms of article 9, paragraph 2, of the IAS decree, ISVAP has the power to issue the balance sheet templates and to request the information required by article 6, paragraph 1, of Legislative Decree no. 173/1997.

Finally we should also point out that the ITO “Operating Guide for Transition to International accounting principles” is only available in draft form. The main objective of this document is to provide indications on the opening asset and liability

statement. As far as insurance companies are concerned, it only highlights the main impacts of applying international accounting principles.

As regards the initiatives taken, we would remind you that in July 2003 the Fondiaria-SAI Group launched a programme for implementing the IAS/IFRS by setting up working groups based on sections of the accounts and on specialist skills. These working groups initially worked on the parent company and then moved on to analysing the main operating companies.

By the end of the 2004 financial year:

- the main differences between the accounting criteria currently applied by the Fondiaria-SAI Group under legislation relating to accounts as interpreted and supplemented in accordance with Italian accounting principles and the relevant provisions of the IAS/IFRS had been identified;
- a plan of action had also been drawn up to decide on the measures required to adjust the Group's procedures and business systems so as to make them suitable for drawing up the Group consolidated accounts in accordance with the IAS/IFRS in 2005, and to supply the IAS information and data required by the CONSOB regulation as of the 2005 half-year accounts.

Based on the results of the work carried out, the main qualitative differences in terms of accounting principles that we believe will result from the adoption of the new standards will be as follows.

General principles

The most significant changes compared to the current principles for drawing up accounts relate to the greater amount of information contained in the IAS/IFRS balance sheet. In fact, according to the IAS, the balance sheet has to provide information on the asset and liability situation, on the profit and loss account for the financial year and on changes in the company's financial situation that may be useful for a wide range of users in making decisions of a financial nature. This wider scope for the balance sheet is pursued by the IAS/IFRS standards by placing the historical model, which remains valid as regards valuation of the main components of the balance sheet (e.g. tangible and intangible assets) alongside the "fair value" (mainly for financial instruments) and "present value" (for medium to long term funds) models.

Application of these new principles should translate into results that are more representative of the company's reality, even though they may be more volatile than the current ones. It is worth pointing out in any case that a great deal of the information required, including the "fair value" information on financial instruments and properties, is already available in the current notes to the accounts.

Consolidation area

The first consolidated balance sheet drawn up according to the IAS/IFRS principles on the transition date will be subject to the consolidation criteria set out in IAS 27, which differ from the current ones contained in Italian legislation, particularly as regards the consolidation of subsidiaries that perform different activities. In the case of Fondiaria-SAI we do not expect any major effects.

Insurance contracts

We have already mentioned that IFRS 4 was approved in March 2004. Among other things, this provides for contracts that have an insurance-type risk component that is not very significant, even though legally they are insurance contracts, to be recorded as financial contracts and therefore according to the rules contained in IAS 39 ("fair value" or depreciated cost). However, contracts that match the definition set out in IFRS 4 can continue to be recorded according to the current rules set by Italian accounting standards until the stage 2 document comes into force.

For "financial" policies (e.g. capitalisation policies and index and unit linked policies for which the insurance risk is not significant), contract must be classified according to the "deposit accounting" method set out in IAS 39, according to which the premiums will be written back from the profit and loss account, together with the variations in the technical reserves, and will be shown in the asset and liability statement. The profit and loss account will only show the income from contracts representing by the commissions.

The analyses so far carried out have not shown the need for any particularly significant adjustments.

Intangible fixed assets

Unlike current Italian standards, IAS 38 provides for the majority of setup and expansion costs to be recorded directly in the profit and loss account when they are incurred. During the initial application stage, the setup and expansion costs relating to increases in the share capital, financing and similar operations, are deducted from the respective net equity reserves or loans issued.

Development costs that satisfy the criteria set out in IAS 38 must however be capitalised. Other research and development costs are recorded in the profit and loss account when incurred.

The latest approved version of IAS 38 introduces the concept of intangible assets with indefinite useful lives, which will therefore no longer be subject to depreciation. This principle also extends to the goodwill arising from business combination operations. These fixed assets must undergo an annual impairment test, comparing the book value to the "recoverable value" according to IAS 36.

Tangible fixed assets

According to IAS 16, the individual components of a complex tangible asset which have different useful lives are recorded separately to be depreciated in accordance with their duration ("component approach").

The difference between the cost of the fixed asset and its presumable residual value at the end of the period of useful life must be depreciated.

Valuing property investments and other tangible fixed assets by the cost method should reduce the differences between these valuation and those carried out using national accounting principles.

Financial instruments

According to the provisions of IAS 39 "Financial Instruments: Recognition and Measurement", financial instruments are classified as follows according to the way in which the investment is used by the company:

- financial asset/liability valued at its fair value with the effects being recorded in the profit and loss account;
- investments to be held until maturity;
- loans and credits;
- financial assets available for sale.

The first category mainly covers financial assets intended for trading activities, valued at their fair value with the effects being recorded in the profit and loss statement. Investments to be held until maturity and loans and credits are valued at the cost depreciated according to the method based on calculating the actual interest rate; financial assets available for sale are valued at the fair value with the effects being recorded in the profit and loss account.

Italian accounting principles, however, do not currently provide for the fair value valuation (except for Class D assets) or for the category of financial assets available for sale.

On the basis of the above, it is clear that the fourth category "assets available for sale" will definitely be the one most used.

Basis of consolidation

As at 31/12/2004, the Fondiaria-SAI Group consisted of 100 companies, including the Parent Company. The companies consolidated on a line-by-line basis were 55 and those consolidated using the net equity method were 17. The remaining ones were valued at their book value or consolidated using the proportional method. There were 83 subsidiaries, of which 36 were controlled directly by the parent company. The companies with registered offices abroad were 15.

During 2004, the process of company integration continued, with the aim of rationalising and concentrating some of the companies in the Group in order to make greater use of the structural and process synergies. The consolidation area of the Fondiaria-SAI Group therefore underwent the following changes:

- transfer of the entire shareholding in the insurance company PROFILO LIFE;
- transfer of the shareholding in SAISICAV SA carried out by the subsidiary SAINTERNATIONAL;
- increase in the direct shareholding in SASA Spa from 88.78% to 94.98%;
- acquisition of the remaining 40% of the direct shareholding in WEBB@TI S.p.A.;
- purchase made by Saifin-Saifinanziaria of the remaining 50% in MY FIN;
- purchase by the subsidiary SCAI S.p.A. of the remaining 40% in PRIM SISTEMI S.r.l.;
- reduction of the direct shareholding in MILANO ASSICURAZIONI from 64.41 to 61.11, and of the indirect shareholding from 3.28 to 2.56;
- transfer of the entire shareholding in the subsidiary MERCANTILE LEASING S.p.A.;
- sale of IDTEL S.p.A.;
- setting-up of the holding company FONSAI MB&A MERCHANT BANKING, 100% controlled by SRP asset management S.A.;
- incorporation of COFIMO SIM S.p.A. into SAI SIM S.p.A.;
- incorporation of P.R.I.M. SISTEMI Srl into SCAI S.p.A.;
- incorporation of FINEURAS S.p.A. into SAI HOLDING ITALIA S.p.A.;
- incorporation of AZIENDA AGRICOLA RI.MA S.p.A. into SAIAGRICOLA S.p.A.;
- incorporation of HOLDING ASSICURAZIONI AFFINITY GROUP S.p.A. and of AZZURRA ASSICURAZIONI S.p.A. into the Parent Company;
- incorporation of SIS COMPAGNIA DI ASSICURAZIONI S.p.A. into MILANO ASSICURAZIONI S.p.A.;
- incorporation of EFFE INVESTIMENTI SIM S.p.A. into BANCA SAI S.p.A..

Finally we should point out that the property company GIULIO CESARE changed its company name to CITYLIFE S.r.l., that the company SAI GESTIONI SIM S.p.A. changed its company name to SAI MERCATI MOBILIARI SIM S.p.A. and that, in accordance with article 2359, paragraph 1, no. 3, of the Civil Code, Fondiaria-SAI controls the service company WAVE TECHNOLOGY S.r.l., even though it does not have a shareholding in the company itself.

	Percentage control			Group holding
	Sector	Direct	Indirect	
SUBSIDIARIES Companies consolidated on a line-by-line basis:				
BIM VITA S.p.A. Turin Share cap. € 7,500,000	Insurance	50.-		50.-
CASCINE TRENNO S.r.l. Turin Share cap. € 10,000	Property		PROGESTIM 100.-	100.-
COLPETRONE S.r.l. Umbertide (PG) Share cap. € 10,000	Agriculture		SAIAGRICOLA S.p.A. 100.-	97.80
CONSORZIO CASTELLO Florence Share cap. € 51,000	Property		NUOVE INIZIATIVE TOSCANE S.r.l. 99.66	98.53
Dialogo Assicurazioni S.p.A. Milan Share cap. € 8,831,774	Insurance		MILANO ASSICURAZIONI S.p.A. 99.85	63.57
DOMINION INSURANCE HOLDING Ltd London Share cap. GBP 35,438,267.65	Financial	100.-		100.-
EFFE FINANZIARIA S.p.A. Florence Share cap. € 516,500	Financial		THE LAWRENCE RE Ltd 100.-	100.-
EFFE SERVIZI S.r.l. Florence Share cap. € 45,900	Services	60.-	MILANO ASSICURAZIONI S.p.A. 40.-	85.47
EFFE VITA Compagnia di Ass.ni sulla Vita S.p.A. Florence Share cap. € 6,240,000	Insurance	100.-		100.-
EUROPA TUTELA GIUDIZARIA S.p.A. Milan Share cap. € 5,160,000	Insurance	100.-		100.-
EUROSAI FINANZIARIA DI PARTECIPAZ. S.r.l. Turin Share cap. € 1,305,600	Financial		SAINTERNATIONAL S.A. 99.- SAIFIN-SAIFINANZIARIA S.p.A. 1.-	100.-
FINSAI INTERNATIONAL HOLDING S.A. Luxembourg Share cap. € 22,801,140	Financial	38.526	SAILUX S.A. 61.474	100.-
FIRST LIFE S.p.A. Turin Share cap. € 10,329,000	Insurance		SAI HOLDING ITALIA S.p.A 100.-	100.-
FONDIARIA NEDERLAND B.V. Amsterdam Share cap. € 19,070	Financial	100.-		100.-

	Percentage control			
	Sector	Direct	Indirect	Group holding
FONDIPREV Compagnia di Ass.ni sulla Vita S.p.A Florence Share cap. € 6,240,000	Insurance	40.-	MILANO ASSICURAZIONI S.p.A 60.-	78.20
IENA PRESBOURG S.A. Paris Share cap. € 60,979.61	Property		SIMETOILE S.A. 99.80	99.80
INSEDIAMENTI AVANZATI NEL TERRITORIO I.A.T A.p.A Rome Share cap. € 2,580,000	Property		PROGESTIM 100.-	100.-
INTERNATIONAL STRATEGY S.r.l Turin Share cap. € 26,000	Property	100.-		100.-
LAWRENCE LIFE A.G Vaduz (Lie.) Share cap. CHF 5,000,000	Insurance		THE LAWRENCE LIFE ASS. CO Ltd 99.90	99.90
MAA FINANZIARIA.S.p.A. Milan Share cap. € 774,000	Financial		NUOVA MAA ASSICURAZIONI S.p.A. 100.-	63.67
MERIDIANO BELLARMINO S.r.l Turin Share cap. € 10,000	Property		PROGESTIM S.p.A. 100.-	100.-
MERIDIANO BRUZZANO S.r.l Turin Share cap. € 10,000	Property		PROGESTIM S.p.A. 100.-	100.-
MERIDIANO EUR S.r.l Milan Share cap. € 10,000	Property		MILANO S.p.A. 100.-	63.67
MERIDIANO ORRIZONTI S.r.l Milan Share cap. € 10,000	Property		MILANO S.p.A. 100.-	63.67
MERIDIANO PRIMO S.r.l Turin Share cap. € 10,000	Property		PROGESTIM S.p.A. 100.-	100.-
MERIDIANO RISPARMIO S.r.l Milan Share cap. € 10,000	Property	100.-		100.-
MERIDIANO SECONDO S.r.l Turin Share cap. € 10,000	Property		PROGESTIM S.p.A. 100.-	100.-
MILANO ASSICURAZIONI S.p.A Assago Milanofiori (MI) Share cap. € 238,569,327.88	Insurance	61.11	EFFE FINANZIARIA 1.812 NOVARA VITA 0.021 PRONTO TUTELA 0.071 SAI HOLDING 0.664	63.67
NOVARA DANNI S.p.A Novara Share cap. € 13,000,000	Various		MILANO ASSICURAZIONI S.p.A. 100.-	63.67
NOVARA VITA S.p.A. Novara Share cap. € 54,500,000	Insurance		SAI HOLDING ITALIA S.p.A. 50.-	50.-

	Percentage control			
	Sector	Direct	Indirect	Group holding
NUOVE INIZIATIVE TOSCANE S.r.l. Florence Share cap. € 26,000,000	Property	96.88	MILANO ASSICURAZIONI S.p.A. 3.12	98.87
PORTOFINO VETTO S.r.l. Florence Share cap. € 10,400	Property	100.-		100.-
PROGESTIM – Societa di Gestione Immobiliare S.p.A. Turin Share cap. € 300,000,000	Property	100.-		100.-
PRONTO ASSISTANCE S.p.A. Turin Share cap. € 2,500,000	Insurance	100.-		100.-
PRONTO TUTELA GIUDIZIARIA COMPAGNIA DI ASSICURAZIONI S.p.A. Turin Share cap. € 1,500,000	Insurance		PRONTO ASSISTANCE S.p.A. 100.-	100.-
SAIAGRICOLA S.p.A. Turin Share cap. € 50,000,000	Agriculture	92.004	MILANO S.p.A. 6.804 PRONTO ASSISTANCE S.p.A. 1.192	97.53
SAIFIN-SAIFINANZIARIA S.p.A. Turin Share cap. € 102,258,000	Financial	100.-		100.-
SAINTERNATIONAL S.A. Luxembourg Share cap. € 154,000,000	Financial	99.999		99.999
SAI HOLDING ITALIA S.p.A. Turin Share cap. € 143,100,000	Financial	100.-		100.-
SAILUX S.A. Luxembourg Share cap. € 30,000,000	Financial		SAIFIN-SAIFINANZIARIA S.p.A. 99.99 FINSAI INT. 0.010	100.-
SANTA MARIA DEL FICO S.r.l. Umbertide (PG) Share cap. € 78,000	Agriculture		SAIAGRICOLA S.p.A. 100.-	97.80
SASA ASSICURAZIONE RIASS. S.p.A. Trieste Share cap. € 52,000,000	Insurance	94.98		94.98
SASA VITA S.p.A. Trieste Share cap. € 8,500,000	Insurance	50	SASA ASS.RIASS. S.p.A. 50	97.49
SERVICE GRUPPO FONDIARIA S.r.l. Florence Share cap. € 104,000	Services	70.-	MILANO ASS.NI S.p.A. 30.-	89.10

	Percentage control			
	Sector	Direct	Indirect	Group holding
SIAT SOCIETA ITALIANA ASSIC. E RIASS. S.p.A. Genoa Share cap. € 38,000,000	Insurance		SAI HOLDING ITALIA S.p.A. 87.816	87.816
SIM DEFENSE S.A. Paris Share cap. € 24,429,955.01	Property		SIM ETOILE S.A. 99.99 IENA PRESBOURG S.A. 0.010	100.-
SIM ETOILE S.A. Paris Share cap. € 3,048,980.30	Property	100.-		100.-
SRP ASSET MANAGEMENT S.A. Lugano Share cap. CHF 1,000,000	Services		SAINTERNATIONAL S.A. 100.-	100.-
STIMMA S.r.l Florence Share cap. € 10,000	Property	100.-		100.-
SYSTEMA Compagnia di Ass.ni S.p.A Milan Share cap. € 5,164,600	Insurance		MILANO ASS.NI S.p.A 100.-	63.67
THE LAWRENCE RE IRELAND Ltd Dublin (IRL) Share cap. € 125,000	Insurance		FONDIARIA NED. 100.-	100.-
THE LAWRENCE LIFE ASSURANCE CO. Ltd Dublin (IRL) Share cap. € 802,866	Insurance		FONDIARIA NED. 100.-	100.-
TRENNO OVEST S.r.l Turin Share cap. € 10,000	Property		PROGESTIM S.p.A 100.-	100.-
UNISERVIZI GRUPPO FONDIARIA S.C.a.r.l Milan Share cap. € 5,200,000	Services	38.50	MILANO ASS.NI S.p.A 56.80 EFFE VITA 1.- SYSTEMA COMPAGNIA 1.- STIMMA 1.- DIALOGO ASS.NI 0.10 EFFE GESTIONI 0.10 EUROPA TUT.GIUD. 0.10 FINALIA 0.10 THE LAWRENCE RE IRELAND 0.10 THE LAWRENCE LIFE ASS. 0.10 BANCA SAI 0.10	77.92
VILLA RAGONERI S.r.l Florence Share cap. € 78,000	Property	100.-		100.-

	Percentage control			
	Sector	Direct	Indirect	Group holding
Companies consolidated using the proportional method				
PO VITA COMPAGNIA DI ASSICURAZIONI S.p.A. Parma Share cap. € 90,200,000	Insurance		SAI HOLDING ITALIA S.p.A. 50.-	50.-
Companies valued using the net equity method				
ASSI CAPITAL S.r.l. Turin Share cap. € 475,000	Services	99.-	SAIFIN-SAIFINANZIARIA S.p.A. 1.-	100.-
AZZURRASI S.p.A. Turin Share cap. € 10,329,000	Insurance		SAI HOLDING ITALIA S.p.A. 100.-	100.-
BANCASAI S.p.A. Turin Share cap. € 56,677,161	Banking	80.47		80.47
CASA DI CURA VILLA DONATELLO S.p.A Florence Share cap. € 361,200	Services	100.-		100.-
CASA DI CURA VILLANOVA S.r.l Florence Share cap. € 182,000	Services	100.-		100.-
CONSULENZA AZIENDALE PER L'INFORMATICA SCAI S.p.A. Turin Share cap. € 1,040,000	Services	30.07		30.07
EFFE GESTIONI SGR S.p.A. Milan Share cap. € 5,000,000	Asset management	100.-		100.-
FINITALIA S.p.A Milan Share cap. € 13,865,000	Financial	40.-	MILANO ASS.NI S.p.A. 60.-	78.20
MY FIN S.p.A. Milan Share cap. € 17,513,000	Financial		SAIFIN-SAIFINANZIARIA S.p.A. 100.-	100.-
PRONTO ASSISTANCE SERVIZI S.p.A. Turin Share cap. € 516,000	Services		PRONTO ASSISTANCE S.p.A. 60.- SAIFIN-SAIFINANZIARIA S.p.A 40.-	100.-
SAI MERCATI MOBILIARI SIM S.p.A. (EX SAI GESTIONI SIM S.p.A) Milan Share cap. € 20,000,000	Asset intermediation	100.-		100.-

	Percentage control			Group holding
	Sector	Direct	Indirect	
SAI INVESTIMENTI S.G.R. S.p.A. Turin Share cap. € 3,913,588	Asset management	60.-	MILANO ASS. 40.-	85.47
SOGEINT S.r.l Milan Share cap. € 10,000	Other		MILANO ASS. 100-	63.67
STARVOX S.p.A Turin Share cap. € 258,000	Services	100.-		100.-
WEBB @IT S.p.A. Turin Share cap. € 1,000,000	IT Services	100.-		100.-

	Percentage control			
	Sector	Direct	Indirect	Group holding
Companies valued at their book value				
AGRISAI S.r.l. Turin Share cap. € 61,000	Services		SAIAGRICOLA S.p.A. 99.- SAIFIN-SAIFINANZIARIA S.p.A. 1.-	97.82
DELTAPRIME S.r.l. Turin Share cap. € 24,500	Services		SCAI S.p.A 51.02	15.34
EURO C.S.S.r.l. Venice Share cap. € 400,000	Services		SCAI S.p.A 51.-	15.34
MERIDANO TERZO S.r.l. (ex FINANZA & PREVIDENZA S.p.A.) Turin Share cap. € 10,000	Other		SAI HOLDING S.p.A 51.-	15.34
FONSAI MB & A SPA MERCHANT BANKING & ADVISORY Milan Share cap. € 800,000	Financial		SRP 100.-	100.-
ITAL IBERIA PROYECTOS Y PROMOCIONES INMOBILIARIAS S.A. (ex ITAL IBERIA C.IA ESP DE SEG. SA (in liquidation)) Barcelona Share cap. € 2,030,000	Insurance		100.-	100.-
LOGISTIQUE, CONSEILS, SERVICES S.A. Paris Share cap. € 38,200	Services		SIAT 94.92	83.36
MERIDIANO AURORA S.r.l. Milano Share cap. € 10,000	Property		100.-	100.-
SAI SISTEMI ASSICURATIVI S.r.l. Turin Share cap. € 51,000	Services	99.-	SAIFIN-SAIFINANZIARIA S.p.A. 1.-	100.-
SALEVOX S.r.l. Turin Share cap. € 50,000	Services		STARVOX S.p.A. 90.-	90.-
SERVICE VOX S.r.l. – in liquidation Turin Share cap. € 10,000	Other		STARVOX S.p.A. 51.-	51.-
TELVOX S.r.l. Turin Share cap. € 150,000	Services		SCAI S.p.A 100.-	30.07

	Percentage control			
	Sector	Direct	Indirect	Group holding
ASSOCIATED COMPANIES				
Companies valued at their book value:				
FINADIN S.p.A. Milan Share cap. € 50,000,000	Financial		SAIFIN - SAIFINANZIARIA S.p.A 40.-	40.-
AFFILIATED COMPANIES				
Companies valued using the net equity method				
SITEMI SANITARI S.p.A Milan Share cap. € 1,872,00	Other	22.54	MILANO ASS.NI S.p.A 25.71	38.91
SOCIETA' FUNIVIE DEL PICCOLO S. BERNARDO S.p.A La Thuile (AO) Share cap. € 9,213,417.5	Other		PROGESTIM S.p.A. 27.38.-	27.38
Companies valued at their book value:				
BORSETTO S.r.l. Turin Share cap. € 1,032,913.81	Property		PROGESTIM S.p.A. 31.-	31.-
FIN. PRIV S.r.l. Milan Share cap. € 20,000	Financial	28.57		28.57
FINART S.p.A. Venice Marghera Share cap. € 699,550	Services	40.59		40.59
CITY LIFE S.r.l. (ex GIULIO CESARE S.r.l.) Milan Share cap. € 10,000	Property		PROGESTIM S.p.A. 26.64	24.-
INFOMEDIA ITALIA IMI S.r.l. Turin Share cap. € 52,000	Services		SCAI S.p.A 20.-	6.01
MB VENTURE CAPITAL FUND I PARTICIPATING COMP. DI N.V. Amsterdam Share cap. € 50,000	Other	30.-		30.-
RITA S.r.l. Milan Share cap. € 5,720,000	Services	16.25	MILANO ASS.NI S.p.A 8.561 PRONTO TUTELA S.p.A 0.024 SASA S.p.A. 0.118 SIAT S.p.A 0.245 SYSTEMA S.p.A 0.037	22.08

	Percentage control			Group holding
	Sector	Direct	Indirect	
SERVIZI IMMOBILIARI MARTINELLI S.P.A. Cinisello Balsamo (MI) Share cap. € 100.000	Property		PROGESTIM S.p.A. 20.-	20.-
SOCIETA' FINANZ. PER LE GESTIONI ASSICURATIVE S.R.L. in liquidation Roma Share cap. € 47,664,600	Financial	14.907	MILANO ASS.NI S.p.A 7.504	19.68
SOAIMPIANTI – ORGANISMI DI ATTESTAZIONE S.p.A	Other	20.-		20.-
UFFICIO CENTRALE ITALIANO S.r.l Milan Share cap. € 510,000	Other	14.136	SIAT S.p.A. 0.095 MILANO ASS. S.p.A,	21.21

PART B

Valuation Criteria

The valuation criteria, which remain unchanged from the previous year, are the following:

Goodwill

Goodwill acquired for a valuable consideration is recorded in the assets and systematically depreciated over a limited period deemed to be commensurate with the useful life of the asset in view of the expected profitability of the business to which it relates.

Difference arising from consolidation difference

The difference arising from consolidation includes the positive difference between the amount paid and the current value of the proportion of the net equity of the consolidated undertaking acquired, after any allocation to the assets and liabilities. These differences are systematically written down starting in the year of formation over a limited period deemed to be appropriate in view of their useful life. The recoverability of the proportion not written down is reexamined from time to time.

Land and buildings and provision for depreciation

Land and buildings are shown in the accounts, net of depreciation, at the cost of acquisition or of construction plus additional charges and any write-ups, even when merger deficits are allocated.

Improvement, conversion and rebuilding costs are capitalized if they result in an increase in the useful life of the assets and their earning potential. The property of some subsidiary Companies is recorded at the book value of the Companies concerned, plus any increase in value at the time of acquisition.

Land and buildings used by the undertaking during the year are written down at the rate of 3%.

In order to enable the work required to maintain property in its original condition to be carried out a Property Maintenance Fund has been set up based on the estimated cost of the maintenance work required to return the buildings to their original standard. The costs incurred are drawn from the fund annually.

Long-term investments

Unless their accounts are consolidated on a line-by-line basis subsidiary and affiliated Companies are valued as indicated in Part A – General Drafting Criteria and Basis of Consolidation.

Italian and foreign shareholdings and bonds classed as 'long-term' are valued, in accordance with Art. 16 p. 3 of Legislative Decree 173/1997, at the purchase cost, possibly adjusted in previous years, or the long-term value recorded at the end of the financial year, whichever is the lower. The reductions in value are readjusted in subsequent accounts if the reasons for the adjustments carried out no longer apply.

The purchase cost is determined using the weighted average method adjusted to take account of the issue and trading spreads and any previous write-downs or write-ups of the original cost. In the case of securities issued or acquired without coupons, the original purchase cost is increased in proportion to the annual amount of the difference between the purchase cost and the face value encashable on

maturity, net of any advance withholding tax. The value at the end of the financial year is based on the following criteria:

- in the case of listed fixed-yield securities, the value resulting from the arithmetic average of the market prices quoted during the final half of the financial year;
- in the case of listed shareholdings, the value resulting from analyses carried out in order to determine their recoverable value, although not in the short term;
- in the case of unlisted shareholdings, the normal value determined by taking account of a proportion in the drop in the value of assets in the most recent accounts;
- in the case of unlisted fixed-yield securities, the normal value determined by reference to the price of securities with similar characteristics or based on other objective elements.

Short- and medium-term investments

In accordance with Art. 16 p. 6 of Legislative Decree 173/1997 Italian and foreign shareholdings and bonds that make up 'short- and medium-term' investments are recorded at their purchase cost, possibly adjusted in previous years, or at their presumed disposal value based on the trend in the market if this is lower. Reductions in value are not maintained in the accounts for subsequent years unless there is a good reason.

The purchase cost is determined using the weighted average method adjusted to take account of any previous write-downs or write-ups of the original cost. In the case of implicit-interest securities the original purchase cost is increased, pro rata temporis and net of any advance withholding tax, by the issue spreads and by the differences between the purchase cost and the face value encashable on maturity.

The disposal value is based on the following criteria:

- in the case of shareholdings, including own shares, and listed fixed-yield securities, the value resulting from the arithmetical average of the market prices in the final month of the financial year;
- in the case of unlisted shareholdings, the normal value determined by taking account of a proportion in the drop in the value of assets in the most recent accounts;
- in the case of unlisted fixed-yield securities, the normal value determined by reference to the price of securities with similar characteristics or based on other objective elements

Investments for the benefit of the holders of Life assurance policies who bear the risk and investments arising from pension fund management

In accordance with Art. 16 p. 8 of Legislative Decree 173/1997 these investments, which relate to index-linked and unit-linked products and to open-end pension funds, are recorded at their current value as laid down in Art. 17 para. 2 of the Legislative Decree.

Repo contracts

The countervalue of securities acquired 'spot' are recorded under Miscellaneous Financial Investments and that of securities sold 'spot' are recorded under Creditors and Other Liabilities.

The interest and the differences between the 'spot' and the 'forward' countervalues are recorded under Income from Other Investments or Investment Charges. If there are any operations outstanding at the end of the year the revenue is allocated using the pro-rata temporis method.

Derivatives

Premiums collected and paid for options on securities and currencies are recorded under Creditors and Other Liabilities and Investments respectively.

If the option is not exercised before it expires the premium is allocated to Income from Investments or Investment Charges, whilst if the underlying asset is acquired or sold the premiums exercised adjust its book value or the selling price. However if the liability is regulated they are recorded under Income from Investments or Investment Charges. When the options in existence at the end of the year are being valued, in the case of long-term assets account is taken of trading in the underlying securities or currency bearing in mind their recoverable value, although not in the short term, or in the case of short- and medium-term assets their list prices. In the latter case, if there is no list price, valuation is based on a prudent assessment of their presumed disposal value. Operations in derivatives intended to cover investments and loans are valued in line with their underlying assets. Any capital losses resulting from valuations of existing policies are allocated as a prudential measure to the Provision for Risks and Charges.

Income from securities

Accrued interest receivable, the issue spreads and the spreads between purchase cost and face value encashable on maturity are recorded in the profit and loss account in accordance with the principle of annual matching. Dividends are recorded in the year in which they are paid. Capital gains or capital losses arising from trading securities are recorded in the profit and loss account for the year in which the contracts of sale in question are concluded. The positive result of any forward sales of debt securities is recorded at the time payment is made.

Premium income for the year

In accordance with Art. 45 of Legislative Decree 173/97 gross premium income recorded includes the amounts accrued during the year on insurance policies.

Acquisition charges on multiyear policies

Prepaid commissions due to intermediaries for the acquisition of multiyear policies are capitalized and written down on the basis of the average duration of the policies to which they relate. In the case of Life business depreciation is subject to the limits of the policy loading. The future usefulness of the amount prepaid that is still to be written down is periodically reexamined. All other charges incurred in acquiring risks relating to multiyear policies and in managing them are reflected in the profit and loss account for the year in which they are incurred

Tangible assets and stocks

These assets are recorded in the accounts at the cost of acquisition and written down on the basis of their expected remaining useful life. The depreciation rates applied are the maxima allowed under tax legislation.

Receivables

Receivables from policyholders for premiums are recorded on the basis of their presumed disposal value, net of write-downs carried out in accordance with analytical and flat-rate procedures that take account of individual classes of business and of trends in receipts. Other receivables are recorded at their presumed disposal value.

Technical provisions for direct business

The general regulations on technical provisions, as laid down in Art. 31 of Legislative Decree 173/97, provide for the principle under which the level of provisions must always be sufficient to enable enterprises to meet liabilities underwritten under insurance policies as far as can be reasonably foreseen. These give rise to the following accounting principles:

Provision for Non-Life unearned premiums

Art. 32 of Legislative Decree 173/97 lays down the duty to record the provision for unearned premiums under two different items, 'provision for premium portions' and 'provision for unexpired risks'.

Provision for premium portions

For all classes of business this is calculated using the pro-rata temporis method on the basis of the gross premiums recorded net of acquisition expenses, as mentioned in Arts 51 and 52 of the Decree.

In the case of risks arising from Hail and Nuclear Power, the calculation principle applied is that laid down in the Ministerial Decree of 23 May 1981.

In the case of Receivables the provisions of the Ministerial Decree of 22/6/82 are also applied, whilst in the case of Bonds the provision was supplemented in accordance with the provisions of ISVAP Ruling 1978/2001. In the case of Other Damage to Property, Fire, Accident and Goods in Transit further amounts were set aside for risks arising from natural disasters, as provided for in the Ministerial Decree of 15 June 1984.

Provision for unexpired risks

In accordance with Art. 32 of Legislative Decree 173/97 this component of the provision for unearned premiums is intended to ensure that after the end of the financial year the undertaking can meet all the costs arising from losses that could affect the policies for which provisions for premium portions are set up.

The method used for calculating the amount to allocate to this provision is the empirical method, as suggested by the Supervisory Authority in its circular 360/D of 21 January 1999.

Provision for Non-Life outstanding claims

The provision for outstanding claims represents the total amount of the sums required, based on a prudent estimate using objective elements, to pay claims outstanding at the end of the year and the expenses incurred in handling these claims.

The provision for outstanding claims was valued in accordance with the provisions of Art 33, para. 2 of Legislative Decree 173/97, using the final cost as the basis for calculation, in order to take account of all future foreseeable charges, based on the historical and expected figures. The provision also includes an estimate of claims incurred but not reported at the end of the financial year.

The provision for outstanding claims recorded in the accounts is the result of a complex multiphase technical valuation, which derives from an initial valuation carried out by analysing individual items outstanding, or by using average costs for the current year in MV TPL, followed by the process entrusted to the company's head office which uses statistical actuarial methods to determine the level of the final cost of claims.

Other technical provisions

In accordance with the provisions of Art. 25 of Legislative Decree 175 of 17 March 1995 these include the provision for ageing set up for multiyear health insurance policies from which the Company has waived its right to withdraw. The provision was calculated in accordance with the provisions of paragraph 3 of the Article in question.

Equalization provisions

These contain the sums set aside in implementation of Art. 12, para. 1 of Legislative Decree 691 of 19 December 1994 relating to the procedures for setting up the equalization provision for risks arising from natural disasters and the equalization provision for Credit business provided for by Legislative Decree 175/95.

Life technical provisions

The mathematical provision for direct Life assurance business is calculated analytically for each policy, based on the liabilities alone without deductions for policy acquisition expenses and on actuarial assumptions (technical rates of interest, demographic models of elimination through death or disability and operating costs) used to calculate the premiums for existing policies. In no case are the mathematical provisions lower than the surrender values. The ratio of premiums to proportions of annual premiums pertaining to the following year is included in the technical provisions.

The mathematical provisions include inter alia the additional provision relating to policies providing benefits that are subject to revaluation, as provided for in ISVAP Ruling 1801-G of 21 February 2001 and in Art. 25 para. 12 of Legislative Decree 174/95.

Technical provisions where the investment risk is borne by the policyholders and provisions arising from pension fund management

These categories include provisions relating to all the products that have the characteristics mentioned in Art. 30, paras 1 and 2 of Legislative Decree 174/95, which are calculated analytically for each separate policy in accordance with the general procedures applying to other Life technical provisions and the technical provisions arising from open-end pension fund management.

These provisions reflect as closely as possible the value of the underlying assets

Technical provisions borne by reinsurers

The provisions borne by the reinsurers include the relevant amounts determined in accordance with the contractual reinsurance agreements based on the gross amounts of the technical provisions. In particular the provision for unearned premiums is calculated with reference to Art. 32 of Legislative Decree 173/97 provision for gross unearned premiums

The Life technical provision borne by the INA/CONSAP reinsurer was determined in accordance with the instructions issued by the supervisory body in its circular 357/D of 12 January 1999 as subsequently amended and supplemented.

Inward reinsurance

Some of the premiums and costs of reinsurance risks written already notified by assignors are recorded in capital accounts and allocated to the profit and loss account for the following year. This time-lag is due to the fact that it is impossible to have all the figures available in time for the accounts to be drawn up. The technical provisions are recorded in the accounts on the basis of information provided by the ceding companies. In accordance with the provisions of para. 2 of Art. 39 of Legislative Decree 173/97 this information is subjected to careful and independent scrutiny, and if any discrepancies are revealed adjustments are carried out such as to ensure that the sums set aside are sufficient.

Provisions for risks and charges

These are set up to meet non-technical-insurance risks where the amount or the date of occurrence is not known.

Fund for long-service bonuses in accordance with Art. 30 of the CCNL (Contratto Collettivo Nazionale di Lavoro – National Collective Labour Agreement)

This fund is set up to cover all the employees of the insurance companies who by the end of the year had completed their 20th and 30th year of service based on their annual salary as at 31 December 2004 and in proportion to the bonus due on completion of the 25th and 35th year of service. The fund is used for bonuses granted and recalculated at the end of each financial year.

Staff leaving indemnity

This fund is set aside on the basis of current contracts of employment and in accordance with the criteria laid down in Art. 5 of Law 297 of 29 May 1982 governing the staff leaving indemnity.

The charge deriving from the renewal of contracts is retroactive and is recorded when these agreements come into effect.

Adjustment accounts

Prepayments and accrued income and deferred income and accrued liabilities are calculated on a time basis in such a way that the accounts reflect the matching concept.

Guarantees, commitments and other memorandum accounts

These are recorded in the accounts at the countervalue of the commitments taken on or at the countervalue of the guarantees given or received.

Corporation tax for the year

Corporation tax is based on assessment of the current and deferred tax burden. Direct taxes for the period are based on current tax legislation. If there are any temporary differences between the operating result and taxable income, the tax temporarily deferred is based on the nominal tax rate and the appropriate adjustments are carried out if it turns out that a different rate applies from the rate applied in the year in question.

Advance taxes are recorded only if it is reasonably certain that they can be recovered from the expected taxable income.

However liabilities for deferred taxes are recorded in the accounts if they derive from taxable temporary differences. As a prudent measure deferred taxes relating to higher values not recognised for tax purposes are set aside, for write-ups of investments carried out for the purpose of allocating the unredeemed merger deficit arising from the incorporation of Fondiaria Assicurazioni S.p.A., where it is likely that these higher values will generate higher taxable income. No amounts are set aside for taxes on provisions of net capital and reserves that are taxable if they are distributed since they are not likely to be distributed. Deferred taxes are recorded under corporation tax and their capital contra-entry is recorded under 'Other assets' or in 'Provision for taxes'.

As of the current financial year, deferred taxes payable resulting from the option now available of deducting the negative components referred to in article 109, paragraph 4, letter b), of Legislative Decree 344/03 from the taxable income, are also recorded.

Operations in foreign currency

Operations in foreign currency are recorded by using a system of multicurrency bookkeeping. Thus the balances on accounts expressed in foreign currency are shown in the accounts converted into Euro by applying the rates of exchange in force at the end of the financial year. The results of conversion are allocated to the profit and loss account under 'Other income' if they are positive or under 'Other Charges' if they are negative. Only shareholdings deemed to be long-term are maintained at the historical exchange rate, provided that any worsening of the exchange rates is not the expression of a permanent loss of value.

PART C**Information on the balance sheet and consolidated profit and loss account**

In accordance with the provisions of Legislative Decree 173/97 we show here the variations in the level of individual items on the asset side, on the liability side and in the consolidated profit and loss account.

The necessary adjustments have been made in cases where the previous year's items are were not comparable with those of the current year.

However instances where items are not comparable, any adjustments or instances where it is impossible to make any adjustments are shown in the notes to the individual items.

BALANCE SHEET – ASSETS

Section 1

INTANGIBLE ASSETS (Item B)

These consist of the following:

(€K)	2004	2003	Variation
Acquisition commissions to be written down viz:	294,252	254,501	39,751
- Non-Life business	260,782	217,493	43,289
- Life business			
Other acquisition expenses	33,470	37,008	(3,538)
Goodwill	609,705	671,044	(61,339)
Other intangible assets	94,104	108,537	(14,433)
Difference arising from consolidation	177,313	197,264	(19,951)
	1,175,374	1,233,821	(58,447)

The consolidated accounts show the acquisition commissions to be written down on multiyear policies as from the 1999 financial year. These amounts are deferred and written down over approximately seven years in the case of Non-Life business and over fifteen years in the case of Life business. This conforms to the financial matching concepts. The variation compared with the figure for 2003 amounts to € 39,751 and is the result of the capitalization of commissions of € 117,373, whilst commissions amounting to € 77,622 have been allocated to the profit and loss account for these multiyear policies, account also being taken of cancelled or amended policies.

The table below contains a summary of the origin of the individual items making up goodwill:

(€K)	2003	2004	Variation
- in Fondiaria-SAI for the incorporation of Fondiaria Assicurazioni in 2002	261,266	276,592	(15,366)
- in Fondiaria-SAI for the contribution of business in 1990	139,443	162,684	(23,241)
- in Fondiaria-SAI for the incorporation of Fondiaria Ass.ni in 1995	56,133	65,488	(9,355)
- in Nuova Maa for the acquisition of Maa Assicurazioni in 1995	59,211	65,133	(5,922)
- in Milano on the acquisition of the Card premium portfolio in 1991	28,921	33,053	(4,132)
- in Milano for the incorporation of Lloyd Internazionale in 1991	14,574	17,002	(2,428)
- In Milano on the acquisition of Latina Assicurazioni in 1992	30,614	34,522	(3,908)
- in Milano for the contribution of the La Previdente Ass Life Portfolio	14,618	16,464	(1,846)
- in Fondiaria-SAI for acquisition of the Profilo Life portfolio in 2001	4,063	0	4,063
- in Milano for acquisition of the Profilo Life portfolio in 2001 by Maa Vita	902	0	902
- other minor ones	0	106	(106)
TOTAL	609,705	671,044	(61,339)

The goodwill mentioned above is depreciated on a straight-line basis, generally over a period of twenty years, which is deemed to be commensurate with the remaining useful life of the assets to which the goodwill relates. In determining the future useful life of goodwill particular account is taken of the size of the portfolios involved, of the positions in the market of the companies to which they relate and of the expected cash flows.

The goodwill derived from the acquisition of the Profilo Life portfolio is the result of the sale of the shareholding in the aforesaid company and by the resulting deconsolidation, which produces an inter-group capital gain.

The table below shows the other intangible assets broken down by category:

(€K)	2003	2004	Variation
Research and development costs	48,172	55,172	(7,000)
Formation and expansion costs	32,720	38,160	(5,440)
Licences for the use of IT products	6,516	7,826	(1,310)
Other	6,696	7,379	(683)
TOTAL	94,104	108,537	(14,433)

Expenses for research and development are mainly ascribable to the Parent Company and are for consultancy services aimed at creating or improving IT and management procedures in order to develop the activities relating to the Group's new claims-handling system and in order to finalize the integration of the merged companies' IT systems.

Formation and expansion costs include approximately € 22m for costs relating to the merger by incorporation of Fondiaria Assicurazioni into SAI, whilst € 9m relates to the residual value of the commissions for placing the subordinated loan granted to the holding company by Mediobanca during 2003.

The decrease in 'Other intangible assets' compared to 2003, amounting to € 14,433K, is due to acquisitions amounting to € 37,863K and depreciation amounting to € 52,296K.

DIFFERENCE ARISING FROM CONSOLIDATION

The difference arising from consolidation recorded on the asset side of the balance sheet is € 177,313K and is € 19,951K lower than the figure for 2003.

The table below shows the individual items broken down according to origin:

(€K)	2003	2004	Variation
Insurance companies consolidated on a line-by-line basis	177,313	187,641	(10,328)
Non-insurance companies	0	9,623	(9,623)
	177,313	197,264	(19,951)

The decrease in the item is entirely attributable to the rate of depreciation for the year. The amount of € 177m relates mainly to the consolidation of the subsidiary Milano Assicurazioni.

The consolidation differences relating to the Milano Group, amounting to € 1,670K, relate essentially to the acquisition in 1996 from La Previdente Vita S.p.A. of a minority share previously owned by Fondiaria Assicurazioni. Despite the incorporation of the subsidiary La Previdente Vita S.p.A. into Milano in 1999, in accordance with the principle of consistency in drawing up accounts the difference arising from consolidation was not reclassified as goodwill.

The difference arising from consolidation is systematically depreciated over the periods provided for in Art. 16 para. 12 of Legislative Decree 173/97, except in the case of the insurance companies that are able to recoup the investment over a longer period.

During 2004, the residual consolidation difference relating to non-insurance companies of € 9m was recorded entirely in the profit and loss account. This treatment is the consequence of the fact that this goodwill was not maintained in relation to the cash flows expected from the companies to which it refers.

The criteria used to determine the difference arising from consolidation are illustrated in section 1 of Part A, relating to the principles of consolidation.

Section 2

INVESTMENTS (Item C)

Total investments net of the provision for the depreciation of land and buildings amounted to € 22,381m (€ 21,672m in 2003), an increase of € 709m.

Investments, gross of the provision for the depreciation of land and buildings, are broken down as follows:

(€K)	31/12/2004	31/12/2003	Variation
Land and buildings	2,182,591	2,510,753	(328,162)
Investments in Group undertakings and other participating interests	350,711	519,393	
Other financial interests	19,925,693	18,709,991	(168,682)
Deposits with ceding undertakings	52,750	57,645	1,215,702
GROSS TOTAL	22,511,745	21,797,782	(4,895)
less:	130,988	125,584	5,404
Provision for the depreciation of land & buildings			
NET TOTAL	22,380,757	21,672,198	708,559

The decrease in the value of land and buildings gross of the provision for depreciation was € 328,162K and can be summarised in the following movements:

(€K)	
Balance as at 31/12/2003	2,510,753
Purchases during the year	107,445
Allocation of merger deficit to property	42,197
Other consolidation adjustments	(15,675)
Sales	(464,494)
Balance as at 31/12/2004	2,182,591

The purchases included the following:

- € 55.208K relating to the property at Piazza S. Maria Beltrade, Milan, purchased by the subsidiary Meridiano Orizzonti;

- € 14,029K paid by the subsidiary Progestim S.p.A. to Generali Properties S.p.A., on behalf of the associated company Citylife S.r.l., as a down payment for the Fiera Operation and to cover preliminary expenses;
- further down payments made by the subsidiary Milano Assicurazioni during the year with regard to the property transaction relating to a site in Via Lancetti in Milan, amounting to € 1,248K. We should remind you that the transaction, which took place during the previous financial year, culminated in the sale of the land to IM.CO. S.p.A. and the acquisition from IM.CO. of the completed complex that it is to build, at a price of € 36,400K;
- further down payments made by Milano Assicurazioni in respect of the property transaction relating to the Via Fiorentini site in Rome, amounting to € 7,181K. In this case too, the transaction carried out during the previous financial year culminated in the sale of the plot to Avvenimenti e Sviluppo Alberghiero S.r.l. and the acquisition from it of the property complex to be built on the site at a price of € 96,200K.

Following the merger between I.S. S.r.l. and International Strategy S.r.l., capital gains of € 2,365K were allocated to properties.

The "other consolidation adjustments" refer to the effect of the sale of Selezione Seconda S.r.l. and the respective deconsolidation (€ 5,886K) and to the incorporation of Taro S.r.l., a company consolidated on a line-by-line basis in 2003, into Casa di Cura Villa Donatello, a company valued by the net equity method (€ 9,789K).

The property sales include the transfer to the aforementioned Tikal R.E. closed mutual property fund from the subsidiary Sai Investimenti SGR, carried out by the Parent Company and by the subsidiaries Milano Assicurazioni, Meridiano EUR and Meridiano Risparmio in the amount of € 355m.

As at 31 December 2004, capital gains amounting to € 254m had been allocated to properties as a result of the Fondiaria-SAI merger operation (€ 93m attributable to the Parent Company) that took place in 2002.

Following the aforesaid transfer to the Tikal R.E. closed mutual investment fund and the sales, this deficit fell to € 220m, of which € 85m were attributable to the Parent Company.

The provision for depreciation of land and buildings increased by € 5,404K, € 20,543K of which was depreciation for the year, while € 10,970K related to uses made for sales and € 4,169K related to the deconsolidation of Taro S.r.l.

Land and buildings for use in the business amounted to € 374,228K whilst those used by third parties came to € 1,808,363K. No property was leased to third parties.

INVESTMENTS IN GROUP UNDERTAKINGS AND IN OTHER PARTICIPATING INTERESTS are broken down as follows:

(€K)	2004	2003	Variation
Units and shares in undertakings (1)			
- Holding companies	27,597	16,011	11,586
- Subsidiaries	143,446	218,431	(74,985)
- Associated companies	19,983	19,983	0
- Affiliated companies	52,881	50,121	2,760
- Other	82,058	110,029	(27,971)
Bonds	4,156	4,078	78
Corporate financing	20,590	100,739	(80,149)
	350,711	519,392	(168,681)

(1) of which € 27,597K was listed (€ 16,011K in 2003) and related to the holding company Premafin Finanziaria, and € 2,840K related to the partly owned company Norman 95 (in 2003 the company was not listed).

With reference to the list of shareholdings included in Class C.II:

- the list of shareholdings in subsidiary companies and in affiliated companies, value using the net equity method or at cost is already shown in Part A – “Basis of consolidation”;
- the “other shareholdings” including in Class C.II of the assets are listed below:

COMPANY	REGD. OFFICE	SHARE CAP.	% OWNED BY THE GROUP
ATHENA PRIVATE EQUITY S.A.	Munzbach	50,000,000	11.65
BANCA APRILIA S.p.A.	S. Severo (FG)	10,244,000	0.18
BANCA DELLA CAMPANIA S.p.A.	Naples	23,766,960	4.47
BANCA POPOLARE ETICA S.c.a.r.l.	Padua	17,340,505	0.18
CITTÀ DEGLI STUDI S.p.A.	Biella	15,994,384	0.05
CONSORTIUM S.r.l.	Milan	561,600,000	4.55
ISOLA D'ELBA BANCA CRED. COOP S.c.a.r.l.	Portoferrato	2,531,582	1.67
IST. EUROPEO DI ONCOLOGIA S.r.l.	Milan	57,305,382	12.83
NORMAN '95 S.p.A.	Milan	1,790,000	5.00
SCONTOFIN S.A.	Luxembourg	2,582,500	19.00
SOCIÉTÉ CIVILE IMMOBILIERE S.A.	Paris	3,448,419	1.59

The shareholding in associated companies refers to Finadin S.A..

BONDS relate to securities issued by the participating interest Banca Apulia and subscribed by the subsidiary Milano Assicurazioni (€ 4,000K) and to securities issued by the subsidiary SCAI and subscribed by the Parent Company (€ 156K).

CORPORATE FINANCING granted to Group undertakings and other participating interests fell by € 80m as a result of the maturing of the repo operations entered into in 2003 by the Parent Company with the subsidiary BancaSAI and by Milano Assicurazioni with the subsidiary Cofimo SIM, now incorporated into SAI Mercati Mobiliari SIM.

The remainder of € 21m relates to corporate financing granted to Group undertakings not consolidated on a line-by-line basis.

OTHER FINANCIAL INVESTMENTS are made up as follows:

(€K)	2004	2003	Variation
Units and share	2,772,599	2,777,759	(5,160)
Units in investment funds	638,557	222,439	416,118
Bonds and other fixed-yield securities	16,304,610	15,500,629	803,981
Corporate financing	151,256	141,184	10,072
Deposits with credit bodies	23,527	19,318	4,209
Miscellaneous financial investments	35,144	48,662	(13,518)
	19,925,693	18,709,991	1,215,702

UNITS and SHARES fell by € 5m compared with 2003 and are broken down as follows:

(€K)	2004	2003	Variation
Listed shares	2,712,641	2,702,756	9,885
Unlisted shares	59,958	75,003	(15,045)
	2,772,599	2,777,759	(5,160)

The main listed shareholdings in investment Classes C.II and C.III include:

(€K)	% holding ⁽¹⁾	Book value	Market value	Difference
Assicurazioni Generali S.p.A.	2.40	852,797	749,241	(103,556)
Banca Intesa S.p.A.	0.66	185,018	156,137	(28,881)
Capitalia S.p.A.	3.01	232,489	208,708	(23,781)
Italmobiliare S.p.A.	2.92	29,794	54,183	24,389
Mediobanca S.p.A.	4.13	180,047	372,228	192,181
Monte dei Paschi S.p.A.	2.09	180,143	161,024	(19,119)
RCS S.p.A.	4.88	136,725	151,526	14,801
Pirelli & C. S.A.p.a.	4.37	129,771	145,815	16,044
Swiss Life Holding S.A.	8.38	462,844	307,957	(154,887)
Total		2,389,628	2,306,819	(82,809)
Other shareholdings		323,013	356,642	33,629
OVERALL TOTAL		2,712,641	2,663,461	(49,180)

(1) Percentage based on the total number of shares making up the share capital.

The negative differences between book value and market value of Group shareholdings in several listed Companies were not deemed to represent a permanent loss of value even in view of the fact that they are assets intended to remain permanently as Group investments.

The market value, shown for purposes of comparison with the book value of the shareholdings, is the average list price for the final month of the financial year.

It should be pointed out that the figure recorded in the share portfolio for long-term assets was € 2,726,708K whilst the figure recorded for short- and medium-term assets was € 371,856K.

The book value of some of these shareholdings recorded as long-term was adjusted. In particular:

- the unit value of the shares held in Monte Paschi di Siena S.p.A. was reduced, a total write-down of € 39,974K;
- the unit value of the shares held in Mediobanca S.p.A. was reduced, a total write-down of € 3,482K;
- the unit value of shares held in Unicapital S.c.p.A. was reduced, a total write-down of € 19,499K;
- the unit value of the shares held in Swiss Life Holding S.p.A. was reduced, a total write-down of € 24,287K.

The unit book value of the shares held in Swiss Life Holding (2,828,816 shares with a unit book value of CHF 252.45) was substantially in line with the embedded value per share.

The table below shows details of the movements of the shareholdings (including those in Class C.II):

(€K)	
Balance as at 31/12/2003	3,192,334
- Variation in companies valued using the net equity method and changes in the basis of consolidation	(88,419)
- Acquisitions and subscriptions	852,056
- Disposals	(790,941)
- Transfer from class D	52
- Exchange revaluations	(630)
- Value readjustments	22,866
- Write-downs	(88,754)
Balance as at 31/12/2004	3,098,564

The item "Variation in companies valued using the net equity method and changes in the basis of consolidation" refers mainly to the sale of the shareholding in Mercantile Leasing and to the resulting deconsolidation.

INVESTMENT FUNDS amounted to € 638,557K (€ 222,439K in 2003) and were up € 416,118K following the subscription of the Tikal R.E. closed mutual investment fund. The capital losses for write-downs amounted to € 10,551K and compulsory value readjustments to € 2,897K.

BONDS AND OTHER FIXED-YIELD SECURITIES mainly include public debt securities and other freely-negotiable public and private securities. They increased by € 804m compared with the figure for 2003 and are broken down as follows:

(€K)	2004	2003	Variation
Listed	15,878,673	14,838,856	1,039,817
Unlisted	425,937	661,773	(235,836)
	16,304,610	15,500,629	803,981

Convertible bonds amounted to € 12,909K (€ 45,395 in 2003).

The book value of the listed fixed-yield securities, a total of € 15,879m, was approximately € 525m less than the market value determined on the basis of the arithmetical average of the average list prices for December 2004.

This difference in the long-term securities portfolio was over € 224m and in the short- and medium-term securities portfolio it was € 301m.

Details of the total variation in bonds and other fixed-yield securities (including investment Class C.II) are shown below:

(€K)	
Balance as at 31/12/2003	15,504,707
Acquisitions for the year	35,665,878
Write-ups on foreign exchange, issue discounting back	15,081
Write-downs	(6,244)
Value readjustments	9,892
Disposals and redemptions	(34,951,886)
Area variations	(10,512)
Transfers to Class D on the asset side	81,850
Balance as at 31/12/2004	16,308,766

It should be pointed out that € 2,821m was allocated to long-term assets in the fixed-yield securities portfolio and € 13,488m to short- and medium-term assets.

The area variation relates to the sale of the shareholding in Profilo Life and to the respective deconsolidation.

The assets, represented by bonds and fixed-yield securities, which contain subordination terms, amounted to € 313,103K, broken down as follows:

DE0001593531	Commerzbank Ag. 4.75% 99/2009	13,727,908.07
DE0003933685	Deutsche Bank 20.09.04/2016 Tv	10,979,049.18
DE000A0DCXA0	DzBank Capital Fund 22/11/2004 Perpetual	3,476,309.52
FR0010128736	Credit Logement Sa 02/11/2004 Perpetual Tv	5,000,000.00
IT0001178174	Comit 97/2007 Tv	345,013.55
IT0001282117	Monte dei Paschi 30/11/1998 - 01/12/2005 Tasso Variabile	5,151,828.78
IT0001282133	Monte dei Paschi 01/12/1998 - 01/12/2005 4,75%	6,909,012.03
IT0001341335	Bco Pop Verona a Novara 2005 2,125% CV	31,000.00
IT0001387965	Montepaschivita 01/12/1999 - 2009 Tasso Variabile	17,150,000.00
IT0001426151	B. Pop. Emilia 31/03/2000 - 31/12/2005 Convertibile - 4%	1,013,505.48
IT0003184758	Vittoria Assicurazioni 12/11/2001-01/01/2016 Conv.- 5,5% Trasn.-	18,089.58
XS0054850531	Credit Suisse 20.12.94/2014 ZC	8,190,582.47
XS0082765289	Ambroveneto sub guar 98/2008 float	2,977,000.00
XS0089305469	Banque Paribas 98/2008 5,625%	5,011,000.33
XS0094351151	Bayer Hypo Vereinsbank 02/02/1999- 21/07/2006 Z.C.	22,364,804.49
XS0108245167	B. Lombarda 00/10 6,875%	5,586,000.00
XS0108763896	Royal Bank Scotland 06/03/2000 6,77% Perpetual	10,794,764.54
XS0114165276	Assicurazioni Generali 20/07/2000-2022 6,9% Trasformabile	.500,000.00
XS0119298189	Royal KPN 24/11/2000 - 24/11/2005 Convertibile - 3,5%	3,587,880.00
XS0120282610	San Paolo IMI 10.11.00 8,126% PERP	3,006,000.00
XS0124803775	Banca Popolare di Brescia 23/02/01-2011 Tv	3,016,552.63
XS0147222540	B. Intesa 02/14 TV	2,729,000.00
XS0173649798	Unipol 28.07.03/23 TV	5,020,000.00
XS0177142360	Royal Bank of Scotland 07/10/03-2013 Tv	999,362.55
XS0181782144	Carifirenze 05/12/03-2013 Tv	30,832,988.30
XS0186652557	Bank of Ireland 25.02.04/27.02.19 4,625%	4,482,000.00
XS0188853526	Hsbc Cap Fund 29/03/2004 Perpetual 5,13%	12,520,250.00
XS0189470130	Monte dei Paschi 30/03/2004-2006 Tv	13,491,931.66
XS0189470130	Kaupthing 30/06/04-2014 Tv	6,485,432.88
XS0195231526	Royal Bank of Scotland 02/07/04 Perpetual Tv	27,500,000.00
XS0195722003	Banca Lombarda 30/06/04-2014 Tv	19,951,063.47
XS0196955909	Unicredito 23/07/04-2014 Tv	9,977,249.23

XS0198037839	Capitalia 11.08.04/14 TV	4,984,000.00
XS0200581378	Hsbc Holding 21/09/04-2014 Tv	5,397,479.66
XS0201857595	Skandinaviska Enskilda 06/10/04-2014 Tv	12,470,642.86
XS0203450555	Capitalia 21.10.04/16 TV	2,980,000.00
XS0203880991	Natexis Banques Pop. 04/11/04-2016 Tv	7,480,753.59
XS0208011154	Cassa Risparmio Firenze 15/12/04-2014 Tv	14,964,605.75

Most of the certificates representing fixed-yield securities and listed shareholdings are deposited with leading credit institutions and issuing bodies. Certificates representing unlisted shareholdings are normally deposited at the registered offices of the Companies in the Group that hold them.

LOANS, totalling € 151,256K, can be broken down as follows:

(€K)	2004	2003	Variation
Loans with a lien on property	79,416	76,994	2,422
Loans on policies	64,559	56,689	7,870
Other loans	7,281	7,501	(220)
	151,256	141,184	10,072

Loans with a lien on property include € 78,997K for a mezzanine loan granted by the Parent Company and by the subsidiary company Milano Assicurazioni to the former subsidiary Ganimede S.r.l.. This loan is for seven years and provides remuneration at a fixed rate of 8%. The method of repayment of the loan are linked to the property spin-off operation that took place in 2003: in particular, given that the loan is allocated to individual properties sold to Ganimede S.r.l., the latter has the right, in the event of a disinvestment of the same, to repay a variable percentage of up to 100% of the amount allocated to each individual property.

'Loans on policies' relate to Life assurance policies.

The item 'Other loans' is made up of loans granted to employees of the Companies in the Group for which no guarantees are issued.

DEPOSITS WITH CREDIT BODIES cover only bank deposits requiring at least 15 days' notice of withdrawal. These increased by € 4,209K, from € 19,318K in 2003 to € 23,527K in 2004.

The item MISCELLANEOUS FINANCIAL INVESTMENTS is made up exclusively of loans for repo operations and premiums for options. These fell by € 13,518K, from € 48,662K in 2003 to € 35,144K in 2004.

DEPOSITS WITH CEDING COMPANIES

These amounted to € 52,750K (€ 57,645K in 2003).

Section 3

OTHER ASSETS (Items D-Dbis-E-F-G)**INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR THE RISK AND ARISING FROM PENSION FUND MANAGEMENT**

These amounted to a total of € 2,708,486K and relate to:

(€K)	2004	2003	Variation
Investments in class D.I.	3,605,797	2,636,499	969,298
Investments arising from pension fund management	91,510	71,987	19,523
	3,697,607	2,708,486	988,821

Investments in Class D.I. relate to unit-linked and index-linked products that have the features referred to in Art. 30, paragraphs 1 and 2 of Legislative Decree 174/1995.

Investments arising from pension fund management mainly relate to the Parent Company and to the subsidiaries BIM Vita S.p.A., Novara Vita S.p.A. and Po Vita S.p.A.

The table below shows the breakdown of investments in Class D according to type:

(€K)	2004	2003	Variation
Bonds	3,285,861	2,367,279	918,582
Investment funds	295,467	266,919	28,548
Shares	12,535	20,809	(8,274)
Cash	103,444	53,479	49,965
	3,697,307	2,708,486	988,821

TECHNICAL PROVISIONS BORNE BY THE REINSURERS

These fell by a total of € 122.729m compared with 2003, as shown in the following table:

(€K)	2004	2003	Variation
NON-LIFE BUSINESS			
Provision for unearned premiums	114,000	126,650	(12,650)
Provision for outstanding claims	708,375	784,677	(76,302)
TOTAL	822,375	911,327	(88,952)
LIFE BUSINESS			
Mathematical provisions	242,826	276,135	(33,309)
Provision for sums to be paid	3,836	4,238	(402)
Other	2	68	(66)
Technical provisions in Class D.I and D.II	-	-	
TOTAL	246,664	280,441	(33,777)
OVERALL TOTAL	1,069,039	1,191,768	(122,729)

This amount includes provisions borne by CONSAP of € 38,196, this amount representing the credit that the subsidiary Milano Assicurazioni claimed from CONSAP for the technical provisions originally paid to the INA (Istituto Nazionale dell'Assicurazione – National Insurance Institute) for compulsory cessions, now abolished by Law 403/94.

In accordance with ISVAP circulars no. 327 of 27 March 1998 and no. 357/D of 12 January 1999, this provision has been recorded by applying prudential criteria.

You are referred to the comments made in the annual report on the Life Business, in the section dedicated to the settlement agreements with CONSAP.

RECEIVABLES

(€K)	2004	2003	Variation
Receivables arising from direct insurance operations	2,098,348	1,959,650	138,698
Receivables arising from reinsurance operations	250,085	191,111	58,974
Other receivables	747,868	882,401	(134,533)
	3,096,301	3,033,162	63,139

Receivables arising from insurance operations mainly include receivables from policyholders of € 974,392K, € 880,203K of which relates to premiums for the year and € 94,189K to premiums for previous years. They also include € 878,477K for receivables from insurance intermediaries, € 306,883K for current account company receivables and € 105,322K for receivables from policyholders and third parties for sums to be recuperated.

Receivables arising from reinsurance contracts, amounting to € 279,462K, include € 248,130K for receivables from insurance and reinsurance companies for reinsurance operations and € 31,332K from reinsurance intermediaries.

These amounts are all gross of the provision for bad debts amounting to € 196,103K for these items.

Other receivables are broken down as follows:

(€K)	
Receivables from the Treasury for deductions and tax credits	608,310
Other (net of the provisions for bad debts)	139,558
	747,868

The item "Other receivables" includes the receivables from the Treasury for withholding tax, advance tax on the mathematical provisions in accordance with Legislative Decree 209/2002, refunds requested and the respective interest.

The figure for total receivables is assumed to be net of the provision for bad debts which in 2004 amounted to € 219,198K (€ 202,968K in 2003).

The increase of € 16,230K is the result of allocations of € 40,651K and drawings of € 24,421K.

OTHER ASSETS

These came to a total of € 1,381,172K (€ 1,355,068K in 2003), an increase of € 16,664K.

They consist of:

(€K)	2004	2003	Variation
Tangible assets and stocks	39,964	44,148	(4,184)
Cash at bank and in hand	555,242	580,033	(24,791)
Own units or shares	171,371	115,254	56,117
Miscellaneous assets	614,595	615,633	(1,038)
	1,381,172	1,355,068	26,104

Tangible assets include the net value of capital assets of € 32,818K, which fell by € 4,724K as a result of acquisitions amounting to € 8,038K, disposals amounting to € 2,173K and a variation in the provision for depreciation amounting to € 10,589K.

Capital assets are deemed to be net of the provision for depreciation amounting to € 225,354K in 2004 (€ 214,791K in 2003).

The same item includes stocks and miscellaneous assets amounting to € 7,146K.

Cash at bank and in hand, amounting to € 555,242K, fell by € 24,791K. These amounts include bank deposits amounting to € 554,914K. Available cash amounted to € 328K.

Of the amount of € 115,254K of own units and shares, € 86,179K relates to the book value of the Parent Company's own shares in its portfolio and the remainder to Fondiaria-SAI shares held by the subsidiaries Saifin and Milano Assicurazioni, amounting to € 19,120K and € 64,436K respectively.

The figure also includes warrants issued by the Parent Company amounting to € 1,636K.

Miscellaneous assets amount to € 614,595K, a decrease of € 1,038K compared with the figure for 2003. They include deferred reinsurance accounts receivable amounting to € 7,728K whilst the remaining amount of € 597,427K includes deferred taxes amounting to € 393,013K, credit items recorded during the year amounting to € 63,525K, head office/commercial office liaison accounts amounting to € 20,432K.

The item 'Miscellaneous assets' includes rounding adjustments amounting to € 1K carried out in accordance with Art. 1, para. 3 of ISVAP Ruling 1008-G dated 5 October 1998.

ACCRUALS AND DEFERRED INCOME

These totalled € 214,213K (€ 201,928K as at 31/12/2002).

Accruals for interest on securities amounted to € 202,662K and accruals and deferred income for rent amounted to € 68K. The remaining € 11,483K relates to various types of accrual and deferred income.

BALANCE SHEET – LIABILITIES

Section 4

CAPITAL AND RESERVES (Item A)

Consolidated capital and reserves amounted to € 3,380,708K, including the operating result and portions pertaining to minority interests, an increase of € 298,035K compared with 2003. The items of the capital and reserves relate to the figures in the Parent Company's accounts plus the operating result for 2003, net of the provision for own and holding company shares. You are referred to the Parent Company's accounts for details of the variations in these shares.

The table below shows the level of capital and reserves compared with the previous year:

(€K)	2004	2003	Variation
GROUP CAPITAL AND RESERVES	170,554	170,520	34
Share capital subscribed or equivalent provision	1,972,799	1,951,178	21,621
Equity	180,690	145,512	35,178
Provisions arising from consolidation	(2,816)	(29,360)	26,544
Provision for valuation differences in unconsolidated shareholdings	(394)	(436)	42
Provision for differences arising from conversion	197,332	129,699	67,633
Provision for own shares and holding company shares	479,091	394,143	84,948
	2,997,256	2,761,256	236,000

The provision arising from consolidation includes the differences between the book value of the shareholdings and the corresponding portion of capital and reserves of the consolidated companies after any differences arising from consolidation are taken into account. It also includes the adjustments resulting from the application of the Parent Company's accounting principles and from the elimination of any dividends and profits arising from transactions between Companies in the Group.

The provision for the valuation difference in unconsolidated shareholdings relates to the valuation of the shareholdings using the net equity method. Compared with 2003 the provision increased by € 26,544K, this variation being ascribable to the inclusion in the initial capital and reserves of the write-downs carried out in the previous year by the subsidiary BancaSai and by the company incorporated by the latter (Effe Investimenti SIM).

The provision for own shares and holding company shares includes the amount recorded for own shares included in item F.III of the assets. This provision corresponds to the amount for the 'provision unavailable for own shares' set aside by the Parent Company in its accounts and for the 'provision for holding company shares' recorded in the accounts of the subsidiaries Milano Assicurazioni and Saifin-Saifinanziaria. It also includes the countervalue of the holding company shares in the portfolio referred to under C.II.1.a) of the assets.

Capital and reserves pertaining to minority interests recorded an increase of € 84,948K, mainly ascribable to the portions pertaining to minority interests in the Milano Group.

Statement of Variations in the consolidated capital and reserves

(€k)	Share capital	Provisions and undivided profits	Operating profit	Minority interests	Total
Balances as at 01/01/2004	170,520		217,282	498,279	3,082,674
Dividends distributed			(68,609)		(68,609)
Allocation of residual profit for 2003 to provisions		148,673	(148,673)		-
Variations arising from the capital increase					
Share capital	34				34
Premium reserve		190			190
Provisions referred to in Legislative Decree 124/93		(98)			
Provisions referred to in art. 20, Legislative Decree 173/97		2,253			(98)
Exchange differences arising from converting foreign accounts, variations in the basis of consolidation and other adjustments arising from consolidation				(19,188)	(16,935)
Net profit for 2004	170,554		274,313	109,139	383,452
Balances as at 31/12/2004	170,554	2,347,611	274,313	588,230	3,380,708

The tables below show the reconciliation between the Parent Company's accounts and the consolidated accounts relating to the net profit for the year and to capital and reserves.

Tables showing the reconciliation between the Parent Company's accounts and the Consolidated accounts

(€K)	Operating profit	
	2004	2003
FONDIARIA-SAI S.p.A. accounts	258,473	133,060
Adjustments arising from consolidation:		
- Operating results and differences between book value and capital and reserves of the companies consolidated:		
*on a line-by-line basis	292,176	172,974
*using the net equity method	2,319	42,828
- Depreciation of the differences arising from consolidation	(23,427)	(22,383)
- Elimination of the effects of operations carried out between Companies in the Group:		
Dividends distributed between Companies in the Group	(78,785)	(70,005)
Other operations carried out between Companies in the Group	3,681	1,690
- Application of Group accounting principles, conversion of accounts in foreign exchange and salaries	(97,949)	99,519
- Tax effects of adjustments arising from consolidation	26,964	(36,265)
CONSOLIDATED RESULT	383,452	321,418
PORTION PERTAINING TO MINORITY INTERESTS	(109,139)	(104,136)
GROUP CONSOLIDATED RESULT	274,313	217,282

The item "Application of Group accounting principles, conversion of accounts in foreign exchange and salaries" includes the write-back of the elimination of fiscal interferences already recorded in the statutory accounts following the balance sheet purging operation.

(€K)	Operating profit net of the result	
	2004	2003
FONDIARIA-SAI S.p.A. accounts	2,251,107	2,186,526
- Operating results and differences between book value and capital and reserves of the companies consolidated:		
*on a line-by-line basis	561,794	486,613
*using the net equity method	(3,619)	(30,738)
- Elimination of the effects of operations carried out between Companies in the Group:		
Dividends distributed between Companies in the Group	12,764	8,630
Other operations carried out between Companies in the Group	(36,935)	(38,625)
- Application of Group accounting principles, conversion of accounts in foreign exchange and salaries	327,766	228,247
- Effect of converting foreign currency accounts	(394)	(436)
- Tax effects of adjustments arising from consolidation	(115,226)	(78,961)
CAPITAL AND RESERVES	2,997,257	2,761,256
PORTION PERTAINING TO MINORITY INTERESTS	(479,091)	(394,143)
GROUP CAPITAL AND RESERVES	2,518,166	2,367,113

SUBORDINATED LIABILITIES (Item B)

These come to a total of € 400,000K. They relate entirely to the Parent Company and relate to a single item. Full details can be found in the individual accounts.

Section 5

TECHNICAL PROVISIONS AND OTHER ALLOCATIONS (Items C-D-E)**TECHNICAL PROVISIONS**

These amounted to € 22,942,057K and recorded an overall variation of € 775,623K over the figure for 2003.

Details of the technical provisions are shown in the table below:

(€K)	2004	2003	Variation
NON-LIFE BUSINESS			
Provision for unearned premiums	2,456,758	2,400,713	56,045
Provision for outstanding claims	9,010,996	8,783,862	227,134
Equalization provisions	13,741	11,108	2,633
Other	11,413	15,641	(4,228)
	11,492,908	11,211,324	281,584
LIFE BUSINESS			
Mathematical provisions	11,232,639	10,912,895	519,744
Provision for sums to be paid	84,224	115,235	(31,011)
Other	132,286	126,980	5,306
	11,449,149	10,955,110	494,039
TOTAL TECHNICAL PROVISIONS	22,942,057	22,166,434	775,623

The provision for unearned premiums includes the provision for premium portions amounting to € 2,456,482K and the provision for unexpired risks amounting to € 276K.

The equalization provision is made up of the provision for risks arising from natural disasters, set aside in accordance with Ministerial Decree 705/96, and of the equalization provision for Credit business.

The other technical provisions relate entirely to the provision for ageing referred to in Art. 25 of Legislative Decree 175/95.

The mathematical provisions include the additional provision for the financial risk amounting to € 110,706K, as indicated in ISVAP Ruling 1801-G of 21 February 2001, already regulated by Art. 25 para. 12 of Legislative Decree 174/95.

The mathematical provisions also include the provision for unearned premiums for additional insurance amounting to € 1,424K. 'Other technical provisions' in Life business include the provision for profit-sharing amounting to € 3,019K whilst most of the remainder is ascribable to the provision for future expenses.

TECHNICAL PROVISIONS WHERE THE RISK OF THE INVESTMENT IS BORNE BY POLICYHOLDERS AND PROVISIONS ARISING FROM PENSION FUND MANAGEMENT

These come to a total of € 3,692,235K and can be broken down as follows:

(€K)	2004	2003	Variation
Class D.I provisions	3,600,725	2,632,538	968,187
Technical provisions arising from pension fund management	91,510	71,987	19,523
	3,692,235	2,704,525	987,710

Class D.I provisions relate to unit-linked and index-linked products having the features mentioned in Art. 30, paras 1 and 2 of Legislative Decree 174/1995.

The provisions arising from Pension fund management relate to the open-end pension funds mainly managed by the Parent Company and by the subsidiaries Novara Vita S.p.A. and Bim Vita S.p.A..

PROVISIONS FOR RISKS AND CHARGES

These come to a total of € 807,393K (€ 803,584K in 2003) and are made up as follows:

(€K)	2004	2003	Variation
Provisions for retirement pensions and similar commitments	3,137	2,890	247
Provision for taxation	627,665	620,191	7,474
Other allocations	176,591	180,503	(3,912)
	807,393	803,584	3,809

The total increase in the provisions over 2003 is € 3,809K.

The movements in these provisions are set out in detail below:

- the provision for retirement pensions covers only the amount set aside to supplement the staff leaving indemnity, the variation being due to withdrawals of € 290K made during the year whilst € 537K relates to amounts set aside;
- the provision for taxation rose by € 7,474K compared with 2003. This was due to sums set aside during the year for current taxation amounting to € 246,227K, to the occurrence of deferred taxes payable, net of those repaid, amounting to € 39,782K and to withdrawals amounting to € 278,518K. The provision includes sums set aside for deferred taxes as part of the process of offsetting the deficit resulting from the merger against the surpluses on land and buildings and reduced by the Parent Company as a result of the property spin-off operation finalized during the year and of the adjustments made following the changes introduced by the recent reform of IRES;

The other sums set aside include:

- the provision for property maintenance (€ 13,982K) rose by € 337K as a result of sums set aside totalling € 2,500K and withdrawals amounting to € 2,163K;

- the provision for long-service bonuses (€ 2,280K) increased by € 267K as a result of sums set aside totalling € 1,092K and of the withdrawal of € 825K for paying bonuses to employees;
- the provision for future risks and charges (€ 254,725K) rose by € 1,624K compared with 2003 on account of sums set aside during the year amounting to € 57,672K and withdrawals amounting to € 56,017K. Most of the sums set aside were to meet disputes pending with policyholders, insurers, reinsurers,, intermediaries, and to cover disputes not related to insurance. The total sums set aside to the risk fund are commensurate with the estimated charges resulting from the legal cases in which the Parent Company is involved, including any employment related disputes. It also contains future costs in respect of employees, as well as the effect of the valuation of derivative and structured financial instruments existing at the end of the year.
- the provision for foreign exchange risks (€ 53K) fell by € 6,140K as a result of drawings of € 6,143K and amounts set aside of € 3K.

The provision for taxation covers the current and deferred liabilities for corporation taxes of the Companies in the Group and the sums set aside for taxes on deferred taxation items recorded during the year and relating to the year in question or to previous years.

Any deferred taxes deriving from temporary differences between the taxable results and those used for consolidation purposes were recorded with due regard to taxes paid in advance, which were recorded under 'Other assets.

Likewise no amounts were set aside for tax relating to suspended provisions since it was deemed that no operations that could give rise to the need to pay this tax would be carried out.

DEPOSITS RECEIVED FROM REINSURERS

These come to a total of € 305,515K (€ 326,116K in 2003) and relate to deposits made to provide a guarantee for risks ceded in reinsurance.

Section 6

PAYABLES AND OTHER LIABILITY ITEMS (Items F-G-H)**PAYABLES AND OTHER LIABILITIES**

These amount to € 1,482,863 and are made up as follows:

(€K)	2004	2003	Variation
Payables arising from direct insurance operations	184,090	214,855	(30,765)
Payables arising from reinsurance operations	109,200	60,446	48,754
Bonded loans	180,400	510,872	(330,472)
Payables to banks and financial bodies	27,962	45,722	(17,760)
Payables with a lien on property	134	792	(658)
Sundry loans and other financial payables	1,696	5,531	(3,835)
Staff leaving indemnity	88,609	90,078	(1,469)
Other payables	307,347	467,035	(159,688)
Other liabilities	583,425	507,647	75,778
	1,482,863	1,902,978	(420,115)

Payables arising from direct insurance operations include € 131,717K to insurance intermediaries, € 39,038K for current account payables to insurance companies, € 6,404K for policyholders' guarantee bonds and premiums and € 6,931K for provisions for guarantee bonds in favour of policyholders.

Payables arising from reinsurance operations relating to reinsurance companies amount to € 77,140K and those relating to reinsurance intermediaries to € 32,060K.

The item bonded loans relates to the convertible bonded loan (Mandatory Exchangeable Guaranteed Notes) repayable exclusively in ordinary shares in BANCA INTESA owned by Fondiaria-SAI, maturing on 29 September 2010. The fall of € 330,472 is due to the repayment by Sainernational of the convertible bonded loan issued in June 2001, which matured on 28/06/2004, of € 465,461 and to the repayment by the subsidiary Fondiaria Nederland B.V. of the bonded loan issued in 2001, still existing in the amount of € 45.411K and matured on 20.04.2004.

Payables to banks and financial bodies, amounting to € 27,962K, mainly consist of the residue of the loan agreement and mortgage loan taken out by the subsidiary Company I.S. S.r.l. (now International Strategy S.r.l.) with The Royal Bank of Scotland for € 25,400K.

Payables with a lien on property are supported by a mortgage on properties owned and refer to the subsidiary Saiagricola S.p.A.

Miscellaneous loans and other financial payables include € 538K relating to options sold. The decrease of € 3,835K is largely due to the maturing of contracts entered into in the previous financial year.

The staff leaving indemnity fell by € 1,469K as a result of allocations of € 24,030K, withdrawals for disbursements and advance payments of € 25,487K and changes to the basis of consolidation of € 12K.

Details of "other payables" are shown in the table below:

(€K)	2004	2003	Variation
- For taxes borne by policyholders	105,571	126,189	(20,618)
- For sundry tax charges	45,736	61,380	(15,644)
- Social security contributions	12,043	12,479	(436)
- Suppliers	66,634	106,317	(39,683)
- Other	77,363	160,670	(83,307)
	307,347	467,035	(159,688)

Other liabilities include € 7,214K for deferred reinsurance accounts payable, € 121,978K for commissions for premiums currently being collected and € 454,233K for other liabilities.

This last figure includes the debit balances on the liaison accounts between the registered office and the local offices amounting to € 124,467K, estimates of items payable to reinsurers amounting to € 18,115K, estimates of production expenses amounting to € 14,163K and payables to policyholders for cheques amounting to € 68,763K. This last figure relates to the settlement of claims and sums to be paid by cheques issued but not cashed by the end of the financial year.

ACCRUALS AND PAYABLES (Item H)

These amounted to € 3,393K, a decrease of € 6,726K compared with 2003. They consist of interest amounting to € 3K, rent amounting to € 249K and other accruals and payables amounting to € 3,141K.

Section 7

GUARANTEES, LIABILITIES AND OTHER MEMORANDUM ACCOUNTS

These come to a total of € 25,368,183K and are broken down as follows:

(€K)	2004	2003	Variation
Guarantees given	187,811	773,286	(585,475)
Guarantees received	380,267	408,102	(27,835)
Guarantees given by third parties in the interest of consolidated companies	37,351	33,931	3,420
Liabilities	1,977,298	1,835,872	141,426
Assets belonging to third parties	8,690	7,902	788
Securities deposited with third parties	22,704,848	20,025,598	2,679,250
Other memorandum accounts	71,918	146,870	(74,952)
	25,368,183	23,231,561	2,136,622

Guarantees given include:

(€K)	2004	2003	Variation
Sureties	78,355	103,614	(25,259)
Other personal guarantees	20,631	83,373	(63,742)
Guarantees secured by liens	88,825	586,299	(497,474)
	187,811	773,286	(585,475)

The fall in guarantees secured by liens is due to the cancellation of mortgages and liens given by the subsidiary I.S. S.r.l. (now International Strategy) in favour of The Royal Bank of Scotland for the loan that it granted during 2002 and now almost completely repaid.

This same item was also reduced by the fact that a junior mortgage on the property at Via Pantano 26, Milan, amounting to € 44,927K, has now been paid off.

Guarantees received include:

(€K)	2004	2003	Variation
Sureties	258,285	260,369	(2,084)
Other personal guarantees	39,253	50,126	(10,873)
Guarantees secured by liens	82,729	97,607	(14,878)
	380,267	408,102	(27,835)

Most of the sureties relate to guarantees given by tenants for tenancy agreements and to guarantees given by agents in fulfilment of their respective mandates.

€ 78,434K of the "Guarantees secured by liens" relates to the mortgage guarantee received for the mezzanine loan granted to Ganimede S.r.l. for the operation to develop some of the property owned by the Company that took place during the previous year.

Liabilities include in particular € 926,006K in respect of forward sales on bonds, € 625,169K relating to the sale of call and put options on bonds, € 186,116K in respect of securities receivable for purchase transactions that took place in December 2004, paid for in January 2005, € 180,400K in respect of ordinary Banca Intesa shares sold forward to Sainternational S.A. to service the convertible bonded loan (Mandatory).

Amongst the liabilities of the subsidiary Companies not recorded in the accounts mention should be made of € 684,424K relating to liabilities linked to funds managed by the subsidiary Effe Gestioni SGR.

Details of receivables and payables according to due date and type

The table below shows details of receivables and payables due beyond the end of the next financial year and those due beyond five years:

(€K)	Receivables arising from direct insurance operations	Receivables arising from reinsurance operations	Other receivables and loans	Total	
Between 2 and 5 years	152,563	-	136,283	288,846	
Beyond 5 years	228,895	-	179,290	408,185	

(€K)	Payables arising from direct insurance operations and reinsurance	Miscellaneous loans and other financial payables	Payables to banks and financial bodies	Staff leaving indemnity and other payables	Total
Between 2 and 5 years	-	-	26	-	26
Beyond 5 years	180,400	276	-	-	180,676

PROFIT AND LOSS ACCOUNT

Section 8

INFORMATION RELATING TO THE TECHNICAL ACCOUNTS

This table below gives a brief summary of the Group's results.

Gross premium income for the Group amounted to € 9,817,610K, an increase of 7.84% compared with 2003, and is broken down as follows:

(€K)	2004	2003	%	Mix 04	Mix 03
Life business	2,807,567	2,419,888	16.02	28.60	26.18
Motor vehicle business	4,899,127	4,820,880	1.62	49.90	52.15
Other Non-Life business	2,110,916	2,002,694	5.40	21.50	21.67
Total Non-Life business	7,010,043	6,823,574	2.73	71.40	73.82
Grand total	9,817,610	9,243,462	6.21	100.00	100.00

In accordance with ISVAP Ruling no. 735 of 1/12/1997, the item "gross premiums recorded" does not include the cancellations of securities issued in previous financial years, which are recorded under "Other technical charges".

The above amounts are net of reinsurance carried out between Companies within the Group and do not include the premium income of the insurance companies not consolidated on a line-by-line and proportional basis.

Premiums ceded, totalling € 325,007K, were 3.3% of total premiums written (4.5% in 2003).

For the breakdown of gross premiums recorded in the various classes of business in the accounts and the split between direct business and inward reinsurance please refer to the tables contained in the Management Report.

Premium income broken down according to geographical areas is as follows:

(€K)	2004	2003	Variation
ITALY	9,687,716	9,209,802	477,914
EU	127,426	31,670	95,756
OUTSIDE THE E.U.	2,468	1,990	478
	9,817,610	9,243,462	574,148

Claims paid, including the sums for Life business and the relative expenses, gross of the portions ceded to reinsurers, reached € 6,515,164K, an increase of 9.4% compared with the previous year.

(€K)	2004	2003	Variation
Non-Life business			
Amounts paid	4,399,919	4,069,638	330,281
Variation in the provision for claims	308,864	424,495	(115,631)
Life business			
Amounts paid	1,723,189	1,422,937	300,252
Variation in the provision for amounts to be paid	(30,560)	45,483	(76,043)
Total			
Amounts paid	6,123,108	5,492,575	630,533
Variation in the provision	278,304	69,978	(191,674)

The variation in the net technical provisions for Non-Life business amounted to € 361,236K, a decrease compared with 2003 of € 151,853K, whilst the net technical provisions for Life business, including the provision for sums still to be paid, showed a variation of € 1,519,921K (€ 1,241,002K in 2003).

The share of the profit from investments transferred from the Life non-technical account to the technical account amounted to € 460,844K and corresponds to the instructions laid down by ISVAP in its Ruling 1140/G.

Other Non-Life technical income amounted to € 45,511K (€ 74,792K in 2003) and included:

- contingencies for premiums cancelled in previous years amounting to € 1,916K;
- reversals of commissions on premiums for previous years cancelled amounting to € 10,529K;
- repayments on participation in losses to reinsurers amounting to € 2.927K;
- withdrawals from the provision for bad debts for premiums currently being collected amounting to € 11,068K;
- cancellation of reinsurance premiums amounting to € 7,199K;
- CID adjustments receivable amounting to € 705K.

In the case of Life business this item amounted to € 4,957K (€ 4,338K in the previous year) and was ascribable to commissions received from coinsurers amounting to € 588K and to management commissions receivable relating to the products in Class D amounting to € 1,277K.

The item other Non-Life technical charges, totalling € 205,200K (€ 154,056K in 2003), includes cancellation of premiums issued in previous years that cannot be recovered at the end of the year or that are cancelled because they were issued as a result of a technical error, and the amount of the write-down of payables to policyholders, for premiums for the year and for previous years, amounting to a total of € 201,696K.

The corresponding Life item, amounting to € 16,450K (€ 14,537K in 2003), is mainly made up of the cancellation of first-year premiums written in previous years cancelled because they were irrecoverable or because they were issued as a result of a technical error, of adjustments carried out to the provision for bad debts and of the cancellation of commissions on premiums ceded to reinsurers.

Total gross operating costs amounted to € 1,524,460K (€ 1,497,217K in 2003) and were 15.5% of the premiums for the year compared with 16.2% in 2003.

(€K)	2004	2003	Variation
Non-Life business			
Acquisition expenses net of reinsurance	1,023,397	979,558	43,839
Administration and collection expenses	265,429	261,363	4,066
Life business			
Acquisition expenses net of reinsurance	99,748	96,241	3,507
Administration and collection expenses	71,154	70,537	617
Total			
Acquisition expenses net of reinsurance	1,123,145	1,075,799	47,346
Administration and collection expenses	336,583	331,900	4,683

Section 9

INFORMATION RELATING TO THE NON-TECHNICAL ACCOUNT

The table below shows the composition of income from investments:

(€K)	2004	2003	Variation
Portions of result from shareholdings valued using the net equity method	(14,460)	(16,921)	2,461
Income from other units and shares	76,897	33,971	42,926
Income from land and buildings	84,787	116,370	(31,583)
Income from other investments	628,095	633,576	(5,481)
Value readjustments	35,655	51,398	(15,743)
Gains on the sale of investments	171,325	95,761	75,564
	982,299	914,155	68,144

The portions of the result from shareholdings valued using the net equity method remained unchanged compared with the previous year at € 2,461K. The amount for the current year is mainly due to the negative results of the subsidiaries BancaSAI, SAI Mercati Mobiliari and My Fin.

The table below shows a summary of income from other investments:

(€K)	2004	2003	Variation
Shares in investment funds	444	905	(461)
Bonds and fixed-yield securities	599,676	607,663	(7,987)
Corporate financing	9,494	3,356	6,138
Deposits with credit bodies	658	870	(212)
Other financial instruments	17,823	20,782	(2,959)
	628,095	633,576	(5,481)

Value readjustments, totalling € 35,655K (€ 51,398K in 2003), are broken down as follows:

(€K)	2004	2003	Variation
Shareholdings and shares in investment funds	25,763	40,097	(14,334)
Bonds	9,892	11,301	(1,409)
	35,655	51,398	(15,743)

Gains made on the disposal of investments, totalling € 171,325K (€ 95,761K in 2003), are made up as follows:

(€K)	2004	2003	Variation
Shareholdings	14,847	10,789	4,058
Bonds	151,990	81,158	70,832
Other financial investments	4,488	3,814	674
	171,325	95,761	75,564

The item investment charges amounted to € 264,740K (€ 397,057 in 2003) and includes:

(€K)	2004	2003	Variation
Investment management charges and interest payable	90,089	99,875	(9,786)
Value adjustments made to investments	112,507	265,241	(152,734)
Losses on the sale of investments	62,144	31,941	30,203
	264,740	397,057	(132,317)

The item investment management charges and interest payable includes:

(€K)	2004	2003	Variation
Charges on units and shares	780	1,303	(523)
Charges on land and buildings	30,882	45,224	(14,342)
Charges on bonds	28,579	30,659	(2,080)
Charges on sundry financial instruments	16,905	6,729	10,176
Deposit account interest payable	12,943	15,960	(3,017)
	90,89	99,875	(9,786)

Charges on land and buildings include local property tax.

Value adjustments carried out to investments, totalling € 112,507K (€ 265,241K in 2003), are broken down as follows:

(€K)	2004	2003	Variation
Depreciation of property	15,891	12,258	3,633
Write-downs of shareholdings and shares in investment funds	90,372	219,151	(128,779)
Write-downs of fixed-yield securities	6,244	33,832	(27,588)
	112,507	265,241	(152,734)

For write-downs of shareholdings and shares in investment funds please refer to the note on the item "Units and shares" on the asset side of the balance sheet.

Losses on the sale of investments, totalling € 62,144K (€ 31,941K in 2003), are broken down as follows:

(€K)	2004	2003	Variation
Shareholdings	16,419	19,567	(3,148)
Bonds	26,826	11,310	15,516
Other financial investments	18,899	1,064	17,835
	62,144	31,941	30,203

Other income, totalling € 182,511K (€ 271,150K in 2003), is made up as follows:

(€K)	2004	2003	Variation
Interest on company current accounts	1,755	2,215	(460)
Interest on other receivables	10,686	13,115	(2,429)
Interest on bank current accounts	9,755	12,663	(2,908)
Withdrawals from provisions	62,575	48,249	14,326
Tax credits on dividends	610	40,022	(39,412)
Other income	89,828	143,523	(53,695)
Exchange rate differences	7,302	11,363	(4,061)
	182,511	271,150	(88,639)

The item other charges is made up as follows:

(€K)	2004	2003	Variation
Interest on financial payables	36,781	51,306	(14,525)
Sundry charges	337,300	428,320	(91,020)
	374,081	479,626	(105,545)

In turn interest on financial payables includes:

(€K)	2004	2003	Variation
Interest payable on company current accounts	893	2,387	(1,494)
Interest payable on loans	32,166	30,688	1,478
Bank interest payable	2,835	7,482	(4,647)
Interest payable on other payables	887	10,749	(9,862)
	36,781	51,306	(14,525)

Interest payable on loans essentially includes the charges relating to the convertible loans issued by the subsidiaries Sainernational S.A. and Fondiaria Nederland BV, paid off during 2004, the interest on the convertible bonded loan, exclusively in Banca Intesa shares, and repayable issued by the subsidiary Sainernational S.A. in September 2004, as well as € 21m relating to interest payable on the subordinated loan issued by the Parent Company.

The item sundry charges, totalling € 337,300K (€ 428,320K in 2003), is made up as follows:

(€K)	2004	2003	Variation
Exchange differences	9,748	53,474	(43,690)
Allocation to provisions for risks	70,830	84,195	(13,365)
Depreciation of intangible assets	119,411	136,507	(17,096)
Other charges	137,275	154,144	(16,869)
	337,300	428,320	(91,020)

The item "Depreciation of intangible assets" includes the portion pertaining to goodwill of approximately € 67m.

The result of ordinary business, that is before allocation of extraordinary items and deduction of corporation tax, was € 655,036K, an incidence on premium income of 6.67% (5.04% in the previous year).

The balance of other extraordinary income and other extraordinary losses is positive to the tune of € 33,731K.

The table below shows details of other extraordinary income, totalling € 179,091K (€ 294,505K in 2003):

(€K)	2004	2003	Variation
Contingent assets	24,679	11,905	12,774
Capital gains from the disposal of land and buildings	68,019	175,909	(107,890)
Capital gains from the disposal of capital goods	104	293	(189)
Capital gains from the disposal of shareholdings and investment funds	50,394	22,037	28,357
Capital gains from the disposal of bonds	16,195	25,246	(9,051)
Other extraordinary income	19,700	59,115	(39,415)
	179,091	294,505	(115,414)

Capital gains from the disposal of land and buildings relate to the gains made by Fondiaria-SAI and by the subsidiary Milano Assicurazioni.

The capital gains from the disposal of shareholdings include € 35m arising from the sale of the shareholding in Mercantile Leasing.

The item Other extraordinary income includes € 10,249K relating partly to advance taxes for previous years.

Other extraordinary losses, totalling € 145,360K (€ 102,275K in 2003), are made up as follows:

(€K)	2004	2003	Variation
Contingent liabilities	47,141	16,736	30,405
Capital losses from the disposal of capital goods	37	28	9
Capital losses from the disposal of shareholdings and investment funds	21,829	40,156	(18,327)
Capital losses from the disposal of bonds	10,050	312	9,738
Depreciation of consolidation difference	25,080	24,036	1,044
Other extraordinary charges	41,223	21,007	20,216
	145,360	102,275	43,085

The item contingent liabilities includes charges attributable to sanctions imposed by the supervisory body in respect of the claim payment policy, partly to cover the charges related to the settlement with the former shareholders of the incorporated company Latina. The rest relates to the cancellation of deferred taxes set aside in previous years, offset by a corresponding withdrawal from the tax provision that is shown among the contingent assets.

Depreciation of the difference arising from consolidation relates to the Milano Group and to the subsidiaries Effe Investimenti, Finitalia, Sasa, International Strategy, My Fin, I.A.T., Po Vita and to the affiliated company Società Funivie del Piccolo San Bernardo.

€ 19m of the capital losses arising from the disposal of shareholdings and investment funds relate to Swiss Life Holding.

The item 'extraordinary charges' includes € 1K for rounding carried out in accordance with Art. 1, para. 3 of ISVAP Ruling 1008-G of 5 October 1998.

CORPORATION TAXES

Corporation taxes for the year come to a total of € 305,315K and can be broken down as follows:

(€K)	2004	2003	Variation
Current taxes	257,173	300,248	(43,075)
Net deferred taxes	48,142	36,504	11,638
	305,315	336,752	(31,437)

Deferred taxes include the taxes allocated to the accounts of the Companies consolidated on a line-by-line basis and any difference between the amount of tax calculated for the purpose of the consolidation adjustments and the amount already paid or still to be paid, provided that it is probable that this difference will translate into an actual charge for one of the consolidated undertakings.

The net amount of the deferred taxes ascribed to the taxes for the year in question is negative and amounts to € 48,142K.

This amount arises from the recording of advance taxes of € 6,835K and deferred taxes payable of € 41,307K.

In particular deferred taxes receivable amounting to € 93,529K arose during the year whilst € 100,364K was paid in deferred taxes receivable. Deferred taxes payable amounting to € 118,578K also arose, € 38,685K of which was ascribable to adjustments arising from consolidation. However payments of deferred taxes payable amount to € 77,271K. The remaining € 257,173K is ascribable to current taxes.

PART D

Other information

Consolidated financial statement 2004/2003

(€K)	2004	2003
SOURCE OF FINANCE		
Net profits for the year (including portions pertaining to third parties)	383,452	321,418
Net increase in technical-insurance provisions	1,886,061	1,840,950
Allocations (withdrawals): Provisions for risks, staff-leaving indemnity fund, provision for taxation, provisions for depreciation and other specific provisions	155,417	428,623
Write-downs net of disagio, discounting back and value readjustments	(30,780)	169,317
Other net variations in assets	67	46
(Increase) Decrease in receivables and sundry assets net of payables and sundry liabilities	343,960	(1,011,664)
Depreciation of difference arising from consolidation	19,951	24,036
	2,758,128	1,772,726

Operations in share capital	281	82
Subordinate liabilities	-	-
TOTAL	2,758,409	1,772,808

CASH INVESTMENTS	2,004	
Increase in investments in securities and repo operations	1,970,575	2,560,588
Net corporate financing granted	(83,595)	(504,983)
Increase in investments in land and buildings	40,148	(632,403)
Increase in investments in other multiyear assets and costs	87,295	173,509
Variations in the basis of consolidation and other adjustments that do not affect cash holdings	(9,979)	67,696
Surplus arising from the conversion ratio between the former and new shares as a result of the merger		-
TOTAL	2,004,444	1,664,407
Net profits distributed	68,610	45,818
TOTAL	2,073,054	1,710,225
Variations in cash at bank and in hand	(2,821)	62,583
Cash at bank and cash in hand at the beginning of the year	553,629	491,046
Cash at bank and cash in hand at the end of the year	550,808	553,629

Staff

The average number of staff employed by the consolidated Companies in 2004 was 6,031, 127 of whom were managers, 5,764 of whom were clerical staff and 140 of whom were doorkeepers and workmen.

Directors' and auditors' emoluments

The table below shows details of emoluments paid to the Parent Company's Directors and Auditors for carrying out their functions, including functions that they carried out for other consolidated companies:

(€)	Fondiaria-SAI S.p.A.	Subsidiaries and affiliated companies	Total
DIRECTORS	2,476	2,699	5,176
AUDITORS	245	227	472
	2,271	2,926	5,647

For the provisions of 2 c) of Annex VI to the consolidated accounts referred to in Legislative Decree 173/97 concerning the figures relating to the subsidiaries that manage financial resources belonging to third parties, please refer to the section on managed savings in the Management Report.

Exchange rates

The table below shows the exchange rates for the main foreign currencies used when converting the items in the accounts:

US dollar	1.3621
Pound sterling	0.7051
Japanese yen	139.65
Swiss franc	1.5429

Solvency margin

The elements making up the Group's solvency margin, plus the profit for 2004 that has not been distributed, are sufficient to cover the margin that is required in accordance with the provisions of ISVAP Ruling 2050 of 26 February 2002.

It should be pointed out in particular that the elements making up the solvency margin exceeded the requirement by almost 140% (the 2003 figure being 135%).

*Report by the Board of
Auditors*

Signori Azionisti,

la Fondiaria-SAI S.p.A. ha provveduto alla redazione del Bilancio Consolidato al 31/12/2004, secondo gli schemi e le disposizioni contenute nel D.Lgs. 26 maggio 1997 n. 173, in attuazione della direttiva 91/674/CEE in materia di conti annuali e consolidati delle imprese di assicurazione.

Il Bilancio Consolidato è costituito dallo Stato Patrimoniale, dal Conto Economico e dalla Nota Integrativa ed è corredato, ai sensi dell'art. 74 del D.Lgs. n. 173/97, dalla Relazione sulla Gestione recante informazioni sulla situazione complessiva delle imprese in esso incluse e sull'andamento della gestione nel suo insieme e nei vari settori.

Abbiamo assoggettato, ai sensi dei primi quattro commi dell'art. 41 del D.Lgs. n. 127/91, richiamato dall'art. 75 del D.Lgs. 173/97, il Bilancio Consolidato al 31/12/2004 del Gruppo Fondiaria-SAI agli opportuni controlli ed abbiamo accertato:

- la regolarità del Bilancio Consolidato e la sua corrispondenza alle risultanze contabili dell'impresa controllante e alle informazioni trasmesse dalle imprese incluse nel consolidamento;
- il rispetto dei principi di consolidamento e delle altre disposizioni richiamate dal D.Lgs. 173/97;
- la congruenza della Relazione sulla Gestione con il Bilancio Consolidato.

Esso presenta un utile d'esercizio ed un patrimonio netto di pertinenza del Gruppo, rispettivamente di € migliaia 274.313 ed € migliaia 2.792.478.

La Relazione sulla Gestione e la Nota Integrativa, comprendente quest'ultima il Prospetto delle variazioni dei conti di Patrimonio netto consolidato e il Rendiconto Finanziario di gruppo rappresentativo delle disponibilità monetarie generate nell'esercizio, forniscono le informazioni richieste sull'andamento e l'evoluzione prevedibile della gestione, le informazioni più specificamente connesse alla tecnica di consolidamento, nonché commenti esaurienti circa le principali voci del Bilancio Consolidato.

La Nota Integrativa contiene il prospetto di raccordo tra patrimonio netto e risultato d'esercizio della Capogruppo e patrimonio netto e risultato d'esercizio consolidati.

Vi diamo pertanto atto che il Bilancio Consolidato e la Relazione sulla Gestione sono redatti nel rispetto della normativa vigente.

Torino, 8 aprile 2005

Il Collegio Sindacale

Dott. Benito MARINO

Dott. Giancarlo MANTOVANI

Dott. Marco SPADACINI

Audit Report

RELAZIONE DELLA SOCIETÀ DI REVISIONE SUL BILANCIO CONSOLIDATO AI SENSI DELL'ART. 156 DEL D.LGS. 24/2/1998, N. 58

Agli Azionisti della FONDIARIA - SAI S.p.A.:

1. Abbiamo svolto la revisione contabile del bilancio consolidato della FONDIARIA - SAI S.p.A. e sue controllate chiuso al 31 dicembre 2004. La responsabilità della redazione del bilancio consolidato compete agli amministratori della FONDIARIA - SAI S.p.A.. E' nostra la responsabilità del giudizio professionale espresso sul bilancio consolidato e basato sulla revisione contabile.
2. Il nostro esame è stato condotto secondo i principi e i criteri per la revisione contabile raccomandati dalla CONSOB. In conformità ai predetti principi e criteri, la revisione è stata pianificata e svolta al fine di acquisire ogni elemento necessario per accertare se il bilancio consolidato sia viziato da errori significativi e se risultati, nel suo complesso, attendibile. Il procedimento di revisione comprende l'esame, sulla base di verifiche a campione, degli elementi probativi a supporto dei saldi e delle informazioni contenuti nel bilancio, nonché la valutazione dell'adeguatezza e della correttezza dei criteri contabili utilizzati e della ragionevolezza delle stime effettuate dagli amministratori. Riteniamo che il lavoro svolto fornisca una ragionevole base per l'espressione del nostro giudizio professionale.

La responsabilità dei lavori di revisione contabile dei bilanci di alcune società controllate, che rappresentano rispettivamente circa il 34% del totale attivo consolidato e circa il 36% dei premi lordi contabilizzati dei rami danni e vita, è di altri revisori.

Per il giudizio relativo al bilancio consolidato dell'esercizio precedente, i cui dati sono presentati a fini comparativi secondo quanto richiesto dalla legge, si fa riferimento alla relazione da noi emessa in data 8 aprile 2004.

3. A nostro giudizio, il bilancio consolidato della FONDIARIA - SAI S.p.A. e sue controllate al 31 dicembre 2004 è conforme alle norme che ne disciplinano i criteri di redazione; esso pertanto è redatto con chiarezza e rappresenta in modo veritiero e corretto la situazione patrimoniale e finanziaria e il risultato economico consolidati del Gruppo.

DELOITTE & TOUCHE S.p.A.



Mario M. Busso
Socio



Riccardo Azzali
Socio

Torino, 7 aprile 2005