

REPORT ON THE 1ST HALF-YEAR PERFORMANCE IN THE 2004 FINANCIAL YEAR

FONDIARIA-SAI S.p.A.

FONDIARIA-SAI S.p.A. - HEAD OFFICE IN FLORENCE - P.ZA DELLA LIBERTA' 6 - HEAD OFFICE IN TURIN
- CORSO G. GALILEI, 12 - SHARE CAPITAL € 170,544,593 FULLY PAID-UP - TAX CODE, VAT
REGISTRATION NUMBER AND NUMBER UNDER WHICH THE COMPANY IS REGISTERED WITH THE
COMPANIES REGISTER OF FLORENCE 00818570012 - AUTHORISED TO OPERATE AS AN INSURANCE
COMPANY BY ARTICLE 65 OF THE ROYAL DECREE LAW NO. 966 OF 29 APRIL 1923, CONVERTED INTO
LAW NO. 473 OF 17 APRIL. 473

BOARD OF DIRECTORS

Salvatore Ligresti	<i>Honorary Chairman</i>
Jonella Ligresti*	<i>Chairman</i>
Giulia Maria Ligresti*	<i>Vice Chairman</i>
Massimo Pini*	<i>Vice Chairman</i>
Antonio Talarico*	<i>Vice Chairman</i>
Fausto Marchionni*	<i>Managing Director and Chief Executive Officer</i>
Andrea Broggin	
Carmelo Caruso	
Mariella Cerutti Marocco	
Carlo d'Urso	
Vincenzo La Russa*	
Gioacchino Paolo Ligresti*	
Lia Lo Vecchio	
Siro Lombardini	
Enzo Mei	
Giuseppe Morbidelli	
Cosimo Rucellai	
Oreste Severgnini	
Salvatore Spiniello	
Oscar Zannoni	

Alberto Marras *Secretary to the Board and to the Executive Committee*

BOARD OF STATUTORY AUDITORS

Benito Giovanni Marino	<i>Chairman</i>
Giancarlo Mantovani	<i>Statutory auditor</i>
Marco Spadacini	<i>Statutory auditor</i>
Sergio Castellini	<i>Alternate auditor</i>
Giorgio Di Giuliomaria	<i>Alternate auditor</i>
Maria Luisa Mosconi	<i>Alternate auditor</i>

INDEPENDENT AUDITORS

DELOITTE & TOUCHE S.p.A.

GENERAL MANAGEMENT

Fausto Marchionni

* Members of the Executive Committee

A special Internal Control Committee has been set up, and this has been assigned the functions provided for in this regard by the Code of Self-Regulation of Listed Companies, in which the members of the said Committee act in an advisory capacity, merely making proposals. This Committee is made up by the Directors Enzo Mei, Cosimo Rucellai and Salvatore Spiniello.

The Chairman and the Managing Director are responsible for providing Legal Representation under the terms of Article 21 of the Company's Bylaws. The same shall moreover be vested with all powers of ordinary and extraordinary administration, which are to be exercised using a single signature and which allow for the possibility of granting authorities and powers of attorney, with the exception solely of the following powers:

- transfer and/or purchase of buildings whose value exceeds € 10m each and every transaction;
- transfer and/or purchase of holdings whose value exceeds € 25m each and every transaction and, in any event, of controlling interests;
- underwriting of corporate financing the amount of which exceeds € 50m each and every transaction;
- issue of guarantees in favour of third parties not in the nature of insurance.

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HALF-YEARLY REPORT FOR THE PARENT
COMPANY AS AT 30 JUNE 2004

Introduction

The technical improvement shown by the Companies in the Italian insurance sector over the last few months sends out a positive signal to the entire industry, although there are some signs of a slowdown in terms of premium income for Non-Life business. In fact given the weak performance of the Italian economy, overall premium growth, according to the forecasts of the industry Association, should be confirmed as being around 7% for this financial year: Non-Life business should show a growth of 5%, whilst the growth for Life business, which would be limited to traditional types of products, would be 8%.

Significant legislative changes are expected on the insurance horizon. The Consolidated Text on Private Insurances is currently in the initial stages; The Council of Ministers is making arrangements for the legislative decree provided for by the simplification legislation for 2001 concerning the reorganisation of current provisions on insurance matters (law 229/03) to undergo preliminary examination; this is being done in order to make the sector more competitive and at the same time to guarantee policyholders greater protection through the cooperation of the Supervisory Authorities.

Within the class of Motor TPL, the introduction of the new "penalty-points driving licence" and of the "single national table for physical injury compensation" should lead to a structural improvement in the combined ratio of all insurance companies.

The extension of the Direct Indemnity Agreement, in force since 1st July 2004, to include physical injuries should moreover contribute towards improving the service provided to customers by reducing litigation, settlement times and legal costs.

Motor insurance, which represents the major component of Non-Life activity, is business that has historically always had particularly low (for the most part, negative) industrial profitability margins, and that has an overall cost level consistently higher than the premiums collected. In Motor TPL, it was only by the end of 2002 that the Italian combined ratio, with some difficulty, reached a point of technical equilibrium; this was thanks to the improvements both in distribution and management costs and in the cost of claims. Looking at the accumulated results of Italian Motor TPL business from 1998 to today's date, a technical loss of around € 6bn has been absorbed over the last 5 years, whilst the result of the technical account in the year just ended, despite being positive, is not sufficient to guarantee the recently achieved equilibrium.

The growth of the Motor TPL tariff component of Italian insurance business is still expected to be limited: it is envisaged that, throughout 2004 and during the first part of 2005, the impact on sector prices will remain below the general level of inflation. Estimates made by those within the insurance industry indicate that future periods will be characterised by a modest recovery in tariff amounts, in line with eventual inflationary pressures.

The trend towards a reduction in road accidents continues, even if somewhat diminished, in parallel with the measures adopted in order to improve road safety. The partial data sourced from the ISVAP reveals a further moderate reduction in the number of claims, an indication confirmed by ANIA estimates; in fact the number of claims reported to the companies in the first quarter of 2004 was a little over a million, with a drop of 0.9 % compared to the same period of the previous year (-1.4% in the first quarter of 2003 and -1.1% in the fourth quarter of 2003). There has on the other hand been an increase in the average cost of the claims settled during the same period under consideration, with the cost having risen to € 3,500 on average, an increase of 10.8% compared to the period January-March of 2003.

With regard to the other classes of Non-Life business, General TPL continues to grow at rates higher than the sector average; The growth in income derived from Individual coverages, even if at levels below growth in the Corporate sector, remains positive. We are in fact expecting an impact from professional liability coverages on the individual insurance sector, an impact that should become progressively more significant given that this is a product which is still not very widespread on the market. We would also point to the recovery in Accident business. And we can look forward to a positive scenario in the Personal Insurance sector: development in this sector should be led by the increase in the premium income derived from "multi-coverage policies for individuals" and from coverages additional to motor. The expected development in the Class of Health (whilst still well below the potential level for this particular class) has also been led by products for individuals, and there have been in this respect as early as last year significant signs of implementation of the offer and of product innovation. Over the three-year period, growth in the class of Other Damage is expected to progressively increase, whilst the growth of premium income in the class of Goods in Transit will still be limited for 2004, since this class will feel the negative effects both of the stagnation in terms of goods transported by road and of the competition, which remains intense. The drop in premium income in the classes of Credit and Bonds during the period just ended is mainly due to the reduced contribution of premiums from surety policies, this as the result of market pressure created by the state of crisis that important companies have found themselves in. The growth expected in the class of Legal Protection will still be

led mainly by the significant inroads made in terms of income derived from coverages linked to Motor; the cross-selling operations aimed at extending the scope of the insurance coverages are increasingly being led in this direction.

With regard to Life Business, the Italian market still has plenty of room for growth. As a result of the financial cracks that have appeared over the last few months, Life Business is benefiting from customer interest in low-risk products and investments that are easily convertible to cash, in which the combination of return and protection strikes a fair balance: in the first few months of the current year there has been some growth, within the bancassurance sector, in traditional policies subject to revaluation and in classic unit-linked ones, whilst pension policies have remained essentially stable and there has been a drop in the number of index-linked policies. It is expected that the growth in Life Business could be given a decisive boost as the result of delegated legislation being passed providing for parity between all pension instruments: (closed and open) pension funds and pension policies.

In this delicate market phase, the challenge for the insurance companies is to find the point of equilibrium between objectives of growth and objectives of profitability, a balance that it is difficult to achieve. From this point of view, the fact that the combined ratio of the Group at the end of 2003 proved to be 91.5%, essentially in line with the same data at the end of 2002, when the figure was 91.6%, meant that the Group had achieved the objective of leadership in the Italian Non-Life market in terms of size and profitability, with the level reached by the indicator remaining stable over time.

Against this background, premium income for the Parent Company totalled € 2,565,789K, an increase of 4.49% compared with the same period in 2003.

In direct business premium income amounted to € 2,536,425K, compared to € 2,351,475K in the corresponding period of the previous year, an increase of 7.87% (2% in Non-Life and 35.99% in Life).

A) Business Activity Report

Performance

This half-yearly report has been drawn up in accordance with the indications given in the ISVAP Instruction no. 1207-G of 6 July 1999 and in the successive Circular no. 380/D of 19 July 1999 from this same supervisory body.

When drawing up interim data, in order to apply the mandatory drafting principles and valuation criteria for the accounts for the financial year, there must necessarily be a greater use of estimates and projections, as we point out later on in this report also.

The correct function of the data is therefore to represent in a reasonably credible manner the economic situation and financial position of the Company as at 30 June and to provide information on the business outlook for the second part of the year.

For the first half of the 2004 financial year, total income was € 2,565,789K (+4.49%), and this was made up as follows:

(€K)	1st half-year 2004	1st half-year 2003	Variation %
DIRECT BUSINESS			
Non-Life Business	1,984,694	1,945,770	2.00
Life Business	551,731	405,705	35.99
TOTAL	2,536,425	2,351,475	7.87
INWARD REINSURANCE	29,364	104,052	(71.78)
OVERALL TOTAL	2,565,789	2,455,527	4.49

The significant downturn in premiums from inward reinsurance is chiefly ascribable to Life Business, in particular to the reduction in intra-group acceptances by the subsidiary Novara Vita.

The following table shows the summary of the results of the first half-year 2004 compared with similar data from the corresponding period for 2003 and with the whole of the previous financial year.

(€K)	30/06/04	30/06/03	31/12/2003
Result of the Non-Life technical account	137,044	139,469	295,177
Result of the Life technical account	9,225	13,929	8,375
TOTAL	146,269	153,398	303,552
Net income Non-Life business	78,957	44,839	(90,913)
(less shares transferred to the technical account)	(65,640)	(35,206)	0
Shares transferred from the Life technical account	15,060	21,506	19,818
Sundry Income and Charges Balance	(59,171)	(56,026)	(127,739)
ORDINARY BUSINESS RESULT	115,475	128,511	104,718

Extraordinary Income and Charges Balance	16,101	19,254	146,541
PRE-TAX PROFIT	131,576	147,765	251,259
Corporation tax for the financial year	(50,000)	(72,000)	(118,199)
RESULT for the PERIOD	81,576	75,765	133,060

The result for the first half of 2004, a profit higher than that recorded in the corresponding period of the previous year, confirms the validity of the management choices made by the Company, choices made against an economic background of reference characterised by modest growth in disposable income and by the persistent uncertainty that surrounded developments in the financial markets.

Technical results for Non-Life business remain satisfactory, particularly in Motor, in which we are continuing to make efforts to improve our risk selection and assessment capacity, contributed to also by favourable trends in terms of claims frequency.

The satisfactory result for Non-Life business has been scaled down in part both by trends in the class of General T.P.L., in which an increase in the number of claims reported under coinsurance policies issued by non-Group companies was met by a traditionally prudent reserving policy, and by reinsurance trends.

Outward reinsurance in particular is feeling in part the effect of changes underfoot in terms of the policy on treaties, with effects that will only completely manifest themselves over a longer period of time, whilst the result for inward reinsurance is heavily marked by the negative performance of the intra-group acceptances of some subsidiaries. Overall, there was confirmation of the fact that traditional prudence has prevailed when it comes to the amounts allocated to reserves, with average costs having increased over the previous half-year.

The technical result for Life business confirms the positive trend that had already emerged over the course of last year; the growth in income from traditional types of products, as well as those with a guaranteed financial return, meant that we were able to achieve a profit for the period that was higher than the profit for the whole of the previous financial year, although the latter was negatively influenced by the charges connected with the settlement of the CONSAP dispute concerning compulsory cessions. Work continues on achieving a significant reduction in general expenses.

Technical provisions totalled € 13,700m (€ 13,345m as at 31/12/2003), an increase of around 2.7%: of this € 6,548m relate to Non-Life business (€ 6,445m as at 31/12/2003) and € 7,152m to Life business (€ 6,900m as at 31/12/2003).

Work continues on achieving a reduction in general expenses; these have increased by only 0.4%, with amounts in absolute terms in line with the first half of 2003. Consequently, the incidence on gross premiums has reduced from 16.9% for the first half of 2003 to 16.3% for the current period.

Overall, financial management is showing favourable results: in fact, in debt securities, given the rise in interest rates that had occurred during the first half-year, with the consequent impact on valuations, the Company seized this opportunity to make a good profit by realising such investments. Ordinary net income reached € 213m, in line with the first half-year of 2003, whilst net profits from trading exceeded € 60m (€ 32m as at 30/06/2003).

The balance of other ordinary items, negative to the amount of € 59m, includes € 46m of depreciation allowances on intangible assets (of this, around € 24m relates to depreciation on goodwill).

The ordinary business result is thus € 115m; as a result of the introduction of IRES, this no longer includes the tax credit on dividends.

The balance of extraordinary items, positive to the amount of around € 16m, includes € 16m capital gains from disposals and real estate.

The calculation of the tax burden for the period reflects the application of the main [regulatory] changes that followed the introduction of the new corporation tax, introduced under Legislative Decree 344/03.

The fact that the tax rate is lower than in the past is linked, in particular, to the different methodology used to "de-rate" the dividends charged to the profit and loss account and to the fact that the associated tax credits, abolished as the result of the aforesaid reform, were not entered in the accounts.

This results in a lower tax amount and a consequent reduction in the related tax rate for the period, whilst the financial outlay remains essentially unchanged, as does the impact on the profit and loss account.

NON-LIFE INSURANCE ACTIVITY

Premium income

Premiums written totalled € 2,008,539K compared with a figure for the 2003 half-year of € 1,984,473K , an increase of 1.21%.

The subdivision by class is shown below:

(€K)	1st half-year 2004	1st half-year 2003	Variation %
<u>DIRECT ITALIAN BUSINESS</u>			
Accident	113,630	112,747	0.78
Health	85,905	85,403	0.59
Land vehicles – own damage or loss	221,406	218,670	1.25
Railway rolling stock	6	6	0.00
Aircraft - hull	1,084	783	38.44
Marine - hull	2,720	2,357	15.40
Goods in transit	12,478	12,266	1.73
Fire and natural forces	88,223	86,405	2.10
Other Damage to Property	93,437	92,914	0.56
Motor TPL	1,210,451	1,181,320	2.47
Aircraft - T.P.L	321	261	22.99
Marine TPL	1,477	1,870	(21.02)
General TPL	122,052	120,119	1.61
Credit	974	1,562	(37.64)
Bonds	17,023	15,896	7.09
Pecuniary losses	4,725	4,795	(1.46)
Legal Protection	3,546	3,436	3.20
Assistance	5,236	4,960	5.56
TOTAL	1,984,694	1,945,770	2.00
<u>INWARD REINSURANCE</u>			
	23,845	38,703	38.39)
of which			
Italy	20,127	29,664	(32.15)
Overseas	3,718	9,039	(58.87)
OVERALL TOTAL	2,008,539	1,984,473	21

The only overseas sub-office, which operates out of Holland, is in run-off.

The level of insurance business conducted under the heading of the free provision of services is not significant.

Claims paid and reported

The following table summarises the claims trends in Italian direct business, including reinsurance:

Variation	Claims paid			Claims reported		
	1st half-year 2004	1st half-year 2003	Variation	1st half-year 2004	1st half-year 2003	
	(€K)	(€K)	%	(Number)	(Number)	%
<u>DIRECT ITALIAN BUSINESS</u>						
Accident	60,908	59,849	1.77	27,629	28,053	(1.51)
Health	62,785	65,341	(3.91)	82,172	83,570	(1.67)
Land vehicles - own damage or loss	87,726	6,872	0.98	9,937	69,864	0.10
Railway rolling stock	-	-	-	-	-	-
Aircraft - hull	21	51	(58.82)	6	2	200.00
Marine - hull	1,110	1,286	(13.69)	89	77	15.58
Goods in transit	4,645	4,713	(1.44)	1,885	1,507	25.08
Fire and natural forces	45,041	58,133	(22.52)	15,757	14,234	10.70
Other Damage to Property	48,553	44,363	9.44	36,242	33,804	7.21
Aircraft - T.P.L	-	55	-	-	6	-
Marine - TPL	3,344	774	332.04	143	121	18.18
General T.P.L	77,221	70,646	9.31	31,505	29,019	8.57
Credit	1,096	859	27.59	351	251	39.84
Bonds	5,442	9,196	(40.82)	232	275	(15.64)
Pecuniary losses	1,522	1,053	44.54	1,833	251	630.28
Legal Protection	457	374	22.19	547	512	6.84
Assistance	1,472	1,388	6.05	10,422	9,250	12.67
TOTAL	401,343	404,953	(0.89)	278,750	270,796	2.94
Motor TPL	796,960	746,164	6.81	265,610	280,924	(5.45)
TOTAL NON-LIFE BUSINESS	1,198,303	1,151,117	4.10	544,360	551,720	(1.33)

TECHNICAL PERFORMANCE OF THE MAIN INSURANCE SECTORS

Motor Liability and Marine Third Party Liability

Premium income amounted to € 1,212m, an increase of 2.4% compared to the corresponding 2003 half-year. The increase is somewhat limited due to the fact that the Company has responded to its customers needs by implementing a policy aimed at a general reduction in tariffs, as provided for by the well-known Memorandum of Understanding on Motor Liability Insurance of May 2003. This phenomenon was however met by the continued rise in the average cost of settled claims, which, in market terms, saw an increase in the first few months of 2004 of nearly 11% compared with the similar period for the previous year.

The operational trend of the claims reveals that the number of claims reported has fallen by around 5.4%, proof of a slowdown in the reduction of the loss ratio as had been seen over the last two-year period.

The reduction in claims frequency is chiefly ascribable to the decrease in the number of material damage claims reported, whilst the situation regarding claims related to physical injuries is essentially unchanged.

But the average cost of claims incurred and settled during the period increased by more than 7%; the speed of claim settlements changed from 43.19% for the first half-year of 2003 to 42.03% for the first half-year of 2004; this latter figure is made up by 52.2% for claims incurred during the year (50.3% in the first half-year of 2003) and 40.6% for claims incurred during previous years (36.7% in the first half-year of 2003). The total of claims paid has increased by 6.8%.

The incidence of claims reported under the Direct Indemnity Agreement, including those in which the Company acts as the mandatory insurer, as a proportion of the total Motor Liability claims reported is 39.8%.

As part of the action taken to standardise the Motor Liability tariffs of the Fondiaria and SAI Divisions, and with a view of the launch of the SINGLE tariff planned for the start of 2005, the last measure to integrate these Divisions was implemented with effect from 1st May.

In so doing, the overall Motor Liability tariff revenue was kept unchanged, thereby respecting the provisions of the Memorandum of Understanding on Motor Liability Insurance between the Government, ANIA and the Consumers Association, signed on 5 May 2003, concerning the general reduction in motor tariffs.

The Company is moreover making every effort to achieve its objective of making a single, new motor product available, as from 2005, to the entire sales network, and thus to the customers, a product which the joint experience of the two Divisions has helped to establish.

The Parent Company is moreover pursuing some opportunities to bring down the cost of claims, and this through "active" management of the same, which it is understood consists in the following:

- reduction in the frequency of claims;
- identification of and reduction in the number of fraudulent claims reported;
- effectiveness of the claims management process, which in the case of the Parent Company is translated into an increase in the speed of claim settlements and a reduction in the average cost of the payout;
- improvement in claims management performance through the application of IT and the use of integrated models. Amongst these, the extension of the single computer system IES to the various claims settlement centres, as well as the extension of the same to the Nuova MAA Divisions and to the subsidiary SASA. The claims routing procedure used by IES means that the system automatically identifies the best method for dealing with the claims, thus maximising the number of claims regarded as being straightforward. The components of the system refer mainly to a control model (to permit more efficient and effective management of the claims management operation) and to an anti-fraud engine (for the prior identification of fraudulent claims).

During the course of the period in question, as far as claims management activity is concerned, the main change to have been introduced is the launch of the new claims settlement structure called UNICA.

The new organisation has the task of handling claims worldwide for the Group by integrating the former claims management networks.

To be more specific, the new organisational model has involved around 1600 people, operating both from the offices and throughout the territory, starting from different claims management processes and systems, with the objective of achieving full integration by 2006.

UNICA is organised around a single claims management network to cover the territory, a single structure of management offices, broken down into the Planning Unit, trends and network integration, Head Office Claims, Legal Affairs and Claims Litigation, and Claims Management Network, and provides for the progressive extension of the new IES claims

computer system to various claims settlement centres.

The territory is subdivided into 12 geographical zones, 72 areas and 13 simple claims settlement Centres. In all around 1000 claims settlement centres in claims monitoring units and agencies.

Other salient aspects of the period concern the extension of the IES computer system to include the claims management structures that manage the Nuova MAA and SASA claims (around 35 claims monitoring units), the

logistical unification of these same units with those of Fondiaria and Milano (a task that, with the exception of the large urban centres, has now been completed), and the launch of the claims management process based on the intervention of loss adjusters for claims under Fondiaria and Milano policies.

Finally it should be noted that, in compliance with the provisions of Article 2 of Law no. 273 of 2 December 2002, the Company has already proceeded with the nomination of the actuary appointed.

Land Vehicles – Own Damage or Loss

This class continues to be characterised by good profitability margins.

The increase in premium income has however been limited to 1%, confirmation of a certain degree of difficulty experienced in the market as the result of the unfavourable economic situation.

The number of claims reported is essentially in line with the previous half-year, whilst the total amount of paid claims grew by 1%.

The speed of claim settlements is made up by 72.82% for claims incurred during the year and 63.77% for claims incurred during previous years.

Other Non-Life Business

For Italian direct business, premiums written totalled € 551.4m, an increase of 1.4% as compared to the first half-year of 2003.

The number of claims reported, at 310,477, has increased by 3.3% compared to -5.3% for the 1st half-year of 2003; the increase in the number of claims reported comes mainly from the Fondiaria division, which closed the half-year at +13.3%.

The cost of claims incurred during the year amounted to € 320m, an increase of 1.4% compared with -6.8% for the 1st half-year of 2003; the 2004 result was influenced by one claim for € 15.5m (wholly reinsured), which is an Aircraft Hull claim; without this claim, the half-year would have closed at -3.5%.

In the first half-year, work continued on reforming and pruning the portfolio as part of the measures that the Company has been implementing as from 2002. The classes of General T.P.L. and Health were specifically affected by this but, on a selective basis, the technical rebalancing measures concerned all the more important classes.

During the first half-year three new Group products were launched, covering the risks of Health and Personal Accident. Another three new products will be brought out during the second half-year of 2004, two destined for the Professional sector, the third will complete the range of Health products by offering a Daily Hospitalisation Allowance. For 2004, we wished to concentrate on producing strategic products that would monitor and keep up with technical trends. Work on the development of joint products will continue in 2005, the aim of this still being to standardise within the Group the insurance coverages offered.

Other Damage to Property

Premium income increased by 0.6%; the cost of claims incurred increased by 7.4%. The technical balance has deteriorated due to a general increase in claims.

Fire and natural events

Premium income increased by 2.1%; the cost of incurred claims decreased by 27.3%.

The technical performance of the class was positive, and this notably improved the result for the 1st half-year of 2003, thanks also to the absence of major claims.

Accident

Premium income grew by 0.8%; the cost of claims incurred decreased by 8.9%.

The technical performance of the class proved to be positive, above all as a result of the continued reduction in the cost of claims.

Health

Premium income has seen an increase of 0.6%; the cost of claims incurred increased by 1.2%.

The technical balance has deteriorated compared with the corresponding half-year of 2003; this is the result of the combined effect of a reduction in premiums due to more selective underwriting and the increase in the cost of claims due to continually rising medical costs leading to an increase in the average cost of the settlement amount (the trend in terms of the number of claims reported has remained stable). This confirms that there is a need, for this class, to continue to implement technical rationalisation measures, and this with renewed attention.

General T.P.L.

Premium income has increased by 1.6%, whilst the cost of claims incurred has increased by 3.7%.

The technical balance subsequently improved, confirming the positive trend of the of the 2003 financial year.

Nevertheless, the class experienced a significant increase in the number of claims reported, in large part ascribable to coinsurance policies issued by non-Group companies. IBNR claims were in line with the forecasts.

This led to a lower than expected improvement in the technical balance.

Other classes

Premium income increased by 2.2%, whilst the cost of claims incurred increased by 83.1%.

As has already been reported above, included in the incurred claims is the Aircraft Hull loss in the amount of € 15.5m on a risk written by the Fondiaria Division under a coinsurance policy issued by a non-Group company; without this event, the end figure would have been +8.4%.

The technical balance, even without the aforementioned claim, has deteriorated compared with the 2003 half-year.

Shown below is the speed of claim settlements during the half-year for the main non-motor classes:

CLASSES	Incurred during the year %	Incurred during previous years %
- Accident	28.55	40.89
- Health	75.86	70.91
- Fire and natural forces	53.25	53.93
- Other Damage to Property	54.89	56.57
- General T.P.L.	36.33	21.18
- Other Classes	49.92	34.30

Reinsurance

Outward Reinsurance

We proceeded with the integration of the two divisions (Fonditaria and SAI) for 2004, thereby establishing a single reinsurance platform.

In our approach to reinsurance, it has been our policy to arrange for non-proportional cessions to protect individual risks and/or accumulations of risk arising from one and the same event for the classes of: Fire, Land vehicles – own damage or loss, Theft, Accident, General liability, Motor liability.

For the classes of Credit and Technological Risks, we arranged cessions on a proportional basis, whilst for the classes of Goods in Transit and Bonds, the structure is based on proportional treaties and excess of loss protections. As far as the class of Hail is concerned, a Stop Loss reinsurance is in place.

All of the cessions referred to above are placed on the international market with leading reinsurers via the intermediary of the subsidiary The Lawrence Re of Dublin. For the classes of Assistance and Legal Protection a proportional reinsurance was arranged with the two subsidiaries that are specialists in these sectors (Pronto Assistance and Europa Tutela Giudiziaria). Finally, the class of Aviation is reinsured by the company directly on a mixed basis, i.e. proportional and excess of loss, with leading international reinsurers in the sector.

Premiums ceded in the period come to around € 60m.

The half-year results reflect in part the ongoing change in our approach to reinsurance and, in the absence of any major events of significance, with the sole exception of the class of Aircraft Hull in which assistance was sought for the recovery of a particularly serious claim, show a balance in favour of reinsurers.

Inward Reinsurance

With regard to inward reinsurance, as far as Italian business is concerned, this mainly involved acceptances of business emanating from Companies in the Group; this had a negative result due to the unfavourable development of some policies, in particular in the class of Motor Liability. As far as business outside the group is concerned, a fairly balanced result was recorded.

LIFE ASSURANCE AND PENSION FUNDS

The ANIA statistics indicate that, taking the Italian insurance sector as a whole, Life Business represented 4.83% of total national GDP at the end of 2003. This is a particularly high figure: One need only take into account the fact that, only about twenty years ago, this figure was steady at 0.2%, that nowadays premium income from life policies is not so far removed from the entire national expenditure on healthcare (which represents 5.8% of GDP), and that no other economic sector has experienced such a long-lasting boom.

Following continued strong growth in 2003, the Life market showed good signs of development in the first part of the current year. It emerged that the sector consisting of class I traditional products is still growing, having benefitted from the contribution from single-premium policies; this sector is however expected to experience a slowdown during the year. The reduction in class III policies is due in particular to index products; the slow recovery of the unit sector continues on the other hand; this recovery was already in evidence in the latter part of 2003, and should lead to this type of product taking a leading role throughout 2004. The growth registered in terms of new policies with periodic premiums, whilst based on volumes that are still fairly low, is a significant sign of this.

The growth in Life Business could be given a further decisive boost as the result of delegated legislation being passed providing for parity between all pension instruments: (closed and open) pension funds and pension policies. Italy is thought to have simultaneously the highest percentage in the world of people above sixty years of age and the lowest percentage in the world of young people below 15 years of age: demographic statistics point to a Country marked by a progressive ageing of the population, which implies a re-examination of the current welfare system. On 13 May 2004 the Senate approved Act S2058 (which absorbs Acts S-421 "Reconciliation for insurance or social security purposes" and S-1393 "Prohibitions, accumulation between pension and salary, the self-employed" respectively), currently under examination by the Chamber of Deputies, with some amendments.

In its search to find a solution to a problem broadly shared throughout Europe, the proposed delegated legislation for the reform of the social security system, approved by the Government, provides for two objectives to be met:

- to gradually raise the pensionable age;
- to develop supplementary pension schemes to run side by side with the State scheme.

The fact that the end of service allowance is destined to be channelled into the supplementary pension through the mechanism of "silence=consent" is one of the pillars on which the social security reform currently being discussed in Parliament rests: together with full and effective competition between occupational pension funds and open funds, the motor for the development of the funds will be the transfer of end of service allowances that fall due.

The other change concerns the desire to equalise the three instruments currently available: closed funds, open funds, life assurance policies.

As opposed to how things currently stand, therefore, for employed workers closed funds (or occupational pension funds) will no longer represent a preferred solution in terms of tax and as far as the employer's contribution is concerned. In this regard, everyone will be able to choose a closed fund, an open fund or a life assurance policy in the certainty that they will benefit from the same terms and conditions. Furthermore, in order to encourage people to shift between the various types of supplementary scheme, unit criteria will have to be established for the purposes of evaluating and indicating the costs and the benefits offered. Nowadays, in fact, the COVIP (Supervisory Authority on Pension funds) has established regulations that apply to both closed and open funds, but for insurance products there is no obligation to comply with these regulations. This same COVIP, ISVAP and ANIA are jointly examining possible solutions.

The purpose of the measures described above is to make the pensions market more transparent, more competitive and more easily comprehensible to savers, this in order to remove the barriers to voluntary contributions and the free movement of workers within the supplementary pension system, in the meantime protecting the contributions of those at whom these measures are targeted.

Against this background, the Parent Company has seen particularly gratifying rates of growth in terms of premium income, as shown in the following table:

Premium income

Premiums written in the first half-year of 2004 reached a total of € 557,250K (+18.3%) and are broken down as follows:

(€K)	1st half-year 2004	1st half-year 2003	Variation %
<u>DIRECT BUSINESS</u>			
I - Life Assurances	263,887	246,646	6.99
III - Life Assurances linked to investment funds	23,871	58,161	(58.96)
IV - Health Insurances	25	21	19.05
V - Capital redemption operations	253,275	90,699	179.25
VI - Pension fund management operatio	10,673	10,178	4.86
TOTAL	551,731	405,705	35.99
<u>INWARD REINSURANCE</u>			
	5,519	65,349	(91.55)
of which			
Italy	5,223	65,001	(91.96)
Overseas	296	348	(14.94)
TOTAL	557,250	471,054	18.30

Premium income from direct Italian business is split as follows:

(€K)			
- Individual Policies	274,177	282,803	-3.05%
- Group Policies	266,881	112,724	136.76%
- Pension Funds	10,673	10,178	4.86%

Sums paid and related charges

Sums paid in direct business recorded an increase of 1.32%, totalling € 365,940K (as at 30/06/2003: € 361,178K) and are split as follows:

(€K)	30/06/04	30/06/03	var. %
- Claims	10,406	9,814	6.0
- Matured Policies	191,215	195,194	(2.0)
- Surrendered Policies	164,319	156,170	5.2
TOTAL	365,940	361,178	1.32

The increase in sums paid, which is higher than the increase in premium income, is in keeping with the dynamics of a mature portfolio. This tendency moreover, which is shared by the entire market, is attenuated by the ever greater incidence of Life premiums on Gross Domestic Product and by the reduction in operating costs.

Technical performance

During the first six months of 2004 there continued to be a high demand from customers for guaranteed insurance products and/or insurance products with a guaranteed sum assured; this demand manifested itself, in terms of production, in a premium income that was geared mainly towards products linked to Segregated Accounts. In particular, in terms of Group Policies, there was a sizeable increase in the number of capitalisation policies thanks to the acquisition of significant contracts from institutional customers.

In terms of Individual Policies, we continued to take action to protect the sector of maturing capital amounts under life policies and capitalisation. During the first half-year, the Company also launched a new Individual Temporary Life Assurance product based on a tariff created with the benefit of Group experience.

During the first half-year, the Life Division pursued its own activity of "product manufacture", making an ever-wider range of products available to the sales networks, including those of the Subsidiaries.

With regard to Pension Funds and Personal Pension Schemes, the market was characterised by a demand that still fell short of expectations despite the ever greater attention paid by public opinion and the media to the subject of the reform of the social security system and of the supplementary pension system.

Finally it should be recalled that the Document on Financial and Economic Programming approved by the Government for the period 2005-2008 provides for an increase in the amount levied on Life actuarial reserves, from 0.20% to 0.30%. Unfortunately, this tax creates a competitive disadvantage for the Italian insurance sector, a situation that is unparalleled in other countries.

In particular, for the Parent Company, the increase in tax calculated on the Life actuarial reserves as they appear in the 2003 accounts amounts to around € 5m; the amount that the Company will have to pay as an advance payment in November 2004 comes to more than € 12m.

Outward reinsurance

The reinsurance programme, which was extended in 2004 to include the entire Group, now consists of a proportional Treaty in the form of a Variable Quota Share based on the different retentions that the companies expect to hold, and a Surplus Treaty placed in the international market via the intermediary of the subsidiary The Lawrence Re. The retentions that the companies expect to hold are extremely prudent, above all for participating interests, and are coupled with a total underwriting capacity that is generous enough to allow for greater dynamism in the underwriting process. Moreover, this structure ensures that the administrative burden is greatly reduced and at the same time provides the Life Division with a uniform instrument for more easily monitoring the technical performance.

Inward reinsurance

Whilst our policy in terms of our approach to reinsurance has remained unchanged, in that the structure remains the same, the portfolio content has altered, and no new premiums relating to the quota share treaty and capitalisation of the subsidiary Novara Vita are being accepted. The reinsurance of the risk portfolio in respect of the latter remains in force.

The rest of the portfolio, which also includes the run off of non-group business, had balanced results in line with the characteristics of the class.

Managed Savings

Business activity in the Managed Savings sector is conducted through the intermediary of the specialised companies of the Group, namely BANCASAI, EFFE GESTIONI SGR, EFFE INVESTIMENTI SIM, SAI INVESTIMENTI SGR and SAI GESTIONI SIM (now SAI MERCATI MOBILIARI SIM) and through the advancement of the project proposing the complete redesign of the operational structure of these companies; this project will be implemented both by means of company transformations and integrations and as the result of the companies strategically repositioning themselves on the market in such a manner as to capitalise on the investments made and to gradually develop the Assets Under Management, taking advantage of the insurance customer base of the Group and reinforcing both the capacity and distribution skills of the networks of Agents and Financial Promoters.

Let us recall that, within the scope of this project, in a process that was initiated in 2003, the joint and individual savings management service provided to the public was centralised to be provided from the offices of the subsidiary EFFE GESTIONI SGR. Furthermore, with effect from 1 January 2004, SAI GESTIONI SIM transferred, again in favour of EFFE GESTIONI SGR, the line of business related to the individual management of investment portfolios on behalf of third parties.

Also, the merger through incorporation of CO.FI.MO. SIM S.p.A. into SAI GESTIONI SIM S.p.A., which already held 100% of the capital of the merged entity, was implemented, with the legal effects of this being felt as from 1st July 2004. With effect from this same date, moreover, the surviving entity changed its company name to SAI MERCATI MOBILIARI SIM S.p.A.

Before this, the surviving entity had received the authorisation from CONSOB to conduct trading activities on its own account and on behalf of third parties.

Still within the context of the aforesaid process, in July 2002 the Board of Directors of EFFE INVESTIMENTI SIM S.p.A. and of BANCASAI approved the merger through incorporation of EFFE INVESTIMENTI SIM S.p.A. into BANCASAI.

Subject to authorisation by BANCA D'ITALIA, the planned merger will then be put for approval to the respective general meetings.

With the incorporation of EFFE INVESTIMENTI SIM into BANCASAI it is proposed, on the one hand, to consolidate the Group's network of financial promoters (around 1500 in all) into one company - in this case the bank - and, on the other hand, to complete the process that has already begun in part, namely of combining the best human and technological resources of the two companies; this would ensure that the banking activities and those relating to the placement of financial products and services are organised in such a way that BANCASAI could defend its market

position more effectively, and would be able to offer a higher level of customer service and greater operating efficiency.

As the result of the exchange ratio calculated on the basis of the net equity of the two companies as at 30 June 2004, the merger will imply the increase in Fondiaria-SAI's shareholding in the Bank from the current 70% to 80.47%.

ASSET AND FINANCE BUSINESS

Investments

The volume of investments reached € 14,925,923K, an increase of 1.08% compared with the investments existing as at 31 December 2003.

The structure of these investments is as shown in the following statement:

(€K)	30/06/04	comp. %	31/12/03	comp. %
- Land and buildings (1)	1,328,563	8.90	1,315,002	8.91
- Bonds and fixed-yield securities	7,715,679	51.70	7,762,761	52.57
- Shareholdings and investment funds	4,336,702	29.05	4,310,487	29.19
- Corporate financing	95,767	0.64	153,799	1.04
- Deposits with Credit Institutions (2)	245,866	1.65	184,443	1.25
- Deposits with ceding companies	402,600	2.70	432,416	2.93
- Sundry financial investments	156,915	1.05	155	0.00
- Class D Investments	643,831	4.31	606,842	4.11
TOTAL	14,925,923	100.00	14,765,905	100.00

(1) gross of the provision for depreciation (€ 148,698K as at 30/06/2004; € 146,521K as at 31/12/2003)

(2) also includes the amounts referred to under class F of the assets

The following table provides a breakdown of the class D investments by type:

(€K)	30/06/2004	comp. %	31/12/2003	comp. %
Fixed-income securities	453,004	70.36	431,822	71.16
Stocks and shares	181,552	28.20	165,212	27.22
Cash at bank and in hand	4,996	0.78	5,512	0.91
Other net assets	4,279	0.66	4,296	0.71
TOTAL	643,831	100.00	606,842	100.00

The slight increase in investments is the result of the repayment of the corporate financing provided to the company by the subsidiary Sainernational; this repayment took place last June as a result of the convertible loan stock issued by the subsidiary in 2001 having matured.

The following table shows the results of the financial and property management activities as related to both class C and class D investments.

	30/06/2004	30/06/2003	Variation %	
31/12/2003 (€K)				
Income from stocks and shares	31,060	19,513	59.18	87,925
Income from land and buildings	28,373	32,443	(12.55)	65,384
Income from other investments	174,358	187,431	(6.97)	344,404
Total income	233,791	239,387	(2.34)	497,713
Management charges	(20,364)	(26,249)	(22.42)	(50,518)
Net income	213,427	213,138	0.14	447,195
Profits realised on the disposal of land and bldgs	16,346	1,639	897.32	75,108
Profits realised on short-term assets	55,243	8,791	528.39	16,361
Profits realised on other long-term investments	5,771	21,235	(72.82)	45,549
TOTAL	290,787	244,803	18.78	584,213

The average rate of return, calculated on the half-sum of investments, was 2.94% in all (3.63% in 2003). The lower ordinary return from the portfolio is moreover also linked to the realisation of significant capital gains.

Finance Business

In the first half-year of 2004, the macro-economic picture was characterised by notable uncertainty. During the first few months of the year, the main preoccupation continued to be keeping the current recovery going, and the returns on securities plummeted to new depths. Following this, the worldwide economy was caught out by the upward trend: real growth and inflation proved to be higher than expected, which led to major adjustments to interest rates.

In the USA, the yield curve gradually shifted upwards up until the time of the meeting of the Federal Reserve held on 29 June, when Greenspan raised interest rates by 25 basis points, launching a new phase in the monetary policy cycle, but acting in a "measured" way to reassure the markets over inflation prospects.

In the Old Continent, the picture was still very different.

At the start of the year the three major countries were still showing such weak economic growth that expectations were created and pressure was put on the Central Bank to cut rates in order to breathe new life into an economy whose exports had been strangled by the appreciation of the euro.

As from May, moreover, 10 new countries became members of the European Union: an important turning point politically, but as far as the economic aspect is concerned, differences have emerged between the member countries. This in addition moreover to the well-known structural rigidities that have an influence on the economy, together with a Central Bank that traditionally devotes more attention to monetary stability than to the difficulties faced over the cycle.

With this in mind, the development of the financial business conducted by the Parent Company in the first half-year of 2004 was linked as closely as possible to the German Bund prices (this is the benchmark by which the behaviour of the stock market is monitored), in an attempt to seize operational opportunities for trading and return in relation to fixed-income securities.

Given the increased volatility of the market, we took advantage of some interesting sales opportunities, above all in the Non-Life sector, and consequently realised some good capital gains.

The Repo contracts and the Treasury Certificates were used as a precautionary component to ensure that the total duration essentially remained low.

The presence of investments in fixed-income securities with a rating within the investment grade was welcomed since this would diversify the portfolios and, for Life Business, provide a better return, duration being equal.

The purpose of the asset allocation strategy is to invest the cash flow generated by insurance activities, rebalancing the mix of shares/ fixed income and yield/duration, thereby providing for an opportunistic management of existing positions in the shares sector.

To be more specific, for Non-Life business, there was a more prudent asset allocation; this resulted in a fixed-rate component of 42% and an average duration of 4.04. The variable rate component on the other hand had a weighting of 51% with an average duration of 0.34, to which is added a component consisting in Repo contracts equal to 7%. The total duration of the Non-Life portfolio was 1.88.

Life Business, with its more "long-term" liabilities, had a total duration of 4.24, and this is broken down into a fixed-rate component of 60% with an average duration of 6.81, and a variable-rate component of 40% with a duration of 0.43.

At a strategic level, the preference was for an asset allocation using government stocks from the Euro area, with around 88% of the cash flow being made available for Non-Life business and around 72% for Life.

As far as the fixed-income securities sector was concerned, in the search for higher returns we invested some 28% in Life as against some 12% for Non-Life.

The share market has seen a very different performance in the first half-year, with no particular evidence of a pre-defined trend. The Company therefore operated in a market scenario in which the performance of international markets was close to zero but in which movements, whilst pronounced, were around current levels, and this left ample room for trading activities.

These activities were focused in particular on portfolios of segregated accounts, and work continued on pruning and standardising such portfolios.

Some information is provided below with regard to the business conducted in the shares sector during the half-year.

Swiss Life

In June 2004, Fondiaria-SAI and its subsidiaries FONDIARIA NEDERLAND and MILANO ASSICURAZIONI subscribed the capital increase of the company SWISS LIFE HOLDING that had been decided on by the General Shareholders' Meeting of the latter, held on 18 May 2004.

During this meeting, as was noted in a communiqué of that same day, 18 May, the companies of the Fondiaria-SAI Group had voted against the proposed capital increase of the Swiss company, pointing in particular to the fact that there were not sufficient grounds for the transaction and to the necessity for SWISS LIFE HOLDING to adopt a modern corporate governance that would permit an active participation in decision-making processes, whilst complying with the rules and regulations of developed financial markets.

The transaction had however been approved by the General Shareholders' Meeting of SWISS LIFE HOLDING by a majority of votes.

The successive decision of the Fondiaria-SAI Group to subscribe the capital increase was taken both in order not to significantly dilute its shareholding in the Swiss group and to maintain, with respect to the Swiss Life Holding shares in the portfolio, an average book value that was essentially in line with the embedded value per share as at 31 December 2003, recalculated after taking into account the increase in share capital.

The terms and conditions of the capital increase do in fact provide for the shareholders to receive an option right to subscribe new shares, each of a nominal value of 50 francs, at the price of 100 francs; this subscription would be at the rate of 1 new share for every 3 option rights, so that the Swiss company is counting on securing around 834m francs from the transaction, to which may be added around 317m francs emanating from the issue of a convertible loan stock (which, as opposed to the previous one, does not provide for mandatory conversion).

In particular, the basis for the subscription of the new shares was as follows:

- Fondiaria-SAI, having previously purchased 144,500 shares and 144,500 option rights, subscribed 48,167 newly issued SWISS LIFE HOLDING shares for around € 3.1m;
- FONDIARIA NEDERLAND subscribed 500,027 newly issued SWISS LIFE HOLDING shares for around € 32.3m;
- MILANO ASSICURAZIONI subscribed 237,177 newly issued SWISS LIFE HOLDING shares for around € 15.6m.

The total financial outlay thus rose to around € 51m.

Neither Fondiaria-SAI nor its subsidiaries, on the other hand, subscribed the newly issued convertible bonds, which were offered to the existing shareholders first based on a preferential subscription right.

At the same time, we completed:

- the sale on the market of the convertible bonds in the portfolio, subscribed on the occasion of the previous capital increase, for a nominal value of around € 18m (of which € 13m concerned FONDIARIA NEDERLAND and € 5m MILANO ASSICURAZIONI);
- the sale on the market of part of the SWISS LIFE HOLDING shares in the portfolio. More specifically, we completed the sale of a total of 312,667 SWISS LIFE HOLDING shares (of which 192,667 shares concerned FONDIARIA NEDERLAND and 120,000 shares MILANO ASSICURAZIONI).

Subsequently, the Parent Company also reduced its Swiss Life Holding shareholding to zero.

Consequently, there was a reduction in the unit book value of the SWISS LIFE HOLDING shares in the portfolio, and more precisely:

- for FONDIARIA NEDERLAND, from 311.70 to 258.78 francs
- for MILANO ASSICURAZIONI, from 282.89 to 237.17 francs.

This transaction also implied on the other hand a modest dilution of the shareholding, which was in fact reduced from 9.41% to 8.47%; this did not alter the strategic profile of the shareholding, with the Fondiaria-SAI Group remaining the majority shareholder of SWISS LIFE HOLDING.

Given the prices at which the SWISS LIFE HOLDING shares and the mandatory convertible bonds referred to above were sold on the market, there was:

- a capital gains for Fondiaria-SAI in the amount of € 1.2m;
- a net capital loss for FONDIARIA NEDERLAND in the amount of € 12m;
- a net capital loss for MILANO ASSICURAZIONI in the amount of € 4m.

During the course of this same month of June 2004, moreover, the Fondiaria-SAI Group assessed the situation and decided, together with the SWISS LIFE Group, that the presuppositions for undertaking the planned joint venture in the Life sector in Italy did not exist. This notwithstanding, the strategic and long-term nature of the investment remains unchanged.

Other Transactions

With regard to the listed shareholdings:

- MILANO ASSICURAZIONI SPA.: sale of 1,630,000 shares, realising a capital gain of € 889K. The direct shareholding is 63.67%.
- BANCA INTESA: free allotment of 2,055,071 shares under the heading of a dividend in kind. The direct shareholding is 0.75%.
- PIRELLI & C.: Even though it was after the end of the half-year, on 8 July inst. the Company purchased 9,508,536 Pirelli & C shares (for an investment of around € 7.8m), which were linked to the Pirelli & C. Shareholders Agreement by virtue of the exercise of the preemptive right enjoyed by the latter as a party to the said Agreement. As the result of this purchase, Fondiaria-SAI's shareholding in Pirelli & C., as part of the shareholders now party to the Agreement, proved to be around 4.46% of the ordinary capital (compared with 4.17% previously), which corresponded to around 10.6% of the capital contributed to the Agreement (compared with 9.93% previously).

Mention must also be made of the principal transactions involving shareholdings in unlisted subsidiaries:

- AZZURRA ASSICURAZIONI SPA: settlement of losses for an outlay of € 6,109K. The direct shareholding is 60%.
- BANCA SAI SPA: settlement of losses for an outlay of € 3,771K. The direct shareholding is 70%.
- EFFE INVESTIMENTI SIM SPA: settlement of losses for an outlay of € 8,032K. The direct shareholding is 100%.
- FINITALIA SPA: underwriting of an increase in Share Capital for an outlay of € 846K. The direct shareholding is 40%.
- HAAG SPA: settlement of losses for an outlay of € 4,073K. The direct shareholding is 100%.
- MERCANTILE LEASING SPA: underwriting of an increase in Share Capital for an outlay of € 5,228K. The direct shareholding is 91%.
- PROFILO LIFE SPA: sale of the entire holding, realising a capital gain of € 1,206K.
- PROGESTIM SPA: underwriting of an increase in Share Capital for an outlay of € 34,000K. The direct shareholding is 100%.
- SAI SIM SPA: settlement of losses for an outlay of € 6,656K. The direct shareholding is 100%.
- SASA ASSICURAZIONI SPA: purchase of 3,222,309 shares for an outlay of € 6,088K. The direct shareholding is 94.98%.
- VILLA RAGIONIERI SPA: advance payment of € 1,160K for any future increase in share capital. The direct shareholding is 100%.

Own shares and shares in the Holding Company

With reference to the authorisations to realise purchases and sales of own shares on which resolutions were passed by the general meetings of 29 April 2003 and 28 April 2004, during the half-year 820,000 ordinary shares were purchased for an outlay of € 15,384K. The percentage shareholding in the ordinary capital as at 30/06/2004 was 3.63%.

Following the closure of the half-year, a further 136,500 ordinary shares were purchased for an outlay of € 2,454K; the percentage shareholding thus rose to 3.74%.

Taking into consideration the Fondiaria-SAI shares owned by the subsidiaries Milano Assicurazioni and Saifin-Saifinanziaria (3,611,557 and 1,060,000 respectively) also, the percentage shareholding proves to be 7.37%.

During the half-year Fondiaria-SAI conducted transactions in the shares of the holding company Premafin Finanziaria S.p.A.

As a consequence of this, as at 30/06/2004 the Parent Company held 17,512,527 shares of the holding company, corresponding to a percentage shareholding of 5.63%.

This percentage rose to 6.16% at Group level, if we also take into account the Premafin shares held by the holding company Milano Assicurazioni and Saifin-Saifinanziaria. Following the closure of the half-year the subsidiary Milano increased its own shareholding in Premafin to 0.93%, raising the Group share to 6.58% (for a total of 20,458,815 shares).

Real Estate Management

During 2004 there was a slowdown in price growth as compared to the last few years. As a matter of fact, for some non-residential sectors in some areas of Italy, prices have entered a phase in which they have now settled and are, in some cases, lower than prices previously seen.

The current economic phase and the general climate of uncertainty do not foster investments on the part of the companies, and the non-residential sectors are therefore showing signs of a reduction in the volume of trade and thus in the prices.

The outlook for the residential sector continues to be bright, even if it does not seem likely that the growth in prices that has occurred in previous years will be repeated. Prices have settled with some slight upward variations, and there is a definite rise in the demand for small to medium-sized buildings for investment purposes under the heading of rental income. The demand for second-homes in holiday resorts has also risen.

During the half-year, the company continued to pursue its property assets management and rationalisation activity: the transactions conducted as part of this activity generated sales of buildings in a total amount of around € 35m, as well as purchases of property units in a total amount of around € 10m.

During June, the Company sold the building located in Rome, Piazza dell'Esquilino 12 Via Farini 17, at the total price of € 33,000,000 plus VAT.

This sale was realised after taking into account, on the one hand, the modest return on the building, which was almost completely vacant and would have required complete renovation to obtain good margins of return and, on the other hand, the fact that it was a good time in the market.

This sale led to a significant capital gain compared with the balance sheet value, in an amount of around € 15,111K.

With effect from 30 June 2004 the Company purchased buildings from the subsidiary SASA, which were owned by the latter and located in Trieste, at Via XX Settembre 89 and Via Carducci 29.

Each building was sold at a price corresponding to the value shown in the valuations as at 31 May 2004 drawn up by an expert appointed for such purpose, for a total of around € 7.5m.

On the one hand the transaction permitted SASA to divest itself of part of its non-core property assets, with the realisation of a capital gain totalling some € 4.5m and, on the other hand, it meant that Fondiaria-SAI could directly acquire the ownership of such buildings, which were capable of guaranteeing a good return.

The transaction was authorised by ISVAP in accordance with the law.

On 27 July the authorisation arrived from the Banca D'Italia to operate the first real estate investment fund set up by the Fondiaria-SAI Group. 12 buildings of particular value, previously owned by companies in the Group, were put

into the fund and, in particular, the buildings brought into the fund by Fondiaria-SAI S.p.A. numbered 6 and had a total sale value of around € 235,600,000. This fund was self-managing with effect from 1 August 2004.

Should you require more detail, we would refer you to the section devoted to significant events occurring after the closure of the half-year for the question of which buildings were put into the closed real estate fund set up and managed by the subsidiary SAI INVESTIMENTI SGR S.p.A.

The Company Progestim, a subsidiary of Fondiaria-SAI which is already responsible for the management of the capital and reserves of the Fondiaria-SAI Group, has been charged with managing the buildings.

Debts

As at 30/06/2004, the debt situation of Fondiaria-SAI S.p.A. was as follows:

(€K)	30/06/2004	31/12/2003	Variation
Subordinated loan	400,000	400,000	-
Sundry loans and other financial payables	91,955	558,211	(466,256)
TOTAL	491,955	958,211	(466,256)

The subordinated loan was originally taken out on 12/12/2002 with Mediobanca S.p.A. and thereafter renegotiated, in July 2003, with the same counterparty and for the same amount. We would refer you to the accounts booklet for a precise description of the features of this loan.

The substantial decrease in the item "Sundry loans and other financial payables" is ascribable to the maturity of the corporate financing provided by the subsidiaries Sainernational S.A. for an amount of € 465,461K and Fondiaria Nederland B.V. for an amount of € 30,813K. This corporate financing was referable to the liquid assets emanating from the convertible loan stock issued respectively by Sainernational S.A. and Fondiaria Nederland B.V. in 2001, which matured on 28/06/2004 and 20/04/2004 respectively. Included in this item moreover was pre-existing corporate financing provided to the Parent Company by some subsidiaries.

During the half-year access was granted to a financing issued by the subsidiary Finsai International S.A. for an amount of € 27,000K and another issued by the subsidiary Sai Holding Italia S.p.A. for an amount of € 8,000K. The interest-bearing financing issued by Sainernational S.A. was moreover repaid for an amount of around € 5,500K. Finally, the presence of premiums on options not to be used for hedging was noted in the amount of € 3,851K; these options increased by € 516K during the first half of the financial year.

OTHER INFORMATION

Management and development of human resources

As at 30 June 2004, the Company employed 2,816 staff, of which 68 executives, 2,726 insurance officers and clerks and 22 people assigned to the porter's lodges of the buildings owned by the Company, whose employment is regulated by the porters' contract.

It should be noted that the data relating to the Company's workforce, which consisted of 2,794 insured employees as at 30 June 2004 as opposed to the 2,783 as at 31 December 2003, takes into account the transfer to Fondiaria-SAI of 55 members of staff from other companies in the Group and of 4 people hired under a legal obligation from companies put into compulsory administrative liquidation.

The economic part of the National Collective Agreement of 18 July 2003 for officers and clerks, which expired on 31 December 2003, was renewed on 2 March 2004 for the 2004-2005 two-year period. With effect from 1st January 2004, the salary tables were increased by 4% after taking into account the inflation differential of the previous two-year period and the inflation projected for 2004, namely 1.7%.

With the signing of the so-called

"Bridging Agreement", which took place on 1st June 2004, the SAI Supplementary Company Agreement, which expired on 31 March 2004, was renewed up until 31 December 2004; this was done in order to align the expiry date of the same with that of the Fondiaria Supplementary Agreement. The Agreement only affected the institute of company premiums with an increase of around 1% in the labour costs of the SAI division for 2004.

In the first half of 2004, work continued on implementing the voluntary redundancy scheme, aimed at staff who were in possession of the requisites required for entitlement to seniority/old age pension.

This scheme has also permitted 33 voluntary redundancies to be identified for the second half-year of 2004.

Management and coordination

The Company is not subject to management and coordination by others pursuant to Article 2497 et seq. of the Civil Code. It does on the other hand carry out management and coordination activities pursuant to the aforementioned regulation in relation to its own subsidiaries, including MILANO ASSICURAZIONI and its direct subsidiaries.

The Company has moreover applied rules of conduct to companies controlled by it; this is to ensure that the tasks of coordination and control of the companies in the Group are completed, and that the obligations of transparency and public disclosure imposed on listed issuers by current legislation are met. Such rules of conduct provide, inter alia, for special resolutions by the Board of Directors or the Executive Committee of Fondiaria-SAI with regard to some transactions relating to the subsidiaries that are deemed to be significant based on the nature of the transaction or on the amount of the same.

General Shareholders' Meeting of 28 April 2004

Alterations to the by-laws

The General Shareholders' Meeting of 28 April 2004, in an extraordinary session, approved the amendment of some articles of the Company's Bylaws, including as an update of the Legislative Decree no. 6/2003 reforming company law.

Fondiaria-SAI warrants 1992-2006 (ex 2004)

The aforesaid General Shareholders' Meeting, again in an extraordinary session, passed a further resolution extending the period for exercising the Fondiaria-SAI warrants, formerly for 1992-2004, for a further two-year period, taking this up to 31 August 2006.

These warrants, traded on the Stock Exchange with effect from December 2003, provide an entitlement, as you are aware, to subscribe to savings shares only.

Transactions with Group undertakings and other participating interests

The Company has had dealings of a financial nature and dealings related to insurance with the majority of the companies in its group. A summary of these is provided below.

Transactions with the holding company concern € 2,701K for write-ups on shares. Receivables from subsidiaries and affiliated companies total € 536,142K.

These principally relate to insurance transactions in respect of guarantee deposits in an amount of € 355,503K (of which

€ 321,897K for Novara Vita, € 29,681K for Milano Assicurazioni, and € 3,923K for Sasa Vita), to receivables relating to transactions of an insurance nature with Milano Assicurazioni in an amount of € 30,193K, with Siat in an amount of € 9,714K, with Azzurra in an amount of € 7,048K, with Sis in an amount of € 2,993K, with Pronto Assistance in an amount of € 1,556K, and to bank deposits with Banca Sai in an amount of € 95,066K, for corporate financing with Sasa in an amount of € 10,000K, with Sim Etoile in an amount of € 5,574K, with Consorzio Castello in an amount of € 2,125K, with Villanova in an amount of € 1,069K and with Taro in an amount of € 1,069K.

Payables total € 166,642K and are mainly due to corporate financing from the Sim Etoile Group in an amount of € 36,636K, from Sainternational in an amount of 16,000K, from Finsai in an amount of € 27,000K and from Sai Holding in an amount of € 8,000K, to insurance transactions in respect of current accounts with Milano Assicurazioni in an amount of € 5,116K and Lawrence Re in an amount of € 1,243K, and to Lawrence Re for guarantee deposits in an amount of € 50,000K.

The transactions realised in the profit and loss account mainly relate to dividends from shareholdings in the amount of

€ 2,796K (of which € 1,692K for Progestim, € 280K for Europa Tutela Giudiziaria, € 193K for Finsai International, € 188K for Sai Investimenti, € 170K for Sistemi Sanitari, € 146K for Stimma), interest on other payables in the amount of € 4,211K, sundry charges in the amount of € 7,097K and value adjustments on shares in the amount of € 15,166K (of which € 5,760 for Azzurra, € 3,840K for Haag, € 2,268K for Effe Investimenti, € 1,824K for Banca Sai, € 1,000K for Sai Sim).

Premiums were written through reinsurance of Life Business with Group undertakings in an amount of € 32,217K (of which € 29,687K for Novara Vita and € 1,523K for Sasa Vita) and of Non-Life Business in an amount of € 20,639K (of which € 7,733K for Sis, € 5,469K for Azzurra, € 3,875K for The Lawrence Re, € 2,898K for Europa Tutela Giudiziaria).

External relations and communications

The first half-year of 2004 was chiefly devoted to the development of projects aimed at achieving the following objectives:

- Establishment of a new visual identity system for the Group
- Progressive integration of the different "business cultures" within the Group
- Sufficient visibility of business initiatives at the level of the distribution networks, customers and the Media

With regard to the first point, the new identifying marks of the Group and its Companies have been defined and circulated, by means of the Visual Identity Manual, to the entire in-house population, this so that their use may be consolidated in the short term: the adoption by the Personnel of Companies in the Group of one and the same visual identity system, including in everyday operational tools, whether these are directed in-house or to outside consumers, promotes the development of a coordinated Group image, investing in means of communication with an extremely low economic impact but with a high potential for circulation.

A similar visual identity system has been established for the distribution networks (coordinated and personalised by type of network), and the second edition of the Manual, the publication of which is planned for the second half-year, will be devoted to this.

With reference to the second point ("integration of the different business cultures within the Group"), in the period in question, numerous Internal Communications activities were planned in an integrated manner; such activities will affect the Group

- through the creation of paper media/online tools and the development of in-house events - over the course of the next few months. We are also proceeding with the work of integrating intranet realities and the sharing of information through the newsletter NEWS and the house organ TEAM, designed to be distributed to all the employees of the Group and to the distribution networks.

Finally, sufficient visibility has been guaranteed for the Presto&Bene Project of the Claims Division, which successfully launched the pilot phase of the project on the distribution networks in the first six months of the year: the creation of a single Group Network of preferred Car-Repairers, distributed in a capillary fashion throughout the national territory, contributes to the consolidation of the leadership image of the Fondiaria Sai Group by greatly improving the service provided to Policyholders.

The sponsorship activities and donations planned for 2004 with the circulation and publication of the new brand in mind, provided for institutional events within the context of social, cultural and sports programmes and for initiatives more specifically aimed at consolidating the presence of the Group in the three operational poles of Florence, Milan and Turin.

In the social arena, inter alia, we reconfirmed our commitment to ANDOS - the National Association of Women who have had Breast Surgery and, together with the Municipality of Florence, we launched the "Air-Conditioning Project", a project that enabled air-conditioning equipment to be purchased and handed out to old people living in the municipality.

On the cultural front, in addition to our by now traditional support for the Fondazione Teatro Regio [Royal Theatre Foundation] and the Council of Turin, as well as for the Maggio Musicale Fiorentino [Florentine May Musical Event], the Group also marked itself out by sponsoring the renovation of the Propylaea in Piazza S. Pietro in Rome, which was coupled with the organisation of an exclusive event aimed at securing the loyalty of the network and held at the Vatican Museums and in the Sistine Chapel, and by sponsoring the renovation of the north facade of the Basilica di San Marco in Venice.

The sports sector has also brought significant returns in terms of the Company's image, thanks to the sponsorship of the Maxi Yacht Idea Sai, of the Fondiaria-SAI Athletics Project and of the Florentine football team.

The activities of the press office, directed towards reinforcing the Group's image as a major player on the Italian financial and insurance horizon and a leader in the non-life market, have been a constant source of support in terms of the publication of Group results and of information concerning the strategic operations conducted by the Group, serving to underline the fact that these operations are well matched to the objectives outlined in the Business Plan. Support for the business strategy indicated in the Business Plan for 2003-2006 will continue to be provided in 2004, this as a response to the company mission " to be a leader in the Italian non-life market both in terms of size and profitability" and to supply all the tools that might serve to endorse the Group as a key player on the insurance and financial horizon.

With this in mind, the main commitments for the second half-year are as follows:

- Definition and promotion of a single visual identity system for the Group's institutional and product-related communications
- Publication on intranet and internet sites
- Production of business publications (Linea Diretta Club, Équipe PA, Team, News)
- Staging of the inaugural performance (12 October 2004 with "La Bohème" by Giacomo Puccini) of the Teatro Regio di Torino [Turin Royal Theatre], whose Foundation Fondiaria-SAI is a founder member of, testifying once more to the desire of the Group to be a patron of art, an active player at the highest-level on the artistic and cultural scene, as well as its continual willingness to create a solid link with the town of Turin (where it has had a presence, through SAI, since 1921).

Establishment of a Foundation

On 22 April 2004 Fondiaria-SAI and MILANO ASSICURAZIONI established a Foundation, called the Fondiaria-SAI Foundation, with an initial cash endowment fund of € 600,000, split in equal parts between the two Companies and earmarked for cultural and welfare activities and charitable works.

Now that the Group has grown in size, it must assume the role taken on by large companies who are aware of their responsibilities in this regard, including the social role; this has led to the establishment of a Foundation whose purpose may be summarised by the promotion of two fundamental values: "culture" and "solidarity".

In particular, the Foundation has as its goal the promotion of culture, solidarity and voluntary work, including the provision of humanitarian aid in specific cases in which there is a need for social and welfare activities. In order to achieve these goals, the Foundation may carry out any activity actually in need of social and cultural support and may promote and defend culture and the arts in general (including by organising seminars, shows, conventions, exhibitions, concerts and events in general), and may protect, promote and enhance the value of property of historical and artistic interest.

The Foundation started out by developing initiatives directed towards people in hardship; in this, it was intent on working towards the goal of social solidarity, thereby making its own contribution towards meeting the social needs demonstrated by the weakest sections of the population.

In addition to some directors and executives from the two Companies, personalities from the scientific world have been called upon to become members of the Board of the Foundation.

The Board will moreover be responsible for selecting a Scientific Ethics Committee, on which important personalities from the scientific world and from the world of culture and voluntary work, amongst whom the heads of the Teatro Regio di Torino [Royal Theatre of Turin] and the Teatro Comunale di Firenze [Municipal Theatre of Florence], will sit.

Structure of the sales organisation

As at 30/06/2004, the number of Agencies in the SAI division was 837 (237 of which were Town Agencies and 600 General Agencies), and the total number of (town and general) agents was 1,332.

With regard to the Fondiaria division it should be noted that as at 30/06/2004 the number of Agencies was 582 (578 of which were Agencies under contract and 4 direct management agencies): of these, 143 Agencies under contract are associated with the merged entity Polaris S.p.A.

The territorial distribution of the Fondiaria SAI agencies is as follows:

	on behalf of SAI	on behalf of Fondiaria	Total 30/06/2004	Total 31/12/2003
North	454	264	718	723
Central	205	141	346	350
South	178	173	351	353
TOTAL	837	578	1,415	1,426

The majority of the premium income was derived from 3,659 agencies (which operate through 3,356 sales outlets), representing the traditional sales channel; in particular, the distribution structure includes 1,415 single-firm agencies and agents at other locations who report to the Parent Company and a further 2,244 single- and multi-firm agencies that work with the other companies in the Group. Of the aforesaid agencies of the Parent Company, 558 work on behalf of BancaSai in the public savings sector, affiliating themselves to the network of the 968 BancaSai financial promoters, whilst a further 186 agencies work on behalf of Effe Investimenti SIM.

Current disputes

The appeal against the ruling of the Council of State of 23.04.2002 that the Company lodged with the Court of Cassation, as did some other leading Companies too, is still pending; the aforesaid ruling had confirmed the penalty imposed by the Antitrust Authority on 17 Companies, amongst which the Parent Company, due to the exchange of sensitive information via the intermediary of the Company RC LOG.

The litigation created by the well-known "antitrust" civil action brought (with effect from April 2001) by the Company's policyholders continues to flow at a higher than expected level and is definitely a matter for concern. As at 30 June 2004 the number of cases pending is around 9,000. The Company's provision for risks and charges, established during the half-year, includes an estimated amount to cover the costs that might be incurred if the cases are lost.

In June 2004, a deed of compromise was executed with regard to the court case that followed the merger through incorporation of the Company LATINA ASSICURAZIONI S.p.A. into LA FONDIARIA ASSICURAZIONI S.p.A. that had taken place in 1995.

Let us recall in this regard, and we would ask you to kindly refer to the report attached to the 2003 accounts for greater detail, that by passing judgement on the issue of quantum, the Court of Milan had finally ruled on this court case; this followed the success of the suit brought by some ex LATINA shareholders who, following the aforesaid merger, had sought to have the surviving entity sentenced to make good the damage that the said shareholders had allegedly suffered as a consequence of the merger.

In particular, it should be remembered that the judges of the court of first instance, having taken into due consideration the indications of the Official/Court-Appointed Technical Consultant, valued the compensation due to the claimants at around € 1.7m, inclusive of interest, any write-up and fees.

Pending the terms for the appeal, the possibility was put forward of blocking the ruling by initiating amicable proceedings with a group of claimants; this concerned the most relevant claimants in terms of the size of their claims, whose entitlement to damages the Court had denied or only recognised in part, referring in this connection to their status as shareholders on account of the shares owned by them.

This lack of recognition of such entitlement affects more than 1.2m savings shares and more than 200,000 ordinary shares, with appropriate documentation on the ownership of such shares having been produced at the negotiation stage; if such shares had been approved for compensation during the appeal proceedings with the criteria established by the Court, the Company would have had to incur a further estimated outlay, inclusive of interest and write-ups, of around € 1.2m.

The settlement agreement in relation to the aforesaid shares amounts to € 640K, inclusive of all costs.

This agreement has effectively blocked any further dispute concerning the issue of the calculation of the exchange ratio that may possibly have been threatened by the aforesaid claimants, given that the latter did not agree with the valuations arrived at by the Court in the aforesaid judgement.

On 14 August inst. Promofinan S.p.A., a shareholder of the merged entity Fondiaria Assicurazioni, served a summons on the Company, on Premafin and on Mediobanca, the purpose of which was to ensure that the latter met their alleged takeover bid obligations; the existence of such obligations had been confirmed, according to the claimants, also by CONSOB, as demonstrated in the press release from the latter dated 18 December 2002.

The claim made by the claimant against the three summoned parties amounts to around € 7.5m.

The aforesaid suit is in addition to the six suits already pending in respect of the same subject matter and with regard to which the preliminary investigation is under way.

The remarks made in the accounts as at 31/12/2003 remain valid, and we would refer you to these for an overall assessment of the litigation.

RELEVANT EVENTS OCCURRING AFTER THE END OF THE HALF-YEAR

Allocation of property to the closed-end real estate investment trust set up by SAI INVESTIMENTI SGR S.p.A.

On 16 April 2004, the Board of Directors of the subsidiary SAI INVESTIMENTI SGR S.p.A decided to set up the closed-end type real estate investment trust referred to as the TIKAL R.E. Fund. On 27 July 2004 Banca D'Italia issued its authorisation for the Regulations governing the Trust, managed by this same SAI INVESTIMENTI SGR.

The Trust is reserved for qualified investors who have subscribed units in the said Trust by contributing property: the Companies must hold the units, of a duration of seven years and subscribed solely by Fondiaria- SAI and by companies in the Group, in an amount of no less than 30% of the value of the subscription and for a period of at least two years as from the date of allocation, as provided for by current legislation.

The Trust is structured in such a way as to achieve its goal in terms of return on maturity (8% annual gross) through the management of a prudent and optimum mix of investments in property already providing a return as well as in property pending completion or reconstruction before being subsequently used to provide a return for trading purposes.

The overall sum committed by the subscribers has reached the maximum amount of the Trust as established by the Regulations, namely € 400m: the total value of the contribution in kind amounted to about € 394.2m, whilst the subscription commitments in monetary form from Fondiaria-SAI and MILANO amounted to € 4m and € 2.1m respectively.

Finally, we should mention that an application has been filed with Banca d'Italia requesting authorisation for the transfer by Fondiaria-SAI of 40% of the capital of SAI INVESTIMENTI SGR to MILANO ASSICURAZIONI.

Property Assets

On 2 July inst., the group known as CITYLIFE, which the Fondiaria-SAI Group belongs to via its subsidiary PROGESTIM S.p.A., was the successful bidder in the call for tenders issued by the company SVILUPPO SISTEMA FIERA S.p.A. on behalf of the Fondazione Fiera Milano [Milan Trade Fair Foundation] relating to the sale and urban upgrading of part of the Fiera di Milano [Milan Trade Fair] area. The project is thought to be one of the more significant projects at an international level in that it will be one step in the process of achieving the radical redevelopment of the city of Milan.

The tender from the CITYLIFE group, which was for an amount of € 523m, enabled the consortium to secure the contract, which had been the subject of a competitive bidding process in which the PIRELLI Group and the ZUNINO Group had also taken part. Once the contract had been awarded, the preliminary contract was drawn up, with the awardee being obliged to pay in cash a sum equal to 10% of the sale price by way of a confirmation deposit (€ 52.3m) and to provide, as a further guarantee of the fact that the final purchase sale agreement would be signed, a first demand bank guarantee equal to 10% of the sale price (€ 52.3m).

The share to be borne by PROGESTIM, namely 26.64%, which corresponds to its holding in the capital of CITYLIFE, was about € 28m in all, € 14m of which relates to the aforementioned confirmation deposit, which has already been paid, and € 14m to the aforementioned bank guarantee.

Based on the project phases, the works are due to be completed by the year 2014.

Part of the financial resources necessary for this will come from the sale by PROGESTIM of its entire holding in INTERNATIONAL STRATEGY S.r.l., namely 100% of the capital, to Fondiaria-SAI. The price of the INTERNATIONAL STRATEGY shares was set at € 65,050K, a price calculated on the basis of a valuation of the company done by the expert appointed for such purpose. In July inst. a preliminary purchase sale agreement relating to the holding in INTERNATIONAL STRATEGY was concluded between this same PROGESTIM and FONDIARIA-SAI, at the same time as which Fondiaria-SAI paid, in part payment of the price, the sum of € 30,000,000.

Sale of shares of the subsidiary Mercantile Leasing S.p.A.

On 28 July 2004, having obtained the authorisations required by law, the entire holding in the company MERCANTILE LEASING, held both by the Company and by MILANO ASSICURAZIONI (91% and 9% respectively), was transferred to BANCA ITALEASE as the result of a competitive procedure agreed with the MEDIOBANCA advisor. The total price paid by the purchaser was € 121m, as can be seen in the preliminary agreement signed by the parties on 21 June 2004, which is higher than the valuation done by the MEDIOBANCA advisor.

This sale price enabled the Fondiaria-SAI Group to realise a total capital gain in the order of around € 36m (about € 34m of which was for Fondiaria-SAI), compared with a total balance sheet value of € 85m, having taken into account the recent capital increase in MERCANTILE LEASING.

The sale must be viewed within the context of a concentration on investments in business strictly related to the core business, having moreover regard to the fact that, to maintain the shareholding, more capital contributions would have been required in order to support the company's growth.

In arranging for the sale to BANCA ITALEASE, we also took into account the fact that there was an opportunity to reinforce the partnership between the Fondiaria-SAI Group and the group headed up by the BANCO POPOLARE DI VERONA E NOVARA.

RCS Shareholders Agreement

The parties to the RCS MEDIAGROUP Shareholders Agreement, having met on 21 June inst., decided to purchase around 63 million shares, the equivalent of about 8.7% of the company's capital, owned by GEMINA, at the price of € 4.4 per share.

The Fondiaria-SAI Group currently has a holding in RCS MEDIAGROUP that equates to around 5% of the capital; this holding is not linked to the Shareholders Agreement, and an application to become party to the said Agreement has been formally submitted.

Each of the current parties to the Agreement reserved the option to purchase the aforesaid shares on a pro rata basis, shares to be sold by GEMINA in accordance with what is decided upon by the respective deliberative bodies. ITALMOBILIARE, BANCA INTESA and PIRELLI & C. advised GEMINA that they would undertake to purchase any shares that might not be taken up.

At this same meeting, moreover, the Shareholders party to the Agreement agreed that, when the Agreement is renewed, there will be no objection to the companies belonging to the groups Fondiaria-SAI, CAPITALIA, DIEGO DELLA VALLE and FRANCESCO MERLONI possibly becoming parties to the said Agreement in the manner, at the times and with the shares yet to be defined.

On 7 July, the parties to the RCS Shareholders Agreement, on renewing the agreement up to 30 June 2007, updated the Agreement to take account of the reduction in GEMINA's share. On this occasion, the shareholders also expressed their willingness to admit to the Shareholders Agreement the companies Fondiaria-SAI (with a percentage shareholding of

5% of the ordinary capital), CAPITALIA (with a percentage shareholding of 2%) and, again through subsidiaries, DIEGO DELLA VALLE (with a percentage shareholding of 1.97%) and FRANCESCO MERLONI (with a percentage shareholding of 1.5%) at times and in a manner that would not cause the conditions for the application of the regulations governing compulsory takeover bids to be created, with the decision being deferred until such time as a reply has been received from CONSOB in relation to the query that the parties to the RCS MEDIAGROUP Shareholders Agreement raised with the Commission in this regard. Finally, in its communication of 6 August 2004, in reply to the said query, CONSOB confirmed that, based on duly valid provisions of law, if the aforementioned four new companies become parties to the Shareholders Agreement, and it was anticipated that this would take the form of a single admission, this would not create the presuppositions for a compulsory takeover bid. In fact, the increase of the total shareholding of the parties to the Agreement over and above the current shareholding (which, based on the restructuring done by CONSOB, proves to be 46.683%) does indeed mean that 50% of the capital (threshold relevant for the purposes of takeover bids) of RCS has been exceeded, but this threshold was exceeded as the result of the contribution to the Agreement of shares held for more than twelve months by the new parties to the same (and in particular by Fondiaria-SAI), such interval of time representing a presupposition deemed relevant by the applicable legislation. CONSOB pointed out, in conclusion, that purchases made by the new parties to the Agreement over the course of the last twelve months should therefore be deemed to be irrelevant for the purposes of deciding whether eventual shareholding thresholds of between 30% and 50%, both figures inclusive, of the capital of RCS had been exceeded.

BUSINESS OUTLOOK

The result for the half-year is essentially in line with the figures shown in the Company's business plan. Action will continue to be taken and measures will continue to be implemented in the second half of the year to further improve the return on engineering business. In particular, we will try to stabilise the combined ratio within the time frame permitted by the plan; this will be done by maintaining current market share in Motor business and by developing cross-selling initiatives in the Non-marine branches, including by involving the sales networks in projects aimed at growth and profitability.

As for Life business, there will continue to be growth in this sector through the launch of new products; this will be done both to provide greater protection for customers' savings and as an effective response to the increased demand for consultancy in pension matters and in matters relating to the security of investments. In this context, the implementation of legislation governing additional and supplementary pension schemes will play a significant role.

On the property and financial side of things, the programme will proceed to re-balance the portfolio of investments, this both in order to benefit from an eventual recovery of share prices and, through a careful selection of the debt securities making up the mix of investments, to reduce to a minimum the rate and counterparty risks. On the other hand, the improvement that has been seen in the debt ratio points to the fact that one objective provided for in the business plan is already being achieved in accordance with the same.

It follows that the result expected also for the second part of the current financial year is in line with the forecasts and that this result, in the absence of any extraordinary and unforeseeable events and circumstances, and of eventual disturbances in the financial markets, will be drawn from very satisfactory figures.

Milan, 8 September 2004

*On behalf of the Board of Directors
The Chairman*

Jonella Ligresti

COMPANY: FONDIARIA-SAI S.p.A.

Office: FLORENCE

HALF-YEARLY REPORT AS AT 30/06/2004

Please refer to the original Italian version for what regards the figures directly related to to the translated items

ASSETS	At 30th June of the financial year 2004	At 30th June of the financial year 2003	At 31st December of the financial year 2003
A. Credits to shareholders for share capital subscribed but not paid up	1	75	149
B. Intangible assets			
1. Acquisition costs to be depreciated	2 4,556	76 10,920	150 5,264
2. Other assets	3 570,798	77 624,169	151 603,952
Total	4 575,354	78 635,089	152 609,216
C. Investments			
I - Land and buildings	5 1,179,865	79 1,416,807	153 1,168,482
II - Investments in companies of the group and other participating interests			
1. Shares and holdings	6 2,823,402	80 2,767,209	154 2,767,983
2. Bonds	7 156	81 156	155 78
3. Finance	8 19,929	82 51,500	156 79,519
Total investments in companies of the group and other participating interests	9 2,843,487	83 2,818,865	157 2,847,580
III - Other financial investments			
1. Shares and holdings	10 1,442,051	84 1,692,269	158 1,444,977
2. Shares of mutual investments funds	11 71,249	85 89,762	159 97,527
3. Bonds and other fixed income securities	12 7,715,523	86 7,003,321	160 7,762,682
4. Finance	13 75,837	87 43,481	161 74,280
5. Others	14 174,563	88 112,833	162 12,063
Total other financial investments	15 9,479,223	89 8,941,666	163 9,391,529
IV - Deposits with ceding companies	16 402,600	90 417,715	164 432,416
Total	17 13,905,175	91 13,595,053	165 13,840,007
D. Investments for the benefit of insured of life business, who support the risk and deriving from pension fund management			
I - Investments relating to services connected with investment funds and market indices	18 566,953	92 495,570	166 539,920
II - Investments deriving from the management of pension funds	19 76,877	93 58,741	167 66,921
Total	20 643,830	94 554,311	168 606,841
D.bis Technical reserves borne by reinsurers			
I - Technical reserves, non-life business	21 397,350	95 429,410	169 415,862
II - Technical reserves, life business (excluding tech. res. according to pt. III)	22 80,274	96 161,169	170 74,692
III - Technical reserves of life business provided the investment risk is borne by the policy holders and reserves deriving from pension fund management	23	97 824	171
Total	24 477,624	98 591,403	172 490,554
E. Credits			
I - Credits deriving from direct insurance operations	25 1,014,012	99 1,055,639	173 1,098,476
II - Credits deriving from reinsurance operations	26 86,822	100 173,880	174 11,593
III - Other credits	27 448,918	101 406,665	175 523,525
Total	28 1,549,752	102 1,636,184	176 1,633,594
F. Other elements of the assets			
I - Tangible assets and stocks	29 20,015	103 22,069	177 22,466
II - Liquid availability	30 228,424	104 196,798	178 172,738
III - Own shares or holdings	31 64,576	105 37,454	179 49,192
IV - Other assets	32 598,160	106 626,882	180 479,678
Total	33 911,175	107 883,203	181 724,074
G. Accrued income and prepayments	34 122,093	108 115,462	182 100,977
TOTAL ASSETS	35 18,185,003	109 18,010,705	83 18,005,263

SHEET

(Amounts in Euro K)

LIABILITIES	At 30th June of financial year 2004	At 30th June of financial 2year 2003	At 31st December of financial year 2003
A. Nett equity			
I - Share capital subscribed or equivalent fund	36 170,542	110 170,517	184 170,520
II - Share premium reserve	37 190,446	111 190,263	185 190,285
III - Legal reserve	38 33,671	112 27,018	186 27,018
IV - Other assets reserves	39 1,856,444	113 1,798,605	187 1,798,704
V - Profits (losses) carried forward	40	114	188
VI - Profit (loss) for period	41 81,576	115 75,765	189 133,060
Total	42 2,332,679	116 2,262,168	190 2,319,587
B. Subordinated liabilities	43 400,000	117 400,000	191 400,000
C. Technical reserves			
I - Non-life business			
1. Premium reserve	44 1,365,674	118 1,366,665	192 1,301,395
2. Claims reserve	45 5,167,213	119 5,005,526	193 5,124,933
3. Miscellaneous technical reserves	46 8,215	120 8,802	194 12,416
4. Equalisation reserves	47 6,918	121 4,792	195 6,316
Total technical reserves, non-life business	48 6,548,020	122 6,385,785	196 6,445,060
II - Life business			
1. Actuarial reserves	49 6,380,701	123 6,002,294	197 6,163,150
2. Reserves for amounts payable	50 63,359	124 41,231	198 62,191
3. Miscellaneous technical reserves	51 66,215	125 67,110	199 69,191
Total technical reserves, life business	52 6,510,275	126 6,110,635	200 6,294,519
Total	53 13,058,295	127 12,496,420	201 12,739,579
D. Technical reserves provided the investment risk is borne by policy holders and reserves deriving from pension fund management			
I - Reserves relating to contract whose services are connected with investment funds and market indices	54 565,257	128 496,289	202 538,606
II - Reserves deriving from pension fund management	55 76,877	129 58,687	203 66,921
Total	56 642,134	130 554,976	204 605,527
E. Funds for risks and charges	57 247,614	131 293,502	205 368,726
F. Deposits received from reinsurers	58 152,783	132 137,975	206 152,916
G. Debts and other liabilities			
I - Debts deriving from direct insurance operations	59 90,979	133 251,933	207 98,334
II - Debts deriving from reinsurance operations	60 128,959	134 90,649	208 27,038
III - Bond loans	61	135	209
IV - Debts to banks and financial institutes	62	136	210
V - Miscellaneous debts and loans	63 435,070	137 832,052	211 765,281
VI - Subordinated severance fund	64 53,784	138 56,405	212 56,013
VII - Other liabilities	65 642,652	139 616,088	213 445,219
Total	66 1,351,444	140 1,847,127	214 1,391,885
H. Accrued liabilities and deferred income	67 54	141 18,537	215 27,043
TOTAL LIABILITIES	68 18,185,003	142 18,010,705	216 18,005,263

GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS

I. Guarantees issued	69 17,087	143 643,993	217 72,194
II. Guarantees received or issued by third parties in the interest of the company	70 182,948	144 122,345	218 198,695
III. Commitments	71 572,746	145 902,837	219 1,202,884
IV. Relevant assets of pension funds managed in the name or on behalf of 3rd parties	72 0	146 0	220 0
V. Others	73 11,852,719	147 11,605,115	221 11,387,480
TOTAL MEMORANDUM ACCOUNTS	74 12,625,500	148 13,274,290	222 12,861,253

PROFIT AND

	At 30th June of financial year 2004	At 30th June of financial year 2003	At 31st December of financial year 2003
I. TECHNICAL ACCOUNT, NON-LIFE BUSINESS			
1. Relevant premiums, nett of reinsurance cessions	1 1,880,426	57 1,850,710	113 3,692,864
2. (+) Share of the profit of investments transferred from non-technical account (item III. 6)	2 65,640	58 35,206	114
3. Other technical income nett of reinsurance cessions	3 6,941	59 17,946	115 40,481
4. Expenses relating to claims nett of recoveries and reinsurance cessions	4 1,348,974	60 1,322,026	116 2,565,631
5. Change in other technical reserves nett of reinsurance cessions	5 - 375	61 3	117 -209
6. Refunds and shares in profits nett of reinsurance cessions	6 - 84	62	118 3,826
7. Management costs:			
a) Acquisition costs nett of commissions and shares in profits received from reinsurers	7 309,598	63 305,528	119 633,253
b) Administration costs	8 71,727	64 74,536	120 148,997
Total	9 381,325	65 380,064	121 782,250
8. Other technical expenses nett of reinsurance cessions	10 85,522	66 61,895	122 84,741
9. Change in equalisation reserves	11 601	67 405	123 1929
10. Result of technical account, non-life business	12 137,044	68 139,469	124 295,177
II. TECHNICAL ACCOUNT, LIFE BUSINESS			
1. Premiums of the financial year nett of reinsurance cessions	13 549,694	69 456,927	125 1,025,246
2. Income from investments			
a) Income deriving from investments	14 137,902	70 141,80	126 289,258
b) Increases of value adjustments on investments	15 9,889	71 8,584	127 16,904
c) Profits on realisation of investments	16 33,907	72 14,228	128 26,217
Total	17 181,698	73 164,616	129 332,379
3. Income and capital gains not realised relating to investments for the benefit of policy holders who bear the risk and investments deriving from pension fund management	18 15,822	74 24,031	130 35,045
4. Other technical income nett of reinsurance cessions	19 1,835	75 491	131 1,515
5. Expenses relating to claims nett of reinsurance cessions	20 404,139	76 379,572	132 806,927
6. Change in actuarial reserves and other technical reserves, nett of reinsurance cessions			
a) Actuarial reserves, premiums reserve of additional insurance and other technical reserves	21 211,626	77 91,649	133 261,448
b) Technical reserves provided the investment risk is borne by the policy holders and deriving from pension fund management	22 36,713	78 77,570	134 128,997
Total	23 248,339	79 169,219	135 390,445
7. Refunds and shares in profits nett of reinsurance cessions	24 3,244	80 876	136 2,294
8. Management expenses			
a) Acquisition costs nett of commissions and shares in profits received from reinsurers	25 21,031	81 19,607	137 47,600
b) Administration expenses	26 16,005	82 16,990	138 39,652
Total	27 37,036	83 36,597	139 87,252

Company code **111**

LOSS ACCOUNT

(Amounts in Euro K)

	At 30th June of financial year 2004	At 30th June of financial year 2003	At 31st December of financial year 2003
9. Assets and financial charges			
a) Management charges on investments and debit interest	5,462	7,766	16,186
b) Value adjustments on investments	16,086	7,343	47,488
c) Losses on realisation of investments	3,324	524	2,731
Total	24,872	15,633	66,405
10. Assets and financial charges and capital losses not realised relating to investments for the benefit of policy holders who bear the risk and investments deriving from pension fund management	3,186	4,299	7,168
11. Other technical charges nett of reinsurance cessions	3,948	4,434	5,501
12. (-) Share of the profit of investments transferred to the non-technical account (item III.4)	15,060	21,506	19,818
13. Result of the technical account, life business	9,225	13,929	8,375
III. NON-TECHNICAL ACCOUNT			
1. Result of the technical account of non-life business (item I. 10)	137,044	139,469	295,177
2. Result of the technical account, life business (item II. 13)	9,225	13,929	8,375
3. Income from investments, non-life business			
a) Income deriving from investments	88,573	90,198	208,455
b) Increases in value adjustments on investments	4,269	4,70	7,645
c) Profits on realising investments	34,463	3,253	10,066
Total	127,305	98,158	226,166
4. (+) Share of profit on investments transferred from the technical account, life business (item II. 12)	15,060	21,506	19,818
5. Asset and financial charges, non-life business			
a) Investment management charges and debit interest	14,703	16,530	34,333
b) Value adjustments on investments	26,253	36,558	275,308
c) Losses on realising investments	7,413	234	7,438
Total	48,349	53,319	317,079
6. (-) Share of profit on investment transferred to the technical account, non-life business (item I. 2)	65,640	35,206	
7. Other income	23,437	44,678	145,847
8. Other expenses	82,607	100,704	273,586
9. Result of ordinary activity	115,475	128,511	104,718
10. Extraordinary income	29,352	20,611	158,314
11. Extraordinary expenses	13,251	1,357	11,773
12. Result of extraordinary activity	16,101	19,254	146,541
13. Result before tax	131,576	147,765	251,259
14. Tax on result for period	50,000	72,000	118,199
15. Profit (loss) for period	81,576	75,765	133,060

B) Valuation Criteria

We have applied the drafting principles and valuation criteria used for the accounts for the financial year to the half-yearly report.

For a precise illustration of the same, therefore, we would expressly refer you to what was published in the booklet of the accounts.

Nevertheless, in drawing up the interim accounts, there has been a greater valuation approach with greater recourse to simplifications; consequently some methodologies are used that make greater use of estimates.

Outlined below are the items with respect to which the valuation process has been incorporated or modified compared with the data reported at the close of the financial year, using these simplified methodologies.

Goodwill

Goodwill acquired for a valuable consideration is recorded in the assets and systematically depreciated over a limited period, having taken into account the expected profitability of the business to which it relates. At the half-year, half of the estimated annual depreciation allowance is entered.

Technical provisions for direct business

- Provision for unearned premiums Non-Life business

With regard to this provision, as a precaution, the figure for the provision for unexpired risks has been kept unchanged compared with the figure as at 31 December 2003 in those classes in which, at the half-year, the loss ratio showed some improvement over the data as at the close of the previous financial year.

In those cases in which it is clear that this ratio has deteriorated, in the calculation procedure provided for in the ISVAP Circular no. 360/D, the figure as at 30 June has been entered. In case of any abnormal trends in terms of the level of premium income generated, however, sums will be set aside as a precaution, based on the expected loss ratio.

- Provision for outstanding claims Non-Life business

The multi-stage technical valuation process has undergone a few changes in terms of the simplification of procedures, basically because of the impossibility of doing the analytical audit of the remaining charges, as is the accepted practice at year-end.

In Land vehicles - Motor T.P.L., the total of claims incurred in 2004 was established, both for the SAI portfolio and for the Fondiaria portfolio, using five different actuarial statistical methods. For other Non-Life business the estimated loss for the technical divisions was incorporated by resorting to the parameters used when drawing up the accounts for the 2003 financial year, with no substantial variations being revealed compared to the trends that had been consolidated to provide a statistical base.

For claims incurred during previous years, if an examination of the transactions made in the first half of the year does not reveal any significant phenomena in terms of the adequacy or inadequacy of the reserves, the amount of the initial reserve, net of any payments made during the period, will be maintained. In other cases, the adjusters' valuation has been incorporated as a precaution.

Financial investments

The valuation of bonds and of other fixed-income securities and shareholdings, including own shares, was done in accordance with the accounting principles adopted for the accounts, based on the prices of the last day of the half-year, rather than the average of the prices of the last month or six months of the period.

Direct taxes

Taxes are allocated based on the valuation of the fiscal burden for the period, taking into consideration eventual exemptions, the relevant tax rate applicable, and eventual taxes on deferred liabilities.

The full and accurate representation of the effects of deferred taxation on assets is given in the accounts for the financial years, unless phenomena arise that might significantly affect the tax burden for the period.

The Company has adopted the multi-currency accounting system. Consequently receivables, payables and financial assets expressed in foreign currency are converted at the precise exchange rates of 30/06, with the sole exception of long-term investments represented by capital securities.

Eventual appreciations or depreciations in foreign currencies with respect to the currency of the accounts are therefore fully charged to the profit and loss account of the half-year.

Tax adjustments and provisions

As you are aware, in the Legislative Decree no. 6 of 17 January 2003 providing for the reform of company law, subsection two of Article 2426 of the Civil Code was rescinded, which permitted value adjustments and allocations to be made solely in application of tax regulations. The rescission of this Article meant the removal of the option of charging to the profit and loss account value adjustments and allocations which, despite being deemed to be tax-deductible by fiscal provisions, could not be entered based on civil regulations governing accounts.

In view of the general principles governing accounts and of the reasons behind the reform, the effects of value adjustments and allocations made solely in application of tax regulations in past financial years must also be eliminated from the accounts.

Overall, the adjustments made, all on 31 December 2003 and the nature of which was purely fiscal, came to an amount gross of tax of € 122m.

The elimination of the effects of this adjustment will have a positive impact on the profit and loss account of around € 77m, in the event that deferred taxes are set aside on the entire amount of the assets subject to "depollution". The elimination moreover of the effects of the adjustments of a fiscal nature is not reflected in the half-year position, including in relation to the incorporation into the regulations for the sector of the provisions introduced in this respect by the Legislative Decree 6/2003.

C) Information on the Balance Sheet

ASSETS

INTANGIBLE ASSETS - (Item B)

The intangible assets, all of which are deemed to be long-term, amount to € 575,354K, net of the depreciation allowances for the half-year.

(€K) 30/06/2003	30/06/2004	31/12/2003	Variation	
Acquisition costs to be amortised	4,556	5,264	(708)	10,920
Other assets	570,798	603,952	(33,154)	624,169
TOTAL	575,354	609,216	(33,862)	635,089

The acquisition costs to be amortised relate to the ex La Fondiaria portfolio and follow the original depreciation plant.

The other intangible assets are mainly comprised as follows:

- cancellation deficit that emerged from the merger through incorporation of La Fondiaria S.p.A. into Fondiaria-SAI S.p.A. in the amount of € 268,909.
- goodwill deriving from the merged entity La Fondiaria and relating to the assignment of a line of business done in '90, in the amount of € 151,064.
- goodwill deriving from the merged entity La Fondiaria and relating to the merger through incorporation that took place in '95, in the amount of € 60,810.
- goodwill deriving from the transfer of portfolio from the subsidiary Bim Life and from Profilo Life, in the amount of € 4,515K.
- capital and development costs in the amount of € 26,998 relating to the merger through incorporation of La Fondiaria into Fondiaria-SAI S.p.A.
- research and development costs in the amount of € 50,947, capitalised on the basis of their multi-year benefit.
- € 4,934K relating to the charges incurred for the raising of the Mediobanca subordinated loan.

During the half-year only the depreciation allowances for the period were charged to the profit and loss account.

INVESTMENTS (Item C)

I. Land and buildings

These total € 1,179,865 and are broken down as follows:

(€K)	30/06/2004	31/12/2003	Variation	30/06/2003
Buildings for use in the business	163,599	175,519	(11,920)	185,641
Buildings used by third parties	1,150,655	1,129,977	20,678	1,392,039
Other buildings	4,627	4,625	2	6,968
Other property rights	2,279	2,279	0	0
Fixed assets in progress and advance payments	7,403	2,603	4,800	40
TOTAL	1,328,563	1,315,003	13,560	1,584,688
Total provisions for depreciation of land and buildings	148,698	146,521	2,177	167,881
TOTAL	1,179,865	1,168,482	11,383	1,416,807

There has been an increase in the gross value of land and buildings compared with the situation as at 31/12/2003 as the result of increasing costs in the amount of € 18.2m, advance payments for purchases in the amount of € 4.8m, purchases in the amount of € 10.6m, and sales in the amount of € 20m.

Sales generated an income of around € 35m, with net capital gains of € 16.3m.

II. Investments in group undertakings and other participating interests

These total € 2,843,487K and are broken down as follows:

(€K)	30/6/2004	31/12/2003	Variation	30/06/2003
Stocks and shares	2,823,402	2,767,983	55,419	2,767,209
Bonds	156	78	78	156
Corporate financing	19,929	79,519	(59,590)	51,500
TOTAL	2,843,487	2,847,580	(4,093)	2,818,865

Included hereunder are short-term listed assets, represented by the shareholding in the holding company Premafin Finanziaria S.p.A., in the amount of € 18,336K.

Shown in annex 2 are the variations that occurred during the first half of the year.

Stocks and shares

The shareholdings shown under item C.II.1 of the Balance Sheet come to a total of € 2,823,402K; this is after the write-downs made in the amount of € 15,166K, relating to the shareholdings in the subsidiaries Azzurra Assicurazioni S.p.A., in the amount of € 5,760K, SAI Sim S.p.A., in the amount of € 1,000K, Haag S.p.A., in the amount of € 3,840K, BancaSAI, in the amount of € 1,824K, Effe Investimenti, in the amount of € 2,268K, Effe Gestioni, in the amount of € 474K, classified under long-term assets.

Write-ups were also made in the amount of € 2,700K; these were wholly related to the holding company Premafin Finanziaria S.p.A.

Further information concerning the participating interests is shown in annex 1.

Bonds

Bonds totalled € 156K; these relate to issues by subsidiaries and are not listed in regulated markets.

Corporate financing

Corporate financing totalled € 19,929K and concerns loans issued to Sasa S.p.A. (€ 10,000K), Sim Etoile SA (€ 5,575K), Villanova S.r.l., Consorzio Castello S.r.l., Taro S.r.l..

III. Other financial investments

These are broken down as follows:

(€K)	30/6/2004	31/12/2003	Variation	30/06/2003
Stocks and shares	1,442,051	1,444,977	(2,926)	1,692,269
Shares in investment funds	71,249	97,527	(26,278)	89,762
Bonds and other fixed-interest securities	7,715,523	7,762,682	(47,159)	7,003,321
Corporate financing	75,837	74,280	1,557	43,481
Other investments	174,563	12,063	162,500	112,833
TOTAL	9,479,223	9,391,529	87,694	8,941,666

Units and shares included in other financial investments

These are classified under long-term, in the amount of € 1,299,465, and under short-term, in the amount of € 142,586K, and are made up as follows:

(€K)	30/6/2004	31/12/2003	Variation	30/06/2003
Listed shares	1,409,114	1,417,591	(8,477)	1,665,315
Unlisted shares	32,937	27,386	5,551	26,954
TOTAL	1,442,051	1,444,977	(2,926)	1,692,269

Under listed shares, capital losses from valuation were recorded in the amount of € 1,744, whilst write-ups amounted to € 8,987K.

The book value of listed shareholdings is € 12,807K higher than the market value, calculated based on the prices as at 30/06/2004.

Such capital losses are not thought to represent a permanent loss of value.

Shares in investment funds

These amounted to € 71,249 (€ 97,527 as at 31/12/2003), having increased by € 26,278K. Capital losses arising from adjustment amounted to € 195K whilst write-ups amounted to € 885K.

Bonds and other fixed-yield securities

(€K)	30/6/2004	31/12/2003	Variation	30/06/2003
Listed	7,333,808	7,301,620	32,188	6,494,449
Unlisted	374,690	433,618	(58,928)	487,222
Convertible bonds	7,025	27,444	(20,419)	21,650
TOTAL	7,715,523	7,762,682	(47,159)	7,003,321

The capital loss due to adjustments to market values recorded in the profit and loss account amounts to € 21,541K; mandatory write-ups amounted to € 1,586K.

Listed bonds were entered in the accounts for an amount € 71,320K less than the market value, calculated based on the prices as at 30/06/2004.

In the portfolio as at 30/06/2004 are the following items relating to securities with subordination clauses:

- XS0114165276 Assicurazioni Generali 20/07/2000 - 20/07/2022 6.9% Convertible - € 2,500,000.00 (the issuer may implement early redemption)
- XS0089305469 B.N.P. Paribas 07/08/1998 - 07/08/2008 5.625% - € 4,984,377.52
- IT0001178174 Banca Intesa 02/12/1997 - 02/12/2007 Variable Rate - € 222,685.41 (the issuer may implement early redemption)
- XS0195722003 Banca Lombarda 30/06/2004 - 30/06/2014 Variable Rate - € 14,957,400.00 (the issuer may implement early redemption)
- XS0124803775 Banca Popolare di Brescia 23/02/2001 - 23/02/2011 Variable Rate - € 3,013,564.18 (the issuer may implement early redemption)
- XS0100489748 Banca Popolare di Brescia 12/08/1999 - 12/08/2009 Variable Rate - € 5,002,500.00 (the issuer may implement early redemption)
- IT0001426151 Banca Popolare Emilia 31/03/2000 - 31/12/2005 Convertible 4% - € 507,277.96 (the issuer may implement early redemption)
- XS0094351151 Bayer Hypo Vereinsbank 02/02/1999 - 21/07/2006 Zero Coupon € 20,784,032.90
- XS0181782144 Carifirenze 05/12/2003- 05/12/2013 Variable Rate - € 14,914,417.26
- DE0001593531 Commerzbank 21/04/1999 - 21/04/2009 4.75% - € 12,477,542.14
- XS0054850531 Crédit Suisse 20/12/1994 - 20/12/2014 Zero Coupon - € 3,375,771.26
- XS0152286521 Harbourmaster 07/08/2002 - 15/07/2014 Series 3 Class D - € 975,000.00 (the issuer may implement early redemption)
- XS0188853526 Cap. Funding 29/03/2004 - 29/12/2049 Convertible - € 12,520,250.00 (the issuer may implement early redemption)
- XS0194805429 Kaupthing 30/06/2004 - 30/06/2014 Variable Rate - € 6,484,660.00 (the issuer may implement early redemption)
- IT0001387965 Montepaschivita 01/12/1999 - 01/12/2009 Variable Rate - € 17,150,000.00 (the issuer may implement early redemption)
- XS0189470130 Monte dei Paschi 30/03/2004 - 02/10/2006 Variable Rate - € 18,484,866.25
- IT0001282133 Monte dei Paschi 01/12/1998 - 01/12/2005 4.75% - € 6,909,012.03
- IT0001282117 Monte dei Paschi 30/11/1998 - 01/12/2005 Variable Rate - € 2,575,828.78
- XS0177142360 Royal Bank of Scotland 01/10/2003 - 07/10/2013 Variable Rate - € 999,425.94 (the issuer may implement early redemption)
- XS0108763896 Royal Bank of Scotland 06/03/2000 - 31/03/2049 6.77% - € 11,019,976.00 (the issuer may implement early redemption)
- XS0119298189 Royal KPN 24/11/2000 - 24/11/2005 Convertible - 3.5% - € 2,910,000.00 (the issuer may implement early redemption)
- XS0194783352 San Paolo IMI 28/06/2004 - 28/06/2016 Variable Rate - € 8,964,916.02 (the issuer may implement early redemption)
- XS0112299051 Unicredito 14/06/2000 - 14/06/2010 Variable Rate - € 2,496,196.14 (the issuer may implement early redemption)
- IT0003184758 Vittoria Assicurazioni 12/11/2001 - 01/01/2016 Convertible - 5.5% - € 18,089.58 (the issuer may implement early redemption).

Corporate financing

This item, equal to € 75,837K, includes loans secured by a lien on property in the amount of € 32,322K; these loans consist for the most part in the financing granted to Ganimede S.r.L. for the purposes of the operation to increase the value of part of the company's property assets, already commented on in the 2003 accounts; it also includes loans on life assurance policies in the amount of € 37,864K and new loans to employees in the amount of € 5.651K.

Other Investments

This item, equal to € 174,563K, includes repo operations in an amount of € 156,346K, derivative finance transactions in an amount of € 570K, and deposits with credit institutions in an amount of € 17,647K.

LONG-TERM ASSETS

The assets for which it is intended, ex Article 15 of the Legislative Decree 173/97, that they be kept as part of the business assets given that they are a stable investment are allocated to the section "Long-term assets". It concerns investments from class B "Intangible assets" and class C.I. "Land and buildings", as well as the "Securities" of class C.II and C.III, the latter within the limits of the "draft resolution" approved by the Board of Directors on 24 September 1998, as successively amended.

Amongst these, we should point out that on 26 March 2004 the Company amended the draft resolution concerning the classification of the securities portfolio provided for by Article 1 of the ISVAP Instruction no. 893-G of 18 June 1998.

The redefinition of the guidelines relating to the procedures for allocation of stocks and shares to long-term or short-term categories of assets was required in order to re-balance the structure of the securities portfolio and to reduce the volume of fixed assets in the same, having taken into account the temporal profile of the obligations assumed towards policyholders.

As the result of the new resolution, the premise for the allocation of a security to the long-term category of assets is represented by the fact that the security is kept as part of the business assets given that it is a stable investment, a requirement that must be met at the time of allocation of the security to the said category of assets.

A further condition moreover that must be met before the security can be allocated to long-term assets is the requirement that it have a rating of at least BBB or the equivalent.

The new guidelines were applied to allocations to the different categories that took place after 1/01/2004.

Long-term assets represented by securities amounted to € 5,892,033 as at 30/06/2004 and were divided up as follows:

(€K)	30/06/2004	31/12/2003	Variation	30/06/2003
Shareholdings	4,107,114	4,039,936	67,178	4,289,149
Fixed-income securities	1,784,919	1,925,804	(140,885)	2,361,648
TOTAL	5,892,033	5,965,740	(73,707)	6,650,797

The net decrease of € 73,707K compared with the situation as at 31/12/2003 is mainly due:

- to sales of fixed-income securities in the net amount of € 141,589K;
- to the allotment of Banca Intesa shares under the heading of a dividend in kind, in the amount of € 5,376K, and to the sale of Milano Assicurazioni ordinary shares, in the amount of € 4,403K;
- to movements relating to unlisted shareholdings (including capital transactions) in the net amount of € 77,860K;
- to value adjustments in the net amount of € 10,951K.

The accounting book value of the listed securities included in the "long-term assets" is € 52,860K higher than the market value, calculated based on prices as at 30/06/2004.

IV. Deposits with ceding undertakings

These totalled € 402,600K (€ 432,416K as at 31/12/03) and reflect reinsurance transactions only: they relate for the most part to companies in the Fondiaria-SAI Group.

INVESTMENTS FOR THE BENEFIT OF HOLDERS OF LIFE POLICIES WHO BEAR THE RISK AND INVESTMENTS DERIVING FROM PENSION FUND MANAGEMENT - (Item D)

These amounted to a total of € 643,830K (€ 606,841 as at 31/12/2003) and relate to:

(€K)	30/6/2004	31/12/2003	Variation	30/06/2003
Class D Investments	566,953	539,920	27,032	495,570
Class DII Investments	76,877	66,921	9,956	58,741
TOTAL	643,830	606,841	36,989	554,311

REINSURERS' SHARE OF TECHNICAL PROVISIONS - (Item D.a)

This is shown in the table below:

(€K)	30/06/2004	31/12/2003	Variation	30/06/2003
I - Non-Life technical provisions	397,350	415,862	(18,512)	429,410
II - Life technical provisions (excluding the provisions referred to under point III)	80,274	74,692	5,582	161,169
III - Life technical provisions where the investment risk is borne by the policyholders, and provisions arising from pension fund management	0	0	0	824
TOTAL	477,624	490,554	(12,930)	591,403

RECEIVABLES - (Item E)

(€K)	30/06/2004	31/12/2003	Variation	30/06/2003
Receivables arising from direct insurance operations	1,014,012	1,098,476	(84,464)	1,055,639
Receivables arising from reinsurance operations	86,822	11,593	75,229	173,880
Other debtors	448,918	523,525	(74,607)	406,665
TOTAL	1,549,752	1,633,594	(83,842)	1,636,184

The above receivables are net of the related provision for write-downs, equal to € 90,811K.

Included under Receivables arising from direct insurance operations are inter alia the following, net of the related provision for write-downs:

- with regard to Non-Life business, premiums receivable in the amount of € 286,275K, as the result of a write-down for the period in the amount of € 6,611K, and receivables from insurance intermediaries in the amount of € 362,292K.
- with regard to Life Business, premiums receivable from policyholders in the amount of € 31,595K, and receivables from insurance intermediaries in the amount of € 32,181K.

It should be noted that, of the amount relating to premiums receivable from policyholders entered in the accounts at the close of the previous financial year, in all as at 30/06/2004, an amount of more than € 267m (equal to 65%) for Non-Life business and around € 45m (equal to 77%) for Life business was encashed; there were on the other hand premiums cancelled in an amount of € 82m.

The figure for Other Debtors fell from € 523,525K as at 31/12/2003 to € 448,918K; this item includes receivables from the Inland Revenue for advance withholding tax, tax advances, credits applied for under the heading of refunds and the related interest, in the amount of € 224,378.

Of this, € 36,046K relates to amounts paid under the heading of tax on the actuarial reserves for Life business ex Decree Law 209/2002.

The amounts receivable after 30/06 of the next financial year total € 127m.

OTHER ASSETS - (Item F)

(€K) 30/06/2003	30/06/2004	31/12/2003	Variation	
Tangible assets and stocks	20,015	22,466	(2,451)	22,069
Cash at bank and in hand	228,424	172,738	55,686	196,798
Own units and shares	64,576	49,192	15,384	37,454
Other assets	598,160	479,678	118,482	626,882
TOTAL	911,175	724,074	187,101	883,203

Cash at bank and in hand amounted to € 228,424K (€ 172,738K as at 31/12/03).

Other Assets amounted to € 598,160 and include inter alia the assessment of credit items for the half-year period in the amount of € 10,581m, the balance of the current account forming the internal liaison account between Non-Life business and Life business in the amount of € 172,249m and assets covering taxes paid in advance in the amount of € 226,578m.

ACTIVE ACCRUALS AND DEFERRALS (Item G)

Active accruals and deferrals came to a total of € 122,093K; € 93,123K of this is chargeable to accruals for interest on securities.

LIABILITIES

CAPITAL AND RESERVES (Item A)

The capital and reserves, excluding the profit for the period, increased from € 2,186,527K as at 31/12/2003 to € 2,251,103K; this was essentially as the result of the allocation to the extraordinary reserve of the undistributed part of the profit for the 2003 financial year, in line with the resolution passed at the General Shareholders' Meeting on 28 April 2004.

SUBORDINATED LIABILITIES (Item B)

These amounted to € 400,000K as at 30/06/2004. We would refer you to the 2003 accounts booklet for a precise illustration of the features of the loan.

TECHNICAL PROVISIONS (Item C)

These amounted to € 13,058,295K and an overall increase of € 318,716K was recorded. Details of the technical provisions are shown in the table below:

(€K)	30/06/2004	31/12/2003	Variation	30/06/2003
NON-LIFE BUSINESS				
Provision for unearned premiums	1,365,674	1,301,395	64,279	1,366,665
Provision for outstanding claims	5,167,213	5,124,933	42,280	5,005,526
Equalization provision	6,918	6,316	602	4,792
Other	8,215	12,416	(4,201)	8,802
TOTAL	6,548,020	6,445,060	102,960	6,385,785
LIFE BUSINESS				
Actuarial reserves	6,380,701	6,163,150	217,551	6,002,294
The provision for sums payable	63,359	62,191	1,167	41,231
Other	66,215	69,178	(2,963)	67,110
TOTAL	6,510,275	6,294,519	215,755	6,110,635
TOTAL TECHNICAL PROVISIONS	13,058,295	12,739,579	318,715	12,496,420

The provision for unearned premiums for non-life business includes the provision for unexpired risks; this equals € 2,506 and is wholly referable to inward reinsurance; the provision for outstanding claims also includes the provision of IBNR claims, as well as the provision for settlement costs. The life actuarial reserves include the provision for unearned premiums for additional insurance amounting to € 852K.

TECHNICAL PROVISIONS WHERE THE INVESTMENT RISK IS BORNE BY POLICYHOLDERS AND PROVISIONS ARISING OUT OF PENSION FUND MANAGEMENT - (Item D)

(€K)	30/06/2004	31/12/2003	Variation	30/06/2003
- Provisions relating to policies the benefits of which are linked to investment funds and market indices	565,257	538,606	26,651	496,289
- Provisions arising out of pension fund management	76,877	66,921	9,956	58,687
TOTAL	642,134	605,527	36,607	554,976

PROVISIONS FOR RISKS AND CHARGES (Item E)

(€K)	30/06/2004	31/12/2003	Variation	30/06/2003
- Provisions for retirement pensions and similar commitments	2,832	2,872	(40)	2,948
- Provisions for taxes	171,816	289,125	(117,309)	210,309
- Other allocations	72,966	76,729	(3,763)	80,245
TOTAL	247,614	368,726	(121,112)	293,502

The provisions for retirement pensions and similar commitments include the amounts set aside during previous years under the heading of the incorporation of staff severance pay.

Other allocations mainly include the sum set aside during the current financial year and in previous years and allocated to the provision for risks and charges; these totalled € 63,223K.

In particular, the provision included the sum set aside to meet disputes pending with policyholders, insurers and intermediaries, to meet future expenses payable to employees, and to provide for future negative trends in listed shareholdings.

The provision was moreover affected by valuations carried out on derivatives in existence at the end of the period.

Provisions for taxes include the allocation in respect of corporate taxes (IRES and IRAP) for the period. The variation in the provisions for taxes is the result of withdrawals in the total amount of € 167,309K and allocations in the amount of € 50,000K.

DEPOSITS RECEIVED FROM REINSURERS - (Item F)

These fell by € 133K, from € 152,916K as at 31/12/2003 to € 152,783K.

PAYABLES AND OTHER LIABILITIES - (Item G)

These are made up of:

(€K)	30/06/2004	31/12/2003	Variation	30/06/2003
Payables arising from direct insurance operations	90,979	98,334	(7,355)	251,933
Payables arising from reinsurance operations	128,959	27,038	101,921	90,649
Sundry creditors and borrowings	435,070	765,281	(330,210)	832,052
Staff severance pay	53,784	56,013	(2,229)	56,405
Other liabilities	642,652	445,219	197,433	616,088
TOTAL	1,351,444	1,391,885	(40,441)	1,847,127

In all, payables to insurance intermediaries, included under the item "Payables arising from direct insurance operations", amounted to € 57,732K, € 34,763K of which was for Non-Life business and € 22,969K for Life business.

Sundry creditors and borrowings amounted to € 435,070K; these are made up in part by corporate financing granted by subsidiaries forming part of the Sim Etoile Group, in an amount of € 36,637K, by the subsidiary Sainernational S.A., in an amount of € 15,977K, and by the subsidiary Italiberia, in an amount of € 490K; this corporate financing matures on 31/12/04, and the interest rate was calculated as the mean of the monthly average Euribor during the period that runs between the month in which the corporate financing is granted and the month preceding the maturity or eventual early repayment of the same; it was then increased by a spread of 0.50%.

In the first six months of 2004 access was moreover granted to a financing issued by the subsidiary Finsai International for an amount of € 27,000K, maturing on 28/06/2005, and another issued by the subsidiary Sai Holding Italia S.p.A. for an amount of € 8,000K, maturing on 29/06/2005; the interest rate for these last two financings was calculated as the mean of the monthly average Euribor during the period that runs between the month in which the corporate financing is granted and the month preceding the maturity or eventual early repayment of the same; it was then increased by a spread of 1.50%.

The substantial decrease in the item "Payables and sundry loans" is ascribable to the maturity of the corporate financing provided by the subsidiaries Sainernational S.A. for an amount of € 465,461K and Fondiaria Nederland B.V. for an amount of €

30.813K. This corporate financing was referable to the liquid assets emanating from the convertible loan stock issued respectively by Sainernational S.A. and Fondiaria Nederland B.V. in 2001, which matured on 28/06/2004 and 20/04/2004 respectively.

Finally, the item also includes "Other payables" for a total of € 343.1m; this is made up of policyholders' tax due in the amount of € 122.8m, sundry tax charges in the amount of € 31m, payables to welfare and social security bodies in the amount of € 9.4m, and sundry creditors in the amount of € 179.9m.

Other Liabilities amounted to € 642.649 and include inter alia the assessment of debit items for the half-year period in the amount of € 85.307m, deferred reinsurance accounts payable in the amount of €

28.573K, commissions for premiums being collected in the amount of € 52,908K, and the current account forming the internal liaison account between Life and Non-Life business in the amount of € 172.249K. There are no payables due beyond 30 June of the next financial year.

The item includes moreover € 3K for rounding adjustments carried out in accordance with Article 1, para. 3 of the ISVAP Instruction no. 1008-G of 5 October 1998.

PASSIVE ACCRUALS AND DEFERRALS - (Item H)

These amounted to a total of € 54K (€ 27,043K as at 31/12/2003).

GUARANTEES, LIABILITIES AND OTHER MEMORANDUM ACCOUNTS

These amounted to a total of € 12,625,500K (€ 12,861,253K as at 31/12/2003).

(€K) 30/06/2003	30/06/2004	31/12/2003	Variation	
Guarantees provided 643,993	17,087	72,194	(55,107)	
Guarantees received or provided by third parties in the interest of the company 122,345	182,948	198,695	(15,747)	
Liabilities 902,837	572,746	1,202,884	(630,138)	
Other 11,605,115	11,852,719	11,387,480	465,239	
TOTAL	12,625,500	12,861,253	(235,753)	13,274,290

The item guarantees provided has fallen from € 72,194K to € 17,087K, essentially as the result of the discharge of the sureties provided in relation to the convertible loan stock issued by the subsidiary Fondiaria Nederland.

Guarantees received or provided by third parties in the interest of the company have fallen from € 198,695K to € 182,948K, mainly as the result of the discharge of the guarantee received by the subsidiary Milano Assicurazioni S.p.A. in relation to the aforementioned loan stock and once the coverages provided by reinsurers had ceased to exist. The variation in liabilities is due to the redemption of the convertible loan stocks issued by the subsidiaries Sainernational and Fondiaria Nederland in the amount of € 496,270, and on account of the reduction in repo operations

The variation in the other memorandum accounts is essentially linked to the increase in securities deposited with third parties.

D) Information on the Profit and Loss Account

INFORMATION RELATING TO THE TECHNICAL ACCOUNT - NON-LIFE BUSINESS

Details are provided below of the items shown in the summarised half-yearly profit and loss account.

PREMIUM INCOME, NET OF REINSURANCE - (Item I)

(€K)	30/06/2004	30/6/2003	31/12/2003
Gross premiums recorded	2,008,539	1,984,473	3,853,622
Premiums ceded	(61,403)	(85,476)	(156,953)
Variation in the gross amount of the provision for unearned premiums	(64,245)	(63,910)	(688)
Variation in reinsurers' share of the provision for unearned premiums	(2,465)	15,623	(3,117)
TOTAL	1,880,42	1,850,710	3,692,864

The item "gross premium income recorded" does not include, in compliance with the ISVAP Instruction no. 735 of 1/12/97, cancellations of securities issued during previous years. It should be noted that, as a result of the gradual integration of the procedures for management of the premium portfolios of the SAI and Fondiaria divisions, a review of the reasons for the cancellation of policies is currently being conducted.

CHARGES RELATING TO CLAIMS, NET OF REINSURANCE RECOVERIES AND CESSIONS - (Item IV)

The breakdown is as follows:

(€K)	30/06/2004	30/6/2003	31/12/2003
Gross amounts paid	(1,356,350)	(1,316,389)	(2,503,128)
Reinsurers' share of amounts paid	34,232	57,267	101,155
Variation in gross recoveries	15,425	7,443	45,390
Variation in the gross amount of the provision for outstanding claims	(41,275)	(52,218)	(187,447)
Variation in reinsurers' share of the provision for outstanding claims	(1,006)	(18,129)	(21,601)
TOTAL	(1,348,974)	(1,322,026)	(2,565,631)

INFORMATION RELATING TO THE TECHNICAL ACCOUNT - LIFE BUSINESS

PREMIUM INCOME, NET OF REINSURANCE - (Item I)

(€K)	30/06/2004	30/06/2003	31/12/2003
Gross premiums recorded	557,250	471,054	1,048,100
Premiums ceded to reinsurers	(7,556)	(14,127)	(22,854)
TOTAL	549,694	456,927	1,025,246

The item "gross premium income recorded" does not include, in compliance with the ISVAP Instruction no. 735 of 1/12/97, cancellations of premiums for the first annual period contributing to premium income in previous years.

CHARGES RELATING TO CLAIMS, NET OF REINSURANCE CESSIONS - (Item 5)

These concern sums paid during the year for claims, matured policies and surrendered policies, and include the costs incurred for the settlement of such claims. They are broken down as follows:

(€K)	30/06/2004	30/6/2003	31/12/2003
Sums paid	(405,719)	(406,689)	(808,934)
Reinsurers' share	2,769	11,293	7,561
Gross variation in the provision for sums payable	(1,167)	15,129	(5,902)
Reinsurers' share	(22)	695	348
TOTAL	(404,139)	(379,572)	(806,927)

OTHER INFORMATION RELATING TO THE PROFIT AND LOSS ACCOUNT

INCOME FROM INVESTMENTS (Items II.2, II.3 and III.3)

(€K)	30/06/2004	30/06/2003	31/12/2003
Income from investments	226,475	232,002	497,714
Value readjustments on investments	14,158	13,291	24,549
Gains on investments realized	68,370	17,481	36,282
Income referred to under class D investments	15,822	24,031	35,045
TOTAL	324,825	286,805	593,590

Income attributable to Life business amounted to € 197,520, whilst the income for the period in

Non-Life business was € 127,305K.

Income from investments related to land and buildings amounted to € 28,373K, whilst income derived from units and shares was € 31,061K; of this, € 3,065K relates to income from investments in Group undertakings and other participating interests. Income relating to other financial investments was € 167,042K and mainly consists of income from debt securities.

Included under the item "Gains on the sale of investments" are capital gains in the amount of € 4,554 realised on stocks and shares deemed to be long-term assets, allocated here in line with the allocation of these same assets to the segregated accounts. This operation permits a more precise calculation of the balance of the technical account for Life business.

CAPITAL LOSSES AND FINANCIAL CHARGES - (Items II.9, II.10 and III.5)

These are made up of :

(€K)	30/06/2004	30/06/2003	31/12/2003
Investment management charges and interest payable	20,165	24,296	50,519
Value adjustments on investments	42,319	43,878	322,796
Losses on the sale of investments	10,737	778	10,169
Charges referred to under class D investments	3,186	4,299	7,168
TOTAL	76,407		73,251
390,652			

Charges attributed to Life business amounted to € 28,058K, whilst the charges for the period in Non-Life business were € 48,349K. Investment charges related to land and buildings amounted to € 12,987K; the rest mainly relates to other financial investments.

Included in the value adjustments on investments are depreciation on land and buildings in the amount of € 3,622K, write-downs of shareholdings and shares in investment funds in the amount of € 17,215K, and fixed-income securities in the amount of € 21,482K. Included under the item "Losses on the sale of investments" are capital losses in the amount of € 1,246K realised on stocks and shares deemed to be long-term assets, allocated here in line with the allocation of these same assets to the segregated accounts. This operation permits a more precise calculation of the balance of the technical account.

OTHER INCOME - (Item III.7)

This is broken down as follows:

(€K)	30/06/2004	30/6/2003	31/12/2003
Interest on bank accounts that are not time current accounts	1,729	2,361	6,404
Tax credits on dividends	29,301	32,752	
Exchange differences	2,432	280	2,930
Other	19,276	12,736	103,761
TOTAL	23,437	44,678	145,847

"Other income" no longer includes the tax credit on dividends; this was abolished as the result of the introduction of the IRES reform, which, in place of this mechanism aimed at preventing double taxation, provided for the quasi-total exclusion of these same dividends, collected during the tax period, from the company's income.

The item "Other" includes € 2,582K relating to interest on company current accounts and € 13,452 relating to withdrawals from the provision for risks and charges. Of this, € 2,410K relates to the withdrawal of sums set aside in previous years in relation to the case involving the ex Latina Assicurazioni shareholders; this withdrawal was made following the compromise referred to more fully in the management report.

To be noted amongst the withdrawals, moreover, is € 6,400K to deal with the charge that has arisen as the result of the ending of some derivative finance agreements and € 3,463 relating to voluntary redundancy schemes.

OTHER CHARGES - (Item III. 8)

These are broken down as follows:

(€K)	30/06/2004	30/06/2003	31/12/2003
Depreciation Allowances on intangible assets	45,805	55,424	107,347
Other	36,802	45,280	166,239
TOTAL	82,607	100,704	273,586

The depreciation allowances on intangible assets include € 24,328 for depreciation on goodwill.

The rest relates to depreciation on research and development costs in the amount of € 13,442K and depreciation on other multi-year costs in the amount of € 8,035K.

The item "Other" includes inter alia € 10,507K relating to interest on subordinated liabilities and € 4,519K relating to interest on loans, € 9,689K of shares allocated to the provision for risks and charges, and € 4,258K relating to the premium for repayment of the Sainternational loan which was discharged at the end of June 2004.

EXTRAORDINARY INCOME (Item III.10)

These total € 29,352K and are broken down as follows:

(€K)	30/06/2004	30/06/2003	31/12/2003
Capital gains on land and buildings	16,346	1,639	77,418
Capital gains on fixed-income securities	2,601	14,164	35,962
Other	10,405	4,808	44,934
TOTAL	29,352	20,611	158,314

Included in the item "Other" are contingent assets in the amount of € 4,060K, and € 5,849K relating to the withdrawal from the provision for taxation of the amount in excess of the sum set aside, as a precaution, in the previous financial year with respect to the taxes that might have to be paid under the tax return relating to the said financial year.

EXTRAORDINARY CHARGES (Item III.11)

These total € 13,251K and are broken down as follows:

(€K)	30/06/2004	30/06/2003	31/12/2003
Capital losses on land and buildings	0	0	2,309
Costs of sales of buildings	0	133	4,029
Capital losses on shareholdings and securities	138	48	165
Other	13,113	1,176	5,270
TOTAL	13,251	1,357	11,773

The item "other" includes contingent liabilities in the amount of € 10,884K, € 2,410K of which is attributable to the compromise in the case involving the ex Latina Assicurazioni shareholders, which has already been commented on.

CORPORATION TAXES FOR THE FINANCIAL YEAR (Item III.14)

The shares set aside amounted to € 50,000K and concern the estimate of IRES and of IRAP for the half year, taking into account therefore the impact of the receivable and payable deferred taxes for the period.

In determining the tax burden, account was taken of the main provisions introduced by the Legislative Decree 344/2003, which provided for the enforcement of the reform of corporation tax and which will lead to important changes with effect from the current financial year, including in matters relating to consolidated taxation.

E) Other Information

SOLVENCY MARGINS AND MATCHING TECHNICAL PROVISIONS

Based on the estimated growth trend for the second half-year, the solvency margin at the end of the year should increase in value compared with the margin as at 31/12/2003, by around 3.5% for Non-Life business and around 4.5% for Life business.

The elements making up the solvency margin have not undergone substantial variations compared to their amount at the end of last year, and will be amply sufficient to guarantee the matching of this margin, including as the result of the share of undistributed profit.

The technical provisions estimated as at 30 June 2003, net of the remaining legal cession, came to a total of € 13,018, (€ 6,258m of which relates to Non-Life business and € 6,760m to Life business, including € 642m of provisions relating to class D).

The assets exceeding those already allocated on 30 June to cover the technical provisions existing as at 31 December 2002 and belonging to categories of assets identified in the ISVAP Instructions no. 147 and 148 are currently sufficient to guarantee the matching of the increase in the provision.

Milan, 8 September 2004

*On behalf of the Board of Directors
The Chairman*

Jonella Ligresti

Annexes

Please refer to the original Italian version for what regards the figures directly related to to the translated items

**List of direct and indirect shareholdings in unlisted companies exceeding 10%
of the share capital held as at 30/06/2004**

List of direct and indirect shareholdings in unlisted companies exceeding 10% of the share capital held as at 30/06/2004

(Attachment to the Board of Directors Report on activities)

(In accordance with Articles 125-126 of the CONSOB Resolution no. 11971 OF 14/5/1999)
FONDIARIA-SAI S.P.A. HAS OWNERSHIP AS AT 30/06/2004 OF THE FOLLOWING ORDINARY
SHARES/SHARES WITH VOTING RIGHT

Company name – Registered office	Shareholding company	Voting Shares owned	Shareholding %	% Total
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[Names and figures as original for the next 7 pages]

Variations in the investments in group companies and other participating interests: stocks and shares (item C.II.1), bonds (item C.II.2) and corporate financing (item C.II.3)

Data relating to the first half of 2004

(Amounts in €K)

Initial inventory	Stocks and shares C.II.1	Bonds C.II.2	Corporate financing C.II.3
Increases during the period:			
for: purchases, subscriptions or allocations			
write-ups			
revaluations			
other variations			
Decreases during the period:			
for: sales or refunds			
write-downs			
other variations			
Total			
Current value			
Total revaluations			
Total write-downs			

(*) D = table relating to Non-Life business
V = table relating to Life business

Variations in the investments in group companies and other participating interests: stocks and shares (item C.II.1), bonds (item C.II.2) and corporate financing (item C.II.3)

Data relating to the first half of 2004

(Amounts in €K)

Initial inventory	Stocks and shares C.II.1	Bonds C.II.2	Corporate financing C.II.3
Increases during the period:			
for: purchases, subscriptions or allocations			
write-ups			
revaluations			
other variations			
Decreases during the period:			
for: sales or refunds			
write-downs			
other variations			
Total			
Current value			
Total revaluations			
Total write-downs			

(*) D = table relating to Non-Life business
V = table relating to Life business

Breakdown based on the use of other financial investments: company's stocks and shares, units and shares in investment funds, bonds and other fixed-yield securities, sundry financial investments (items C.III.1, 2, 3, 5)

Data relating to the first half of 2004

I – Non-Life business

(Amounts in €K)

	Long-term portfolio		Short-term portfolio		Total	
	Value (1)	Current value	Value (1)	Current value	Value (1)	Current value
1. Stocks and shares						
a) listed shares						
b) unlisted shares						
c) units						
2. Units and shares in investment funds						
3. Bonds and other fixed-yield securities						
a1) listed Government securities						
a2) other listed securities						
b1) unlisted Government securities						
b2) other unlisted securities						
c) convertible bonds						
5. Other						

II – Life business

	Long-term portfolio		Short-term portfolio		Total	
	Value (1)	Current value	Value (1)	Current value	Value (1)	Current value
1. Stocks and shares						
a) listed shares						
b) unlisted shares						
c) units						
2. Units and shares in investment funds						
3. Bonds and other fixed-yield securities						
a1) listed Government securities						
a2) other listed securities						
b1) unlisted Government securities						
b2) other unlisted securities						
c) convertible bonds						
5. Other						

**CONSOLIDATED HALF-YEARLY REPORT
AS AT 30th JUNE 2004**



A) Business Activity Report

Performance

The consolidated half-yearly report incorporates the information according to art. 81 of Consob Regulation no. 11971 of 14/05/1999, as replaced by the single article, paragraph 1, of Consob Decision no. 12475 of 6th April 2000, ISVAP instruction no. 01207-G of 06/07/1999 and subsequent ISVAP circular no. 380/D of 19/07/1999.

As part of the preparation of the inter-annual data, the application of the drafting principles and valuation criteria prescribed for the balance sheet makes greater use of estimates and projections, as mentioned later.

Therefore, the correct function of the data is to represent, in a reasonably reliable way, the financial and asset situation of the group as of the 30th June and to provide information on the likely progress of activities in the second half of the year.

The first half year of the financial year 2004 produced a total result of €5,078,659K, the components of which can be summarised as follows:

(Euro K)	1st half of 2004	1st half of 2003	Variation %
<u>DIRECT BUSINESS</u>			
Non-life Branches	3,588,649	3,473,578	3.31
Life Branches	1,473,313	1,114,808	32.16
Total direct business	5,061,962	4,588,386	10.32
<u>INDIRECT BUSINESS</u>			
Non-life Branches (3.61)	10,892	11,300	
Life Branches (27.01)	5,805	7,953	
Total indirect business	16,697	19,253	(13.28)
General total	5,078,659	4,607,639	10.22
of which:			
Non-life branches	3,599,541	3,484,878	3.29
Life branches	1,479,118	1,122,761	31.74

The following table summarises the result of the first half of 2004 compared with the same period of the previous financial year and with 31/12/2003.

(Euro K)	30/06/04	30/06/03	variation	31/12/03
Result of the technical account, non-life branches	167,351	165,689	1,662	531,522
Result of the technical account, life branches	50,052	60,922	(10,870)	43,943
Nett income from investments	432,469	389,368	43,101	517,098
Share of income transferred to the technical account, life branches	(241,067)	(238,782)	(2,285)	(418,148)
Balance of income and expenses	(70,214)	(90,423)	20,209	(208,476)
RESULT OF ORDINARY ACTIVITY	338,591	286,774	51,817	465,939
Trial balance and extraordinary expenses	(9,199)	1,796	(10,995)	192,230
RESULT BEFORE TAX	329,392	288,570	40,822	658,169
Tax on income for the period	(137,221)	(139,833)	2,612	(336,752)
CONSOLIDATED RESULT	192,171	148,737	43,434	321,417
Profit (loss) for the relevant period for third parties	48,094	31,142	16,952	104,136
RESULT OF GROUP FOR THE PERIOD	144,077	117,595	26,482	217,281

The essential elements of the consolidated result of the half year are as follows:

- The technical result of the non-life branches is satisfactory, remaining positive and in line with the previous half year, even before the allocation of the financial income, mainly thanks to the contribution of the automotive branches.
In this context, the contributions of the group and of the Milan subsidiary, together with the progress of the Sasa subsidiary, whose technical result, already benefiting from the reorganization measures in the past, is also influenced positively by brisk development activity, area significant.
- Just as significant is the technical result of the life branches, both in terms of premiums and final result. The technical account for the life branches exceeds €50 m (€60.9 million as of 30/06/03), and is above the result obtained throughout the last financial year, but when the transaction with Consap of the Group concerning the instituting of the mandatory cessions constituted a burden.
The work reducing the gross management costs continued. They amount to € 758m (€ 742m as of 30/06/2003).
This reduction is marked both in the non-life branches and in the life branches.
- The asset and financial management amounts to €539m, compared with €456m in the last six months, showing an increase of more than 18% (this increase drops to 11% taking into account only the nett income of Class C of the investments.
As a whole, the gross income from Class C investments amounts to €578.7m (€494.7m at 30/06/03) and includes €148.3 m of profits on realizing investments (€60.4m at 30/06/03).

-
- The balance of the other income and expenses is more than €70m in the red and is influenced by the corresponding depreciation rates of intangible assets for the half year totalling €53m.
 - Modest extraordinary activities, whose balance, substantially in balance, indicates limited operations during the half-year.
 - The gross technical reserves are equal to €26,073m (€24,870m at 31/12/03), of which €1,434m in the life branches, and €11,639m attributable to non-life management..
 - The equity amounts to €3,166m and the group share is equal to €2,658m.

NON-LIFE INSURANCE ACTIVITY

Premiums

The total premiums issued by Italian direct business amount to €3,588,649K (+3.31%). The sub-division per branch is given below:

(€K)	30/06/04	30/06/03	variation %
<hr/> ITALIAN DIRECT BUSINESS <hr/>			
Accidents and illness	319,725	316,084	1.15
RC land vehicles	2,199,532	2,134,686	3.04
Vehicle insurance, other branches	373,457	368,311	1.40
Maritime, aerospace and transport insurance	98,762	83,746	17.93
Fire and other damage to property	314,823	305,875	2.93
General RC	215,156	204,048	5.44
Credit and securities	33,866	31,933	6.05
Pecuniary losses of various kinds	12,475	8,970	39.07
Legal protection	7,212	6,785	6.29
Assistance	13,641	13,140	3.81
TOTAL	3,588,649	3,473,578	3.31

The premiums ceded reached €155,972K. The gross claims paid amount to €2,374,248K.

The total technical reserves, gross of reinsurance, amount to € 11,639m and are 3.8% up compared with 31/12/2003.

The management costs are down compared with the premiums (18.6% compared with 19.4% as of 31/12/2003).

The claims to premiums ratio for the period, equal to 72%, is one per cent worse compared with the balance sheet for the last financial year; these data cannot be compared in view of the seasonal nature of accident events.

The combined ratio, including other income and technical expenses is approximately 95% compared with that recorded in the first half of 2003. This result is also in line with that projected in the industrial plan.

Regarding the automotive branch, the alignment of the rates of the companies of the Group with the objective is continuing in order to define a single rate for the group, which is highly personalized and available to the sales outlets from the next financial year.

With reference to the basic branches, twelve new Group projects have been planned. Of these, the first two products of the personal segment were launched in the first few months of the year: “Accident Protection” and “Health Protection”.

These products are characterized by the formula “guaranteed renewal” according to which the policy is renewed every 5 years without a further check of the state of health of the insured.

Regarding the RC. General branch, the policy of developing a selective approach is being continued, with the focus on signing and renewing contracts.

The sickness branch portfolio is being restructured to focus on more modern and more personalized products.

Claims paid and refused

The distribution of the claims paid and refused of the Italian direct business, including costs, for each branch is shown below:

	Claims paid (Euro m)			Claims rejected (1) (Number)		
	2004	2003	Variation %	2004	2003	Variation %
Accidents and illness	176.4	182.3	(3.24)	149,063	151,606	(1.61)
RC Land vehicles	1,390.2	1,347.2	3.19	507,531	518,960	(2.20)
Vehicle ins., other branches	137.4	136.7	0.53	114,316	110,899	3.08
Maritime, aerospace and transport insurance	48.6	51.5	(5.63)	7,784	8,033	(3.10)
Fire and other damage to property	155.2	164.5	(5.65)	85,814	78,256	9.66
RC general	122.7	112.0	9.55	54,037	51,980	3.96
Credit and securities	15.9	19.6	(18.88)	1,019	958	6.37
Pecuniary losses of different kinds	1.8	1.5	20.00	2,501	1,415	76.75
Legal defence	0.6	0.6	0.00	1,383	1,171	18.10
Assistance	3.2	4.7	(31.67)	26,346	30,665	14.08
TOTAL	2,052.0	2,020.5	1.56	949,794	953,843	(0.42)

The trend of the first half of 2004 for the subsidiaries is summarized in the following table:

	GROSS PREMIUMS RESULT	VARIATION %	TOTAL FOR THE PERIOD
AZZURRA ASSICURAZIONI S.p.A.	4,176	(75.77)	(9,601)
DIALOGO S.p.A.	11,370	69.25	(1,330)
EUROPA TUTELA GIUD. S.p.A.	6,529	42.52	163
MILANO ASS. S.p.A.*	1,359,808	3.15	108,255
PRONTO ASSISTANCE S.p.A.	11,234	123.38	127
PRONTO TUTELA GIUDIZIARIA S.p.A.	4	(99.63)	17
SASA S.p.A.	176,798	31.5	2,032
SIAT S.p.A.	76,190	11.34	981
SIS S.p.A.	22,252	9.43	(1,666)
SYSTEMA S.p.A.	8,266	(10,64)	736

* consolidated data as at 30/06/2004. The period result includes Life management

Regarding the larger companies in the group, the essential elements for the first half of 2004 are reported.

MILANO ASSICURAZIONI S.p.A.

Share capital €238,569,327.88

(Direct participation 64.03%, Group interest 67.12%)

The profit and loss account for the period shows a nett profit of €98,784K, a significant increase compared with that finalised at 30 June 2003, equal to €65,663K; this latter figure, like all those indicated below, has been reclassified to take into account the merger of Nuova Maa and Maa Vita in Milan, which took place on 31st December 2003.

This result is mainly determined by the following components:

- a significant improvement in the technical balance of the non-life branches, which show a technical profit of €69,624K, compared with €36,817K for the corresponding period of the last financial year, which confirms the validity of the strategies adopted with severe policies and careful risk selection, particularly in the area of non-life branches different from the RC Auto branch;
- the positive development of the technical balance of the life branches of €23,783K, compared with €37,330K for the first half of 2003, which was able to benefit from a greater share of profits from investments.

The premiums and direct business accessories show an increase of 5.85% and amount to €1,539.7m compared with €1,462.6m for the corresponding period of the last financial year.

The claims rejected in the first six months of the current financial year in Italian direct business, non-life branches, were 335,033, which is 1.3% down compared with the first half of 2003.

When examining the automotive branch in detail, which totals more than 74% of the total direct non-life business, the increase in the premiums issued in the RC branch (equal to €846,508K, + 2.78%) is noticeable in particular, having been achieved in spite of cancellations of various contracts relating to agreements following an unsatisfactory technical development, this measure, together with a more balanced reduction of the claims entered in the reserves produces an improvement in the technical balance, which closes more or less in balance.

The life branches show premiums issued up by more than 27% compared with 30/6/03, reaching € 229.9m compared with €180m; in particular, a marked development has been seen in pure capitalisation products (+167%) and an increase in traditional products (+8.46%).

At the end of the month of June of the current year, investments are equal to more than €7.7bn, slightly up on 31 December 2003, when the figure was €7.4bn.

Obviously confirming the considerations just made, and also concerning the civil situation, the most important data concerning the consolidated six months are given below, compared with those reclassified as of 30/06/03:

- the first half of 2004 closes with a nett group profit of €108,255K, compared with €64,434K as of 30/6/03;

- technical results in line with the civil results and equal to €79,361K for non-life and €23,809K for life. These are compared with €33,877K and €37,289K respectively;

- the total premiums amount to €1,590m, up 6.1% compared with the first half of 2003.

On 23rd June 2004, the merger was authorised to incorporate SIS Compagnia di Assicurazioni S.p.A. as a wholly owned subsidiary; the operation was part of the general process of rationalisation of the companies that are part of the Fondiaria-SAI Group, in keeping with the industrial plan presented last April and with the aim of achieving increasing levels of efficiency and quality of the services offered to our clientele.

AZZURRA ASSICURAZIONI S.p.A.

Share capital €5,000,000

(Direct participation 60%, Group interest 100%)

The profit and loss account for the period shows a loss of €9,601K compared with a loss of €3,217K as of 30th June 2003.

During the period, the policy of re-dimensioning the company was continued with a subsequent reduction in premiums and policies in portfolio.

The trend in the half year was characterised by:

- total premiums equal to €4.176K (compared with €17,235K as of 30 June 2003);

- a number of rejections of RC Auto equal to 10,154, of which 6,278 attributable to the previous financial year (compared with 3,287 as of 30th June 2003), which brought the claims/premiums ratio for the half year to 371%;

- a negative balance of the previous generations, mainly due to the need to re-align the RC Auto reserves to take into account the rejections relating to claims arriving late in the half-year;

- a total balance deriving from the re-insurance cessions, which is negative for re-insurers and equal to €18,651K.

On 19 April 2004, the Ordinary General Meeting decided to cover the losses relating to the financial year 2003, amounting to €9,181K, by using payments made previously by the shareholders. The shareholders then made two payments to cover the losses totalling €10,000K; the losses for the half year are therefore covered in full.

The amount of the investments reached a total of €28,847K, with an increase of 32.6% compared with 31 December 2003 due to the payments made by the shareholders.

The reorganisation activities initiated were also continued, in preparation for the merger for incorporation in Fondiaria-SAI as amply described in the section "Relevant facts that occurred after 1

SASA ASSICURAZIONI E RIASSICURAZIONI S.p.A.

Share capital €52,000,000

(Direct participation 94.98%)

The satisfactory progress of ordinary business is reflected in a positive nett result as of 30 June '04 of €2,032K, compared with the profit of €33K as of 30th June of the previous financial year. The plan for re-launching the company, based on the accurate selection of the intermediaries and proposed business, the re-launch of products together with the work of reorganising the management system, which also took place with the support of the group structures, continues to produce benefits.

However, the increased attention to the development of the production has not penalised the number of premiums which, at the end of June, amounted to €176.798K, with a growth of 31.5% compared with 30th June 2003. The increases are particularly appreciable in the Automotive sector and in the Land Vehicle and Pecuniary Losses branches and are the consequence of the greater number of transactions from the new points of sale in the course of the last two financial years together with specific commercial initiatives; on the other hand, the reduction in the Sickness branch is continuing, confirming the selection work in the non-profitable sectors.

Concerning the claims, the number of rejected claims increases by 1.4%, but it must be emphasised that in the RC Automotive branch, which represents more than 57% of the total business, the rejections dropped by 1.2% with a substantially stable claims to generation premiums ratio at 79%.

During the first half of the year, investments increased by 10.4%, increasing from €255,918K to €282,577K.

SIAT SOCIETA' ITALIANA ASSICURAZIONI E RIASSICURAZIONI S.p.A.

Share capital €38,000,000

(Indirect participation 87.82%)

The first half of the financial year 2004 showed a nett profit of €981K, compared with a profit of €2,012K in the same period of 2003, basically due to a deterioration in the technical result, although remaining positive (€755K).

The Company collected premiums for a total of €76,190K, an increase compared with 30th June 2003, when they amounted to €68,428K (+11,3%).

The main considerations concerning the trend in this half of the year are:

- the technical result shows a considerable burden, attributable, among other things, to the losses suffered in the basic branches and the bankruptcy of an important client; on the other hand, the validity of the previous choices made for the RC Automotive branch, which continues to show a favourable industrial development, is confirmed;

- the premiums balance sheet, in general terms, shows a significant increase in production compared with the first half of the previous financial year, essentially due to the development of the maritime vehicles, lake and rivers branch;

- income from investments continues to make a satisfactory contribution,

The amount of the gross claims paid is €55,081K, showing a drop of more than 13% compared with that of the 1st half of 2003, reaching €63,582K, a result also determined by the dynamics of the payments together with the appreciable adequacy of the claims reserves relating to damage of previous generations based on the conservative approach provisionally adopted by the company. The amount of the investments reached a total of €111,304K, with an increase of 7% approximately compared with 30th December 2003, when the amount was €103,925K; this increase is mainly due to the dissolving of some of the insurance agreements signed with the Group.

THE LAWRENCE RE IRELAND LIMITED

Share capital €125.000

(Indirect participation 100%)

In 2004, the company operated as a re-insurer for the companies of the Group Fondiaria-SAI, in order to place the business transferred by these on the market. The premiums accepted as of 30th June 2004 amount to €72.8m (€56.1m as of 30 June 2003) of which 7.7 for the Life branches (2.8 as of 30/06/2003), whereas the premiums transferred on the market amount to €65.9m (€44.6m as of 30 June 2003) of which €5.8m Life (€2.1m as of 30/06/03). The profits of the financial year as of 30th June amount to €5.3m nett of tax (€3.1m as of 30/06/2003). The good technical development of the business retained contributed to this result. The equity as of 30/06/2004 is €45.4m (€35,8m as of 30th June 2003).

Re-insurance

In 2004, the placing of all the cessions of the portfolio of the Group Fondiaria-Sai on the international market took place via the subsidiary, The Lawrence Re, Dublin, with the exception of the transport branch for the companies SASA and SIAT, and aviation. The re-insurance policy is based on cessions on a non-proportional basis for the protection of individual risks or cumulative risks deriving from the same event for the branches Fire, Theft, Accident, RC General and RC Land Vehicles, whereas the cessions for the branches Credit and Technological Risk is on a proportional basis. Regarding the transport branches, the mixed structure based on proportional agreement and protection in excess of damage was confirmed.

Regarding the securities branch, a mixed structure was introduced based on proportional agreements and protection in excess of damage on that preserved. Finally, regarding the hail guarantee, cover as been provided on a stop loss basis. In view of the success of the policies underwritten in the direct business and in the absence of particular claims and/or natural events, the balance of the re-insurance cessions is good for our re-insurers. However, the total re-insurance result of the Group is positively influenced by an important recovery on an aviation claim. The subsidiary Siat managed to place the protection relating to the transport sector directly on the re-insurance market. It continued to place a proportional agreement with a high cession percentage and protect the risks preserved with an excess programme. The remaining non-marine branches have been integrated into the various group programmes where possible or placed directly on the international market with primary operators via The Lawrence Re. The protection placed in favour of Sasa is in keeping with the guidelines adopted for Siat. In this case, too, the company in Trieste managed to place the transport programmes directly and use the group programmes for the other guarantees. The sole exception concerns the aerospace sector, whose protection was placed directly and in agreement with the group. With reference to the credit re-insurance, the data as of 30/06/2004 are included for all the optional business and at the end of 2003, for all the other typologies mentioned. After a prudential allocation to the reserve in the 2003 balance sheet, the result is now balanced for both lines.

LIFE ASSURANCE AND PENSION FUNDS

The direct business premiums in the 1st half of 2004 reached a total value of €1,473,313K, with an increase of 32.16%. The gross technical reserves reached the sum of €14,434m (+5.7% compared with 31/12/2003).

(€K)	1st half of 2004	1st half of 2003	Variation %
ITALIAN DIRECT BUSINESS			
I – Life insurance	539,573	589,952	(8.54)
III – Insurance connected with investment funds	522,693	202,073	158.67
IV – Sickness insurance	67	68	(1.47)
V – Capitalisation operations	398,232	311,075	28.02
VI – Pension fund management operations	12,748	11,640	9.52
TOTAL	1,473,313	1,114,808	32.16

The premiums needed amount to €15,931K.

The charges relating to the claims, nett of the re-insurance cessions, amount to €843,307K (€708,508K for the first half of 2003).

A drop in management costs compared with premium (6% as of 30/06/2004 compared with 7.1% as of 31/12/2003) is also seen in the Life branches.

The trend in the first half of 2004 for the subsidiaries is summarised in the following table:

€K	TOTAL GROSS PREMIUMS	VARIATION %	RESULT FOR THE PERIOD
BIM VITA S.p.A.	8,123	80.23	10
MILANO ASS. S.p.A.*	230,191	27.68	108,255
NOVARA VITA S.p.A.	356,238	31.18	10,293
PO VITA S.p.A.	383,278	(14.22)	2,103
SASA VITA S.p.A.	20,775	41.19	(927)
EFFE VITA S.p.A.	2,891	(33.08)	(69)
FONDIPREV S.p.A.	212	13.37	95
LAWRENCE LIFE ASSURANCE	111,812	2,085.96	790

* data consolidated as at 30/06/2004. The result includes the non-life management.

Regarding the big companies of the Group, the essential elements are reported for the first half of the current year (for the Milan subsidiary, reference is made to the comment in the non-life section).

NOVARA VITA S.p.A.

Share capital €54.000.000

(Indirect participation 50%, Group interest 29%)

The premiums for the half year show a total of €356,238K, with an increase of 31% compared with the first half of 2003, when they amounted to €271,555K. The branches of Banca Popolare di Novara continued to sell both the traditional products and those with a high financial content.

The sums paid amount to €195,430K, up compared with the first half of 2003, when they reached €94,922K.

The ratio of administration costs to premiums which, being equal to 0.41%, shows one of the lowest values on the market, is particularly significant.

The technical reserves are equal to €2,361,383K: the figure is compared with €2,198,402K, at the end of the financial year 2003.

At the end of the period under review, the volume of investments reached €2,424,822K, showing an increase of €220,862K compared with 31/12/03 (+ 10%).

The profit before tax amounts to €17,864K, whereas the final result is equal to €10,293K (€5,247K as of 30/6/03).

PO VITA COMPAGNIA DI ASSICURAZIONI S.p.A.

Share capital €76,000,000

(Indirect participation 50%)

The first half year closed with a positive result for the period of €2,103K (€2,015K as of 30/6/2003), and with a result of the technical account equal to €1,312K (€904K at the end of June 2003).

Regarding the commercial aspect, the current financial year shows a positive volume of premiums, equal to €383m, which shows a reduction compared with the first of 2003 equal to €447m, like the entire Italian market with regard to products distributed through the bank channel. The number of active policies is very interesting, being more than 150,000, with a nett increase in the half-year of more than 22,000 units. In total, 65% of the production relates to Index and Unit Linked products, whereas the remaining 35% relates to Separate Management products.

The gross technical reserves as of 30/6/04 amount to €2,234m, compared with €1,918m as of 31/12/03: the percentage increase is therefore equal to 16.5%. The expenses relating to claims are equal to €83,272K, which compares with €52,403K as of 30th June 2003.

The total volume of investments reached €2,315m, compared with €1,984m as of 31st December 2003. The considerable increase is due both to the increased size of the company and the increase in its resources.

On 6th September, the two shareholders subscribed and paid up the remaining part of €6m, to increase the share capital to €82m, as decided by the Extraordinary Meeting on 6th April.

Re-insurance

The 2004 re-insurance programme has changed and has been extended to the entire Group. For more details, please refer to the Group report, which explains the guidelines of the re-insurance policy in detail.

Managed Savings

Please refer to the Group Report regarding the operation of the Company reorganisation programmes relating to subsidiaries operating in the sector.

The table summarising the trend of the companies operating in this sector is given below:

€K	INCOME	VARIATION %	RESULT
BANCA SAI S.p.A.		5,278	(24.61)
(2.606) EFFE GESTIONI SGR S.p.A.		6,800	170.16
(474) EFFE INVESTIMENTI SIM S.p.A.		1,789	83.49
(2.268) SAI MERCATI MOBILIARI SIM S.p.A.*		9,775	(22.78)
(997) SAI INVESTIMENTI SGR S.p.A.		145	(97.31)
(311)			

* data consolidated at 30/06/2004

SAI MERCATI MOBILIARI SIM S.p.A.

Share capital €20,000,000

(Direct participation 100%)

The accounts situation as of 30th June 2004 shows a consolidated loss equal to € 997K, which is down significantly compared with the corresponding figure for the financial year 2003, which amounted to €3,176K. This result was obtained thanks to the capacity to adopt careful risk management and to achieve positive results in the finance intermediary sector for own account.

With effect from 1st January 2004, the company branch consisting of Individual Asset Management was transferred to Effe Gestioni S.g.r., whereas on 1st July 2004, once authorisation had been obtained for trading on own account, on behalf of third parties and at the service of Sales, it was possible to proceed with the merger to incorporate the subsidiary Cofimo Sim and at the same time change the name to Sai Mercati Mobiliari Sim S.p.a. This operation, concentrating all the trading activities in a single structure, should allow us progressively to achieve an economic balance.

BANCA SAI S.p.A.

Share capital €36,890,000

(Direct participation 70%)

The first half of 2004 was characterised by the progressive completion of the bank services offered by the bank and the relaunching of the sale of financial services via the Financial Promoters operating at the insurance Agencies of the Group by setting up an organisation structure designed to promote and support the network; an organisation structure aimed at developing credit activities for our clientele was also set up, the conditions imposed by the Supervisory Authorities of the Banca d'Italia remaining unchanged..

In this context, the economic result for the period shows a loss of €2,606K (€2,867K in the previous half year); this result is influenced by an improvement in the interest margin, mainly due to the introduction of new conditions for accounts and the use of the liquid funds of the bank in typically bond-type financial instruments, with a medium to long-term investment horizon. The equity, adjusted for the loss for the period, amounts to € 34,284K and satisfies the minimum requirements provided by the supervisory regulations with regard to credit and market risks,

The direct business, constituting the payables to customers and including relations with the companies of the Group, amounted to €176,423K (€191,522K in the first half of 2003).

The average costs of the income equalled 1.59%, down compared with the same period last year, when it was around 2.79%.

The liabilities to clients, nett of the corresponding dubious outcomes, amount to €5,304K (€5,483K in the first half of 2003).

The investments, consisting of securities and relations with Credit Institutions, total € 286,244K and have increased by € 32,945K, compared with the first half of 2003, taking into account the investments made in typically bond-type financial instruments and capitalisation policies.

NON-INSURANCE ACTIVITIES

The trend of the main companies of the Group operating in the financial and agricultural/fixed assets sector is summarised in the following table:

€K	INCOME	VARIATION %	RESULT FOR PERIOD
<u>FINANCIAL SECTOR</u>			
FINSAI INTERNATIONAL S.A.	353	(49.43)	246
SAIFIN - SAIFINANZIARIA S.p.A.	1,461	11.6	(289)
SAINTERNATIONAL S.A.	24,838	105,65	12,439
<u>FIXED ASSETS/AGRICULTURAL SECTOR</u>			
PROGESTIM S.p.A.	8,238	23.79	122
SAIAGRICOLA S.p.A.	3,983	(19.78)	(1,368)

We are pointing out the elements that characterise the activities of the above companies:

FINSAI INTERNATIONAL S.A.

Share capital €22,801,140

(Direct participation 38.53%; indirect 61.47%)

The economic result for the financial year is positive at €246K, produced by income of €366K, essentially consisting of financial income from the management of the liquidity and the costs of €120K, mainly made up of general and administrative costs.

The assets of the company as of 30th June 2004 amount to €65.7m and consist of the shareholding in Mediobanca, equal to 0.35% of the capital, subject to the agreement relating to the share in the capital of Mediobanca, of €10.1m, and the liquidity and various assets of €55.6m. The equity of the company on the same date amounts to €65.1m.

SAINTERNATIONAL S.A.

Share capital €154,000,000

(Direct participation 99.99%)

The economic result for the financial year is positive with €12,439K. The income amounts to €24,838K, mainly consisting of credit interest on bonds for €1,286K, resulting from financial operations for €1,663K, income from finance granted to the parent company, Fondiaria – Sai, for €10,777K, from dividends for €511K, from claims on bonds registered in the current assets for €9,146K and the write-up on the exchange rate risks fund relating to the assets for €1,395K. The costs are equal to €12,399K, of which administrative, general and taxation costs for €5,347K and debit interest and reimbursement premiums on the convertible bond loan for €7,052K.

On 28th June 2004, the three convertible bond loans issued by the company in 2001 ended. The payment of the total amount, including the reimbursement premium and interest for the period of approximately €497m, was made via the Group, which therefore offset the same finance obtained from Sainternational in 2001.

The assets of the company as of 30th June 2004 amount to €171.5m and consist of finance granted for €32.4m, quoted bonds for €45.1m, unquoted shares for €8.9m, quoted shares for €36.8m, other short-term investments for €30.8m and liquidity and various assets for €17.5m. The liabilities basically consist of the equity of the company, equal to €168.9m and the tax fund of €1.9m.

SAIFIN-SAIFINANZIARIA S.p.A.

Share capital €102,258,000

(Direct participation 100%)

The economic result for the period is in the red for €289K.

During the first half of 2004, the company achieved a total income of €2,190K, mainly consisting of credit interest of €819K, dividends for €543K and gains on financial fixed assets of €717K. The costs for the period, amounting to €2,479K, mainly consist of administrative costs of €256K, value adjustments on the subsidiary My fin for €1,931K, commissions and debit interest for €45K and tax for €244K.

The assets of the company as of 30th June 2004 amount to €133,537K and consist of €61,526K from shareholdings in companies of the Group, of €4,446K from other shareholdings, of €19,284K from stocks and shares mainly relating to shares of the parent company Fondiaria-Sai, of €29,497K, from fixed income bonds, for €14,679K, from finance credits and for €4,105K, from various assets. The equity of the company at the same date amounts to €133,355K.

Following approval by the Antitrust Authority, in June, Fondiaria-SAI, via its own subsidiary SAIFIN-SAIFINANZIARIA S.p.A., acquired from MELIORBANCA 50% of the share capital of MY FIN S.p.A., operating in the consumer credit sector.

MELIORBANCA had acquired these shares from the Group at the end of 2000 in connection with a project, not implemented, to develop a consumer credit activity primarily directed at the underwriters of policies of the company, with the objective of quoting the MY FIN shares on a regulated market.

Fondiaria-SAI and MELIORBANCA therefore decided to restore the status quo before these agreements by the re-acquisition by Fondiaria-SAI – and therefore by the subsidiary, SAIFIN, already the holder of the other 50% of MY FIN – of the shares of MELIORBANCA.

Therefore, Fondiaria-SAI holds 100% of the capital of MY FIN indirectly.

The price of the shares is €6,074,000. Bearing in mind that the agreements with MELIORBANCA also included the payment by SAIFIN of a price adjustment of the previous purchase of shares by MELIORBANCA, the total disbursement for the Fondiaria-SAI group was €8,800,000.

PROGESTIM S.p.A.

Share capital €300,000,000

(Direct participation 100%)

The financial result for the half year is positive and amounts to €122K.

The billing was €8,238K, of which €3,563K for technical and commercial assistance, €2,640K for lease management for third parties and €2,035K, for lease payments on property.

The production costs for the financial year were €8,222K, consisting of depreciation on tangible and intangible fixed assets of €1,725K, personnel costs of €1,867K, administrative and general costs of €4,036 and the relevant ICI for the period equal to €234K.

During the half-year, the company's property portfolio increased by €14,547K mainly due to:

- purchase of a residential business, in Moncalieri, in the district of Fioccardo, consisting of a large house and a small house with a total of 2.000 square metres and gardens, and land of approximately 100,000 square metres, for a total price of €4,100K, in addition to the registration charge. This property will be used for hospitality – accommodation purposes.
- Investments of €9,997K in own buildings (Terme di Petriolo, Milan Via Marelli/Serio, Grande Albergo Capotaormina, land in Villasimius and Giardini Naxos).

The gross amount as of 30th June 2004 of the tangible fixed assets was therefore €140,820K.

The indirect subsidiary, I.S. Srl, continued its real estate activities according to RAS. As of 30th June 2004, the stock value of the assets held by I.S. Srl was approximately €70,000K. Current selling transactions allowed the repayment to The Royal Bank of Scotland, on the 30th June of €11,434K. Therefore, the remaining finance on that date amounted to €26,065K. On 30th April 2004, the general meetings of I.S. Srl and of its parent company, International Strategy Srl, approved the merger to incorporate I.S. Srl in International Strategy Srl. The accounting start of this operation was 1st October 2004, whereas the tax effects will run from 1st January 2004.

During the half year, a total of €2,792K was paid to the subsidiary Meridiano Bruzzano Srl in connection with future increases in share capital. These payments, of €2,711K, were used to pay the last tranche of the price relating to the purchase of an area in Milan, in the district of Bruzzano, totalling approximately 45,000 square metres.

On 25th February, the sum of €20,000K was paid to the subsidiary Meridiano Primo Srl in connection with future capital increases. This amount was used on 27th February to buy 100% of the shares of FIN.VI S.r.l. for €6,283K and a credit claimed by the ceding company against FIN.VI of €13,717K. On 18th May, the contract was signed for the transfer of the share and the credit by Meridiano Primo to Euridea S.p.A. On 29 June, Euridea arranged payment of an instalment of €2,000K to Meridiano Primo Srl, which, in turn, refunded to Progestim the same amount during June. As agreed between the parties, during September, the residual amount of €18,000K (including the transfer of the credit) will be paid to Meridiano Prima..

During the half year, payments on account of future increases in capital of €4,563K were paid to the subsidiary Meridiano Secondo Srl, to allow it to proceed with the purchase of land in San Donato Milanese on 30th April.

During the half year, payments were made on account of future increases in capital of €19,635K to I.A.T. Spa. These amounts allowed the subsidiary to refund the first instalment of the debt contracted by it with the preceding parent company and to deal with the payment of bills due.

Again in the first six months of the year, Progestim Spa paid a total of €752K against future increases in capital to the affiliated company Citylife Srl (formerly Giulio Cesare Srl) in order to pay the costs arising from the participation in the competition for the Milan Fair, which were estimated at a total of €3,000K. On 24 March, it completed the part-purchase of the share held by the shareholder group LAR, with a payment of € 48K. Therefore, from that date, the capital held by Progestim S.p.A. increased to 26.64%. On 2nd July, Citylife S.r.l. was awarded to contract for the site of the former Milan Fair with an offer of €523,000K.

SAIAGRICOLA S.p.A.

Share capital €50,000,000

(Direct participation 92%, indirect 8%, Group interest 97.76%)

During the half year under review, the sales totalled €2,962K, showing a slight drop compared with 30th June 2003, amounting to €3,276K (-9.5%); in particular, there was a drop of €332K, equal to 40%, in the sales of rice, whereas on the other hand, the sales of bottled wine showed an increase of €100K, equal to 4.7% compared with the same period of 2003.

The seasonal business was normal and the production of the various crops will average that of the last few years. The investments made in the first half year amount to approximately €2.5m and concern, among other things, land improvements, purchase of agricultural machinery and equipment, new vineyard equipment and also the construction of a new cellar at Villetta di Monterufoli.

The nett result for the financial year shows a loss of €1,368K, compared with a loss of €221K for the first half of the last financial year.

ASSET AND FINANCE BUSINESS

Investments

As of 30/06/2004, investments reached €25,349,820K, with an increase of 3.98% compared with investments as of 31st December 2003.

Their structure is shown in the following table:

(Euro K)	30/06/2004	%	31/12/2003	%	30/06/2003	%
- Land and buildings (nett of the ground)	2,384,895	9.41	2,385,169	9.78	2,952,288	12.64
- Bonds	15,748,087	62.13	15,504,707	63.59	13,956,782	59.74
- Shareholdings and common investment funds	3,504,484	13.82	3,414,773	14.01	3,759,723	16.09
- Finance	157,615	0.62	241,923	0.99	110,855	0.47
- Various financial investments and deposits with credit organisations	251,175	0.99	67,980	0.28	157,522	0.67
- Deposits with ceding companies	58,537	0.23	57,645	0.24	53,779	0.23
- Class D investments	3,245,027	12.80	2,708,485	11.11	2,373,324	10.16
TOTAL	25,349,820	100.00	24,380,682	100.00	23,364,273	100.00

The nett financial and asset ordinary income, matured in the first half of the financial year, amounts to € 363,268K (€356,961K as of 30/06/2003).

The nett capital gain from realising the part for non-durable use amounts to €119,489K (€56,018K as of 30/06/2003).

Own shares, of the parent company and companies controlled by these

Please refer to that reported in the Group Report

Debts

On 30/06/2004, the indebtedness of the Fondiaria-SAI S.p.A. Group is as follows:

(Euro m)	30/06/2004	31/12/2003	Variations
Subordinated loan	400.0	400.0	-
Exchangeable Sainernational	-	465.5	(465.5)
Exchangeable Fondiaria Nederland	-	45.4	(45.4)
Debts to banks and other finance	37.7	52.0	(14.3)
TOTAL	437.7	962.9	(525.2)

On 12 December 2002, the incorporating SAI signed a finance contract with MEDIIOBANCA, according to which the latter donated to the company the sum of €400m, in order to increase the elements constituting the solvability margin.

On the basis of the agreements made with Mediobanca, and having obtained the authorisation of ISVAP, in July Fondiaria-SAI acquired new subordinated finance for the same amount while at the same time repaying the existing finance in advance.

Regarding the characteristics of the new finance, please refer to that described in ample detail in the balance sheet document.

However, the convertible bond loans (indirect conversion to shares owned by the issuing party) were issued by the subsidiary Sainernational S.A. and Fondiaria Nederland BV during 2001.

The convertible bond loan issued by Sainernational S.A. for a total face value of €465m was reimbursed on time on 28/06/2004. this concerned bearer bonds convertible into the following:

- ordinary shares of Assicurazioni Generali S.p.A., for a face value of €192,705K
- ordinary shares of Banca di Roma S.p.A. (now Capitalia), for a face value of €54,078K
- ordinary shares of Intesa BCI S.p.A. (now Banca Intesa), for a face value of €218,678K.

Please also note that the convertible bond issued by Fondiaria Nederland BV, which still exists, for a face value of €45.4m, was reimbursed on the due date of 20/04/2004.

In the first half year, the finance contracts and mortgage signed by the subsidiary I.S. S.r.l. with The Royal Bank of Scotland was also redeemed for an amount of €14m. This item, included in the "Debts to banks and other financial institutions" item, now amounts to a remaining €26m. the same item also includes premiums on options not for cover of €3.9m.

CURRENT DISPUTES

Please refer to the relevant part of the Group Report. Regarding the subsidiaries, there are no significant disputes. With reference to the Milan subsidiary, please note that the proceedings pending in connection with the dispute relating to the partial refund of RC Auto premiums number approximately 3,300.

RELEVANT FACTS OCCURRING AFTER THE END OF THE HALF-YEAR

Company Reorganisations

The work of rationalising and simplifying the company structures of the various companies comprising the Group continues. Whilst referring to the Group Report regarding current activities in the managed saving field, the following further operations are also mentioned:

Merger for the incorporation of Azzurra Assicurazioni e Haag

On 8th September 2004, at the same meeting when the six-monthly report as of 30th June 2004 was approved, the Board of Directors of Fondiaria-SAI approved the merger project for incorporating in Fondiaria-SAI the company AZZURRA ASSICURAZIONI and HOLDING ASSICURAZIONI AFFINITY GROUP S.p.A. (HAAG).

In keeping with that provided by art. 2505 of the reformed civil code, the merger decision was accepted by the Board of Directors with the decision recorded in a public deed.

As a result of the merger, Fondiaria-SAI will proceed with the cancellation, without swap, of the Azzurra shares, since 60% of the latter's share capital is held by Fondiaria-SAI and the remaining 40%, by HAAG, which, in turn, is wholly owned by Fondiaria-SAI and, as stated, also incorporated in the latter

This act of merger will then be signed according to the terms of the law. The legal effects of the merger may start within the current year, with backdating of the accounting and tax effects to the 1st January 2004.

Merger to incorporate the companies Analisi Mediche e Immunoematologiche Donatello S.r.l. in Casa di Cura Villa Donatello S.p.A.

In July 2004, the respective Boards of Directors of the companies concerned approved the merger project to incorporate ANALISI MEDICHE E IMMUNOEMATOLOGICHE DONATELLO S.r.l. in CASA DI CURA VILLA DONATELLO S.p.A., which already holds 100% of the incorporated company's capital.

The operation is part of the process of rationalising the shareholdings held by Fondiaria-SAI and will allow the incorporating company to perform analysis laboratory activities directly.

The operation will then be put for the approval of the Extraordinary General Meetings. It is intended that the legal effects of the merger may start in the coming months, with backdating of the accounting and tax effects to 1st January 2004.

Property Assets

Please refer to that reported in the Group Report regarding aspects relating to the contribution to the property fund TIKAL R.E. and the operations of the affiliated company Citylife in connection with the Fair project.

BUSINESS OUTLOOK

In the second half of the financial year, the company will continue the finalised policy for maintaining leadership in the Italian market in the non-life branches in terms of dimension and profitability.

The year 2004 has seen strong competition in the Auto branches, also following good results achieved in the sector. Consequently, the action of the Group will be aimed at consolidating the market shares achieved, together with pursuing a strong personalisation policy intended to offer ever better solutions to the band of clients at the top of the bonus classifications. These measures also include the initiatives already mentioned aimed at creating a single Auto rate throughout the Group.

The improvement of the claims management performance is continuing through the adoption of an integrated management model in order to increase the speed of liquidation and contain the average cost of the payment.

The Life branch activities will be based on the development of a traditional type of product intended to create a protective shield between the client and the long-term financial market in a typically provident framework.

In this context, the involvement of the sales networks in the development of profitability projects is crucial.

The assets and financial activities will pursue the aim of rebalancing the investment portfolio by progressively reducing the weighting of the property and share component of the assets mix.

Conversely, the improvement in the indebtedness ratio represents an objective already in line with that scheduled in the industrial plan.

In this context, the overall income prospects of the group for the financial year in progress are positive and able to meet the plan objectives, naturally in the absence of extraordinary phenomena and events, not foreseeable at the moment and notwithstanding abnormal disturbances of the financial markets.

*Milan, 8th September
2004*

*For the Board of Directors
Chairman*

Jonella Ligresti



COMPANY: FONDIARIA - SAI S.p.A.

Head Office: FLORENCE

CONSOLIDATED HALF-YEARLY REPORT AS OF 30/06/2004

ASSETS	As at 30th June of the current financial year	As at 30th June of the previous financial year	As at 31st December of the previous financial year
A. Credits to shareholders for subscribed share capital not paid up	1	77	153
B. Intangible assets			
1. Acquisition costs to be depreciated	2	276	223
2. Other assets	3	743	815
3. Consolidation difference	4	194	202
Total	5	1.213	1.240
C. Investments			
I - Land and buildings	6	2.385	2.385
II - Investments in companies of the Group and other participating interests			
1. Shares and holdings	7	436	422
2. Bonds	8	4	160
3. Finance	9	13	47
Total investment in companies of the group and other participating interests	10	453	469
III - Other financial investments			
1. Shares and holdings	11	2.834	3.142
2. Shares of common investment funds	12	234	195
3. Bonds and other fixed income securities	13	15.744	13.957
4. Finance	14	145	65
5. Others	15	251	157
Total other financial investments	16	19.208	17.516
IV - Deposits with ceding undertakings	17	59	54
Total	18	22.105	20.991
D. Investments for the benefit of insured in life branches who support the risk of these and deriving from the pension fund management	19	3.245	2.373
D.bis Technical reserves that are the responsibility of the reinsurers			
I - Technical reserves, life branches	20	1.029	930
II - Technical reserves, life branches (excluding technical reserves according to III)	21		264
III - Technical reserves, life branches, if the risk of the investment is borne by the insured and reserves deriving from the pension fund management	22		1
Total	23	1.293	1.303
E. Credits			
I - Credits deriving from direct insurance operations	24	1.774	1.797
II - Credits deriving from reinsurance operations	25	278	383
III - Other credits	26	718	688
Total	27	2.770	2.868
F. Other elements of the assets			
I - Material assets and stocks	28	40	46
II - Liquid availability	29	552	650
III - Shares or own holdings	30	150	102
IV - Other assets	31	667	633
Total	32	1.409	1.431
G. Accrued income and pre-payments	33	215	221
TOTAL ASSETS	34	32.250	30.427

(Values in million Euros)

LIABILITIES	As at 30th June of the current financial year	As at 30th June of the previous financial year	As at 31st December of the previous financial year
A. Nett equity			
I - Group nett equity			
1. Share capital subscribed or equivalent fund	35 171	111 171	187 171
2. Assets reserves	36 1.998	112 1.966	188 1.951
3. Consolidation reserve	37 181	113 121	189 146
4. Reserve for valuation difference on non-consolidated share-holdings	38 -4	114 -30	190 -29
5. Reserve for conversion difference	39 115	115 -1	191 191
6. Reserve for own shares and of the parent company	40 168	116 115	192 130
7. Profit (loss) for the period	41 144	17 118	93 217
Total nett assets of the group	42 2.658	118 2.460	194 2.586
II - Nett assets of third parties			
1. Third party capital and reserves	43 460	119 435	195 394
2. Profit (loss) of the period of third parties	44 48	120 31	96 104
Total nett assets of third parties	45 508	121 466	197 498
Total	46 3.166	122 2.926	198 3.084
B. Subordinated liabilities	47 400	123 400	199 400
C. Technical reserves			
I - Non-life branches			
1. Premiums reserve	48 2.520	124 2.408	200 2.401
2. Claims reserve	49 9.096	125 8.532	201 8.784
3. Equalisation reserves	50 12	126 9	202 11
4. Others	51 11	127 12	203 16
Total technical reserves, non-life branches	52 11.639	128 10.961	204 11.212
II - Life branches			
1. Actuarial reserves	53 10.981	129 10.430	205 10.713
2. Reserve for amounts payable	54 86	130 61	206 115
3. Others	55 127	131 121	207 127
Total technical reserves, life branches	56 11.194	132 10.612	208 10.955
Total	57 22.833	133 21.573	209 22.167
D. Technical reserves if the investment risk is borne by the insured and reserves deriving from pension fund management	58 3.240	134 2.372	210 2.705
E. Funds for risks and charges	59 567	135 488	211 804
F. Deposits received from reinsurers	60 321	136 342	212 326
G. Payables and other liabilities			
I - Debts deriving from direct insurance operations	61 172	137 402	213 215
II - Debts deriving from reinsurance operations	62 202	138 143	214 60
III - Convertible bond loads	63 63	139 51	215 51
IV - Debts to banks and financial institutes	64 31	140 73	216 46
V - Debts and various loans	65 606	141 503	217 473
VI - Subordinated severance fund	66 88	142 92	218 90
VII - Other liabilities	67 618	143 591	219 505
Total	68 1.717	144 2.317	220 1.900
H. Accrued liabilities and deferred income	69 6	145 9	221 10
TOTAL ASSETS	70 32.250	146 30.427	222 31.396

GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS

I - Guarantees issued	71 588	147 1.232	223 773
II - Guarantees rec'd/issued by 3rd parties in the interest of consolidated cos.	72 343	148 303	224 442
III - Commitments	73 945	149 989	225 1.836
IV - Relevant assets of the managed pension funds in name of and on behalf of 3rd parties	74 74	150 226	226 226
V - Others	75 21.365	151 19.475	227 20.181
TOTAL MEMORANDUM ACCOUNTS	76 23.241	152 21.999	228 23.232

CONSOLIDATED PROFIT AND

	As at 30th June of the current financial year	As at 30th June of the previous financial year	As at 31st December of the previous financial year
I. TECHNICAL ACCOUNT, NON-LIFE BRANCHES			
1. Relevant premiums, nett of reinsurance cessions	1 3.326 ⁴⁹	3.210 ⁹⁷	6.352
2. Other technical income, nett of reinsurance cessions	2 23 ⁵⁰	39 ⁹⁸	75
3. Charges relating to claims, nett of recoveries and reinsurance cessions	3 2.395 ⁵¹	2.328 ⁸⁹	4.494
4. Variation in other technical reserves, nett of reinsurance cessions	4	52	100
5. Refunds and shares in profits, nett of reinsurance cessions	5	53	101
6. Management costs:			
a) Acquisition costs, nett of commissions and shares in profits received by reinsurers	6 503 ⁵⁴	465 ⁰²	979
b) Administration costs	7 137 ⁸⁵	162 ⁰³	262
Total	8 640 ⁸⁶	627 ⁰⁴	1.241
7. Other technical charges, nett of reinsurance cessions	9 146 ⁸⁷	127 ⁰⁵	154
8. Variations in equalisation reserves	10 1 ⁵⁸	1 ⁰⁶	3
9. Result of profit and loss account, non-life branches	11 167 ⁵⁹	166 ⁰⁷	531
II. TECHNICAL ACCOUNT, LIFE BRANCHES			
1. Premiums for the financial year nett of reinsurance cessions	12 1.463 ⁶⁰	1.104 ⁰⁸	2.387
2. (+) Share of profit of investments transferred from non-technical account (item III. 5)	13 241 ⁶¹	239 ⁰⁹	418
3. Income and capital gains not achieved relating to investments for the benefit of insured who support their risk and the investments deriving from the management of the pension fund	14 131 ⁶²	79 ¹⁰	119
4. Other technical income, nett of reinsurance cessions	15	3 ⁶³	1 ¹¹
5. Charges relating to claims, nett of reinsurance cessions	16 843 ⁶⁴	709 ¹²	1.468
6. Variation in actuarial reserves and other technical reserves nett of reinsurance cessions			
a) Actuarial reserves, premiums reserve of additional insurance and other technical reserves	17 450 ⁶⁵	150 ¹³	453
b) Technical reserves if the risk of the investment is borne by the insured and deriving from the pension fund management	18 375 ⁶⁶	410 ¹⁴	743
Total	19 825 ⁶⁷	560 ¹⁵	1.196
7. Refunds and share in profits, nett of reinsurance cessions	20 3 ⁶⁸	1 ¹⁶	3
8. Management costs:			
a) Acquisition costs nett of commissions and shares in profits received by reinsurers	21 55 ⁶⁹	42 ¹⁷	95
b) Administration costs	22 30 ⁷⁰	29 ¹⁸	71
Total	23 85 ⁷¹	71 ¹⁶	166

LOSS ACCOUNT

(Amounts in million Euros)

	As at 30th June of the current financial year	As at 30th June of the preceding financial year	As at 31st December of the preceding financial year
9. Assets and financial charges and capital losses not achieved relating to investments for the benefit of insured who support the risks of them and investments deriving from pension fund management	24	24 ⁷²	12 ¹²⁰
10. Other technical charges nett of reinsurance cessions	25	8 ⁷³	9 ¹²¹
11. Result of the technical account, life branches	26	50 ⁷⁴	61 ¹²²
III. NON-TECHNICAL ACCOUNT			
1. Result of the technical account, non-life branches (item I. 9)	27	167 ⁷⁵	166 ¹²³
2. Result of the technical account, life branches (item II. 1)	28	50 ⁷⁶	61 ¹²⁴
3. Income from investments			
a) Income deriving from investments	29	408 ⁷⁷	407 ¹²⁵
b) Increases in value adjustments on investments	30	22 ⁷⁸	28 ¹²⁶
c) Profits on realising investments	31	148 ⁷⁹	60 ¹²⁷
Total	32	578 ⁸⁰	495 ¹²⁸
4. Assets and financial charges			
a) Management charges for investments and debit interest	33	45 ⁸¹	49 ¹²⁹
b) Value adjustments on investments	34	72 ⁸²	52 ¹³⁰
c) Losses on realising investments	35	29 ⁸³	5 ¹³¹
Total	36	146 ⁸⁴	106 ¹³²
5. (-) Share of profit of investments transferred to technical account, life branches (item II. 2)	37	241 ⁸⁵	239 ¹³³
6. Other income	38	82 ⁸⁶	68 ¹³⁴
7. Other expenses	39	152 ⁸⁷	158 ¹³⁵
8. Result of ordinary activities	40	338 ⁸⁸	287 ¹³⁶
9. Extraordinary income	41	51 ⁸⁹	27 ¹³⁷
10. Extraordinary expenses	42	60 ⁹⁰	25 ¹³⁸
11. Result of extraordinary activities	43	-9 ⁹¹	2 ¹³⁹
12. Result before tax	44	329 ⁹²	289 ¹⁴⁰
13. Tax on result for period	45	137 ⁹³	140 ¹⁴¹
14. Consolidated result	46	192 ⁹⁴	149 ¹⁴²
15. Profit (loss) for period relating to third parties	47	48 ⁹⁵	31 ¹⁴³
16. Profit (loss) of group	48	144 ⁹⁶	118 ¹⁴⁴

B) General Drafting Criteria and Basis of Consolidation

Consolidation principles

The same consolidation principles as used for the preparation of the last consolidated balance sheet have been applied to the half-yearly report. Therefore, express reference is made to that published in the balance sheet documents for a description of these. Any references to the date of 31/12 must be understood as 30/06.

The six-monthly reports approved by the Boards of Administration of the respective companies were used to prepare the half-yearly report. In cases where these reports were not yet approved, appropriate half-yearly situations examined by the respective administrative bodies were consolidated.

Basis of Consolidation

The criteria used to define the basis of consolidation are the same as those used when preparing the last consolidated balance sheet on 31/12/2003. On 30/06/2004, the Group Fondiaria-SAI includes 112 companies, including the Head of the Group. The fully consolidated companies are 62, those consolidated with the nett equity method, 21, whereas the rest are valued at the book value or consolidated with the proportional method. The subsidiaries number 95, 42 of which are controlled directly by the Head of the Group. 16 companies are based abroad.

During the first six months of 2004, the following changes occurred:

- cession of the entire shareholding in the insurance company PROFILO LIFE;
- sale of the shareholding in SAISICAV SA made by the subsidiary SAINTERNATIONAL;
- acquisition both directly and indirectly via Milano Assicurazioni of the shareholdings in the financial company UNICAPITAL S.p.A. for a total interest of 20.47%;
- constitution of the financial company FONSAI MB&A MERCHANT BANKING wholly owned by SRP asset management S.A.;
- increase in the direct shareholding in the subsidiary SASA Spa from 88.78% to 94.98%;
- reduction of the direct shareholding in MILANO ASSICURAZIONI from 64.41 to 64.03 and of the indirect shareholding from 3.28 to 3.11;
- acquisition of the remaining 40% of the direct shareholding in WEBB@TI S.p.A.;
- acquisition made by Saifin-Saifinanziaria of the remaining 50% in MY FIN;
- acquisition by the subsidiary SCAI S.p.A. of the remaining 40% in PRIM SISTEMI S.r.l..

Finally, we wish to point out that the property company GIULIO CESARE has changed its name to CITY LIFE S.r.l. and that Fondiaria-SAI controls, within the meaning of art. 2359, para. 1 no. 3 of the Civil Code, the services company WAVE TECHNOLOGY S.r.l., but does not hold any shareholding in the company itself.

		<u>Percentage control</u>		
	Sector	Direct	Indirect	Group Interest
SUBSIDIARIES				
Fully consolidated companies:				
AZIENDA AGRICOLA RI.MA. S.p.A.				
Turin				
Share capital €6,000,000	Property		SAIAGRICOLA S.p.A. 100,—	97,80
AZZURRA ASSICURAZIONI S.p.A.				
Turin				
Share capital €5,000,000	Insurance	60,—	HAAG S.p.A. 40,—	100,—
BIM VITA S.p.A.				
Turin				
Share capital €7,500,000	Insurance	50,—		50,—
CASCINE TRENNO S.r.L.				
Turin				
Share capital €10,000	Property		PROGESTIM 100,—	100,—
COLPETRONE S.r.l.				
Umbertide (PG)				
Share capital €10,000	Agricultural		SAIAGRICOLA S.p.A. 100,—	97,80
CONSORZIO CASTELLO				
Florence				
Share capital €51,000	Property		NUOVE INIZIATIVE TOSCANE S.r.L. 99,66	98,65
DIALOGO ASSICURAZIONI S.p.A.				
Assago Milanofiori (MI)				
Share capital €8,831,774	Insurance		MILANO ASSICURAZIONI S.p.A. 99,85	67,02
DOMINION INSURANCE HOLDING Ltd				
London (GB)				
Share capital Gbp 35,438,267.65	Financial	100,—		100,—
EFFE FINANZIARIA S.p.A.				
Florence				
Share capital €516,500	Financial		THE LAWRENCE RE IRELAND Ltd 100,—	100,—
EFFE SERVICES S.r.l.				
Florence				
Share capital €45,900	Services	60,—	MILANO ASSICURAZIONI S.p.A. 40,—	86,85

		<u>Percentage control</u>		
	Sector	Direct	Indirect	Group interest
EFFE VITA COMPAGNIA DI ASS.NI SULLA VITA S.p.A.				
Florence				
Share capital €6.240.000	Insurance	100,—		100,—
EUROPA TUTELA GIUDIZIARIA S.p.A.				
Assago Milanofiori (MI)				
Share capital €5.160.000	Insurance	100,—		100,—
EUROSAI				
FINANZIARIA DI PARTECIPAZIONI S.r.L.				
SAIFIN-SAIFINANZIARIA				
Share capital €1.305.600	Finance		SAINTERNATIONAL S.A. 99,— Turin S.p.A. 1,—	100,—
FINEURAS S.p.A.				
Turin				
Share capital €28.000.000	Finance	51,—		51,—
FINSAI INTERNATIONAL S.A.				
Luxemburg				
Share capital €22.801.140	Finance	38,526	SAILUX S.A. 61,474	100,—
FIRST LIFE S.p.A.				
Turin				
Share capital €10.329.000	Insurance		SAI HOLDING ITALIA S.p.A. 100,—	100,—
FONDIARIA NEDERLAND B.V.				
Amsterdam (NL)				
Share capital €19.070	Finance	100,—		100,—
FONDIPREV S.p.A.				
Florence				
Share capital €6.240.000	Insurance	40,—	MILANO ASSICURAZIONI S.p.A. 60,—	80,27
HAAG S.p.A.				
Turin				
Share capital €4.131.000	Finance	100,—		100,—
IENA PRESBOURG S.A.				
Paris				
Share capital €60.979,61	Property		SIM ETOILE S.A. 99,80	99,80
INSEDIAMENTI AVANZATI NEL TERRITORIO I.A.T. A.p.A.				
Rome				
Share capital €2.580.000	Property		PROGESTIM 100,—	100,—

				<u>Percentage control</u>	
	Sector	Direct	Indirect	Group Interest	
INTERNATIONAL STRATEGY S.r.l.					
Turin					
Share capital €26.000	Property		PROGESTIM S.p.A 100,— .	100,—	
I.S. S.r.l.					
Turin					
Share capital €10.000	Property		INTERNATIONAL STR. 100,— ,	100,—	
LAWRENCE LIFE A.G.					
Vaduz (LIE)					
Share capital Chf 5.000.000	Insurance		THE LAWRENCE LIFE ASS. COMPANY Ltd 99,90	99,90	
MAA FINANZIARIA S.p.A.					
Milan					
Share capital €774.000	Finance		MILANO ASSICURAZIONI S.p.A. 100,—	67,12	
MERIDIANO BELLARMINO S.r.L.					
Turin					
Share capital €10.000	Property		PROGESTIM S.p.A . 100,— ,	100,—	
MERIDIANO BRUZZANO S.r.L.					
Torino					
Cap. Soc. €10.000	Property		PROGESTIM S.p.A 100,— ,	100,—	
MERIDIANO EUR S.r.L.					
Milan					
Share capital €10.000	Property		MILANO S.p.A. 100,— ,	67,12	
MERIDIANO ORIZZONTI S.r.L.					
Milano					
Cap. Soc. €10.000	Property		MILANO S.p.A. 100,— ,	67,12	
MERIDIANO PRIMO S.r.L.					
Turin					
Cap. Soc. €10.000	Property		PROGESTIM S.p.A. 100,—	100,—	
MERIDIANO RISPARMIO S.r.L.					
Milano					
Share capital €10.000	Property	100,— ,		100,—	
MERIDIANO SECONDO S.r.L.					
Turin					
Share capital €10.000	Property		PROGESTIM S.p.A. 100,—	100,—	

		<u>Percentage control</u>		
	Sector	Direct	Indirect	Group Interest
MILANO ASSICURAZIONI S.p.A. Milan Share capital €238.569.327,88	Insurance	64,03	EFFE FINANZIARIA 2,346 NOVARA VITA 0,021 PRONTO TUTELA 0,071 SAI HOLDING 0,664	67,12
NOVARA VITA S.p.A. Novara Share capital €54.000.000	Insurance		FINEURAS S.p.A. 42,857 SAI HOLDING ITALIA S.p.A. 7,143	29,—
NUOVE INIZIATIVE TOSCANE S.r.l. Florence Share capital €26.000.000	Property	96,88	MILANO ASS. S.p.A. 3,12	98,97
PORTOFINO VETTA S.r.l. Florence Share capital €10.400	Property	100,—		100,—
PROGESTIM - Società di Gestione Property S.p.A. Turin Share capital €300.000.000	Property	100,—		100,—
PRONTO ASSISTANCE S.p.A. Turin Share capital €2.500.000	Insurance	100,—		100,—
PRONTO TUTELA GIUDIZIARIA COMPAGNIA DI ASSICURAZIONI S.p.A. Turin Share capital €1.500.000	Insurance		PRONTO ASSISTANCE S.p.A. 100,—	100,—
SAIAGRICOLA S.p.A. Turin Share capital €50.000.000	Agricultural	92,004	MILANO S.p.A. 6,804 PRONTO ASSISTANCE S.p.A. 1,192	97,76

		<u>Percentage control</u>		
	Sector	Direct	Indirect	Group Interest
SAIFIN - SAIFINANZIARIA S.p.A.				
Turin				
Share capital €102.258.000	Finance	100,—		100,—
SAINTERNATIONAL S.A.				
Luxembourg				
Share capital €154.000.000	Finance	99,999		99,999
SAI HOLDING ITALIA S.p.A.				
Turin				
Share capital €143.100.000	Finance	100,—		100,—
SAILUX S.A.				
Luxembourg				
Share capital €30.000.000	Finance		SAIFIN-SAIFINANZIARIA S.p.A. 99,99 FINSAI INT. 0,010	100,—
SANTA MARIA DEL FICO S.r.l.				
Umbertide (PG)				
Share capital €78.000	Agricultural		SAIAGRICOLA S.p.A. 100,—	97,80
SASA ASSICURAZIONI RIASS. S.p.A.				
Trieste				
Share capital €52.000.000	Insurance	94,98		94,98
SASA VITA S.p.A.				
Trieste				
Share capital €7.500.000	Insurance	50,—	SASA ASS. RIASS. S.p.A. 50,—	97,49
SELEZIONE SECONDA S.r.l.				
Milan				
Share capital €10.400	Property		PROGESTIM S.p.A. 100,—	100,—
SERVICE GRUPPO FONDIARIA S.p.A.				
Florence				
Share capital €104.000	Services	70,—	MILANO ASS.NI S.p.A. 30,—	90,14
SIAT SOCIETÀ ITALIANA ASSICURAZIONI E RIASSICURAZIONI S.p.A.				
Genoa				
Share capital €38.000.000	Insurance		SAI HOLDING ITALIA S.p.A. 87,816	87,816
SIM DEFENSE S.A.				
Paris				
Share capital €24.429.955,01	Property		SIM ETOILE S.A. 99,99 — IENA PRESBOURG S.A. 0,010	100,—

		<u>Percentage control</u>		
	Sector	Direct	Indirect	Group Interest
SIM ETOILE S.A.				
Paris				
Share capital €3.048.980,30	Property	100,—		100,—
SIS COMPAGNIA DI ASSICURAZIONI S.p.A.				
Rome				
Share capital €15.000.000	Insurance		MILANO ASS.NI S.p.A. 100,—	67,12
SRP ASSET MANAGEMENT S.A.				
Lugano				
Share capital Fr. Sv. 1.000.000	Services		SAINTERNATIONAL S.A. 99,7	99,7
STIMMA S.r.l.				
Florence				
Share capital €510.000	Property	100,—		100,—
SYSTEMA COMPAGNIA DI ASS.NI S.p.A.				
Assago Milanofiori (MI)				
Share capital €5.164.600	Insurance		MILANO ASS.NI S.p.A.. 100,—	67,12
TARO S.r.l.				
Florence				
Share capital €10.400	Property	100,—		100,—
THE LAWRENCE RE IRELAND LTD.				
Dublin (IRL)				
Share capital €125.000	Insurance		FONDIARIA NED. 100,—	100,—
THE LAWRENCE LIFE ASSURANCE CO. LTD.				
Dublin (IRL)				
Share capital €802.886	Insurance		FONDIARIA NED. 100,—	100,—
TRENNO OVEST S.r.L.				
Turin				
Share capital €10.000	Property		PROGESTIM S.p.A. 100,—	100,—

		<u>Percentage control</u>		
	Sector	Direct	Indirect	Group Interest
UNISERVICES				
Gruppo Fondiaria S. C. a r.l.				
Assago Milanofiori (MI)				
Share capital €5.200.000	Services	38,50	MILANO ASS.NI 56,80 EFFE VITA 1,— SYSTEMA COMPAGNIA 1,— STIMMA 1,— DIALOGO ASS.NI 0,10 EFFE GESTIONI 0,10 EUROPA TUT. GIUD. 0,10 FINITALIA 0,10 THE LAWRENCE RE IRELAND 0,10 THE LAWRENCE LIFE ASS. 0,10 EFFE INVESTIMENTI SIM 0,10	79,95
<hr/>				
VILLA RAGONERI S.r.l.				
Florence				
Share capital €78.000	Property	100,—		100,—
<hr/>				
Companies consolidated with the proportional method:				
PO VITA COMPAGNIA DI ASSICURAZIONI S.p.A.				
Parma				
Share capital €76.000.000	Insurance		SAI HOLDING ITALIA S.p.A.	50,—
<hr/>				
Companies valued with the nett equity method:				
ANALISI MED. E IMM. DONATELLO S.r.l.				
Florence				
Share capital €41.600	Services		C. CURA VILLA DONATELLO	100,—
<hr/>				
ASSI CAPITAL S.r.l.				
Turin				
Share capital €475.000	Services	99,—	SAIFIN-SAIFINANZIARIA S.p.A.	100,—
<hr/>				
AZZURRASF S.p.A.				
Turin				
Share capital €10.329.000	Insurance		SAI HOLDING IT. S.p.A. 100,—	100,—
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		<u>Percentage control</u>		
	Sector	Direct	Indirect	Group interest
BANCASAI S.p.A.				
Turin				
Share capital €36.890.000	Bank	70,—		70,—
CASA DI CURA VILLA DONATELLO S.p.A.				
Florence				
Share capital €361.200	Services	100,—		100,—
CASA DI CURA VILLANOVA S.r.l.				
Florence				
Share capital €182.000	Services	100,—		100,—
CO.FI.MO. SIM S.p.A.				
Milan				
Share capital €12.000.000	Property agents		SAI SIM S.p.A. 100,—	100,—
CONSULENZA AZIENDALE PER L'INFORMATICA SCAI S.p.A.				
Turin				
Share capital €1.040.000	Services	30,07		30,07
EFFE GESTIONI SGR S.p.A.				
Milan				
Share capital €5.000.000	Savings management	100,—		100,—
EFFE INVESTIMENTI SIM S.p.A.				
Milan				
Share capital €20.658.000	Property agency	100,—		100,—
FINITALIA S.p.A.				
Milan				
Share capital €13.865.000	Finance	40,—	MILANO ASS.NI S.p.A. 60,—	80,27
MY FIN S.p.A.				
Milan				
Share capital €17.513.000	Finance		SAIFIN-SAIFINANZIARIA S.p.A. 100,—	100,—
PRONTO ASSISTANCE SERVICES S.p.A.				
SAIFIN-SAIFINANZIARIA S.p.A.				
Share capital €516.000	Services		PRONTO ASSISTANCE S.p.A. 60,— Turin 40,—	100,—
SAI GESTIONI SIM S.p.A.				
Milan				
Share capital €20.000.000	Property agency	100,—		100,—

		<u>Percentage control</u>		
	Sector	Direct	Indirect	Group Interest
SAI INVESTIMENTI S.G.R. S.p.A.				
Turin	Savings management			
Share capital €3.913.588	company	100,—		100,—
SOGEINT S.r.L.				
Milan				
Share capital €10.000	Other		MILANO 100,—	67,12
STARVOX S.p.A.				
Turin				
Share capital €258.000	Services	100,—		100,—
WEBB@TI S.p.A.				
Turin	I.T.			
Share capital €1.000.000	Services	100,—		60,—
Companies valued at book value:				
AGRISAI S.r.l.				
Turin			SAIAGRICOLA S.p.A. 99,— SAIFIN-SAIFINANZIARIA S.p.A.	
Share capital €61.000	Services		1,—	97,82
DELTAPRIME S.r.l.				
Turin			SCAI S.p.A.	
Share capital €24.500	Services		51,02	15,34
FINANZA E PREVIDENZA S.p.A.				
Turin			SAI HOLDING ITALIA S.p.A.	
Share capital €11.000.000	Other		100,—	100,—
FONSAI MB&A - S.p.A. MERCHANT BANKING & ADVISORY				
Milan				
Share capital €800.000	Financial		S.R.P. 100,—	99,7
IDTEL S.p.A.				
Milan				
Share capital €103.300	Services	100,—		100,—
ITALIBERICA C.IA ESP DE SEG. SA in liquid.				
Barcelona				
Share capital €2.030.000	Insurance		100,—	100,—
LOGISTIQUE, CONSEILS, SERVICES S.A. Paris				
Share capital €38.200	Services		SIAT S.p.A. 94,92	83,36

<u>Percentage control</u>				
	Sector	Direct	Indirect	Group Interest
MERCANTILE LEASING S.p.A.				
Florence				
MILANO ASS.NI S.p.A.				
Share capital €28.515.744,4	Finance	91,—	9,—	97,04
MERIDIANO AURORA S.r.l.				
Milan				
Share capital €10.000	Property		100,—	100,—
P.R.I.M. SISTEMI S.r.l.				
Turin				
Share capital €99.000	Services		SCAI S.p.A. 100,—	30,07
SAI SISTEMI ASSICURATIVI S.r.l.				
Turin				
Share capital €51.000	Services	99,—	SAIFIN-SAIFINANZIARIA S.p.A. 1,—	100,—
SALEVOX S.r.l.				
Turin				
Share capital €50.000	Services		STARVOX S.p.A. 90,—	90,—
SERVICE VOX S.r.l. in liquidation				
Turin				
Share capital €10.000	Services		STARVOX S.p.A. 51,—	51,—
TELVOX S.r.l.				
Turin				
Share capital €150.000	Services		SCAI S.p.A. 100,—	30,07
 ASSOCIATED COMPANIES				
Companies valued at book value:				
FINADIN S.p.A.				
Milan				
Share capital €50.000.000	Financial		SAIFIN - SAIFINANZIARIA S.p.A. 40,—	40,—

	Sector	Percentage control		Group Interest
		Direct	Indirect	
AFFILIATED COMPANIES				
Companies valued with the nett equity method:				
SISTEMI SANITARI S.p.A. Milan Share capital €1.872.000	Other	22,54	MILANO ASS.NI S.p.A. 25,71	39,80
SOCIETA' FUNIVIE DEL PICCOLO S. BERNARDO S.p.A. La Thuile (AO) Share capital €9.213.417,5	Other		PROGESTIM S.p.A. 27,38	27,38
Companies valued at book value:				
BORSETTO S.p.A. Turin Share capital €1.032.913,81	Property		PROGESTIM S.p.A. 31,—	31,—
CESTAR CENTRO STUDI AUTO RIPARAZIONI S.r.l. Pero (MI) Share capital €2.040.000	Services	14,664	SASA S.p.A. 0,006 MILANO S.p.A. 11,35	22,34
FIN. PRIV. S.r.l. Milan Share capital €20.000	Financial	28,57		28,57
FINART S.p.A. Venezia Marghera Share capital €699.550	Financial	40,59		40,59
CITYLIFE S.r.L. (ex GIULIO CESARE S.r.L.) Milano Share capital €10.000	Property		PROGESTIM S.p.A. 26,64	24,—
INFOMEDIA ITALIA IMI S.r.l. Turin Share capital €52.000	Services		SCAI S.p.A. 20,—	6,01
MB VENTURE CAPITAL FUND I PARTECIPATING COMP. DI N.V. Amsterdam Share capital €50.000	Others	30,—		30,—

		<u>Percentage control</u>		
	Sector	Direct	Indirect	Group Interest
RITA S.r.l. Milan Share capital €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	22,37
SERVICES IMMOBILIARI MARTINELLI S.p.A. Cinisello Balsamo (MI) Share capital €100.000	Property		PROGESTIM S.p.A. 20,—	20,—
SOCIETA' FINANZ. PER LE GESTIONI ASSICURATIVE S.r.l. in liquid. Rome Share capital €47.664.600	Financial	14,907	MILANO ASS.NI S.p.A. 7,504	19,94
SOAIMPIANTI - ORGANISMI DI ATTESTAZIONE S.p.A. Milan Share capital €646.250	Other	20,—		20,—
UFFICIO CENTRALE ITALIANO S.r.l. Milan Share capital €510.000	Other	14,136	MILANO ASS.NI S.p.A. 10,96 SIS S.p.A. 0,015 SIAT S.p.A. 0,095	21,59
UNICAPITAL & CO SCPA Luxembourg Share capital €31.000	Financial	12,258	MILANO S.P.A. 12,242	20,47

C) Valuation Criteria

The valuation criteria used to prepare the last consolidated balance sheet, to which reference is made, applied to the consolidated half-yearly report.

However, the inter-annual balance sheet is influenced by a bigger valuation approach and simplification; consequently, some methods which make greater use of estimates have been used.

The simplified methods, used in the valuation process for determining the technical reserves, in financial investments and relevant taxation, already described in the Group Report, are also applied in the consolidated report.

In addition, half the annual depreciation rates of the consolidation difference and the acquisition charges of capitalised multiennial policies have also been allocated to the half-year.

D) Information on the Balance Sheet

ASSETS

FIXED ASSETS - (Item B)

These are made up as follows:

(Euro K)	30/06/2004	31/12/2003	variation	30/06/2003
Acquisition costs to be depreciated	276,007	254,501	21,506	222,778
Other assets	742,683	782,056	(39,373)	814,829
Consolidation difference	194,445	197,264	(2,819)	202,329
TOTAL	1,213,135	1,233,821	(20,686)	1,239,936

The acquisition commissions to be depreciated are increased through the effect of the pre-account in the half-year and reduced by the relevant depreciation rates. The depreciation plan is consistent with the average life of the policies from which the pre-account originates. The amount registered attributable for €241,077K to Non-life activities and for €34,930K for Life activities.

The fixed assets are made up as follows:

(Euro K)	30/06/2004	31/12/2003	variation	30/06/2003
Goodwill	643,248	671,044	(27,796)	704,129
R&D costs	51,516	55,172	(3,656)	56,468
Plant and expansion costs	32,923	38,160	(5,237)	32,222
Licences for use of IT products	5,990	7,826	(1,836)	9,594
Others	9,006	9,854	(848)	12,416
TOTAL	742,683	782,056	(39,373)	814,829

The goodwill recorded originates from the Group with regard to €485,184K, and from the Milan subsidiary with regard to €158,064K.

The consolidation difference is increased by €5,129K as the result of the capital gain paid by the Group for the acquisition of 6.2% of Sasa Assicurazioni S.p.A. and the remaining 50% of My Fin S.p.A., acquired from the subsidiary Saifin-Saifinanziaria.

The relevant depreciation rate for the half year amounts to €7,948K, of this €827K relates to the Gruppo Milano Assicurazioni.

The composition of this item is detailed below:

(Euro K)	30/06/2004	31/12/2003	variation	30/06/2003
Fully consolidated insurance companies	184,305	187,641	(3,336)	190,799
Non-insurance companies	10,140	9,623	517	11,530
TOTAL	194,445	197,264	(2,819)	202,329

The remaining difference relating to the consolidation of the subsidiary Milano amounts to approximately € 175m.

INVESTMENTS - (Item C)

Total and nett of the depreciation fund of the fixed assets, the investments amount to €22,104,793K.

(Euro K)	30/06/2004	31/12/2003	variation	30/06/2003
Land and buildings	2,384,895	2,385,169	(274)	2,952,288
Investments in companies of the group and other participating interests	452,860	519,393	(66,533)	468,703
Other financial investments	19,208,501	18,709,991	498,510	17,516,179
Deposits with ceding undertakings	58,537	57,645	892	53,779
TOTAL	22,104,793	21,672,198	432,595	20,990,949

The fixed assets intended for the operation of the company amount to €231,173m, whereas those for use of third parties amount to €2,153,722m, nett of the depreciation fund in each case.

II. Investments in companies of the group and other participating interests

The investments in companies of the group and other participating interests are divided as follows:

(Euro K)	30/06/2004	31/12/2003	variation	30/06/2003
Shares and holdings of companies	436,104	414,576	21,528	422,293
Bonds	4,156	4,078	78	156
Finance	12,600	100,739	(88,139)	46,254
TOTAL	452,860	519,393	(66,533)	468,703

Shares and holdings

The changes that occurred in the first half of the year are detailed below:

Balance as of 31/12/2003	414,576
Change in companies valued according to nett equity	(7,651)
Purchases and subscription	49,263
Revaluations	0
Sales	(12,909)
Devaluations	(1,108)
Changes in area	(6,067)
Balance as of 30/6/2004	436,104

The change in area refers to the deconsolidation of Mercantile Leasing, a company subsequently sold at the end of the half year and valued at cost because assets are being retired.

The list of class C.II shareholdings is given below:

- for shareholdings in subsidiaries and affiliated companies, valued with the nett equity method or at cost, the list is already included in Part A - "Consolidation Area";
- the "Other shareholdings" included in class C.II of the assets are as follows:

COMPANY	HEAD OFFICE	SHARE CAPITAL in €	GROUP SHARE HELD
ATHENA PRIVATE EQUITY S.A.	Munsbach	50,000,000.00	11.65%
BANCAPULIA S.p.A.	San Severo (FG)	10,244,000.00	0.18%
BANCA DELLA CAMPANIA S.p.A.	Naples	21,273,144.00	4.99%
BANCA POPOLARE ETICA S.c.a.r.l.	Padua	16,721,86.92	0.19%
CITTA' DEGLI STUDI S.p.A.	Biella	15,994,384.00	0.05%
CONFARTIGIANATO SERVICES S.p.A.	Rome	7,746,900.00	9.63%
CONSORTIUM S.r.l.	Milan	561,600,000.00	4.55%
FINBANCHE D' ABRUZZO S.p.A.	L' Aquila	218,000,000.00	15.40%
GENEXTRA S.p.A.	Milan	110,000.00	4.55%
ISOLA D'ELBA BANCA CRED. COOP. S.c.a.r.l.	Portoferraio (LI)	2,516,535.00	1.68%
IST. EUROPEO DI ONCOLOGIA S.r.l.	Milan	106,500,000.00	12.83%
NORMAN'95 S.p.A.	Milan	1,790,000.00	5.00%
SCONTOFIN S.A.	Luxembourg	2,582,500.00	19.00%
SOCIETE' CIVILE IMMOBILIERE S.A.	Paris	3,448,419.00	1.59%

Bonds

They comprise €4,000K relating to bonds written by the participating interest Banca Apulia underwritten by the subsidiary Milano Assicurazioni and €156K relating to securities issued by the subsidiary Scai S.p.A. and held by the Group.

Finance

They amount to €12,600K (€100,739K as of 31/12/2003) and relate fully to the finance supplied to companies not fully consolidated: the reduction equal to approximately €88m essentially refers to the ceasing of the operations initiated by the Group and having the subsidiary BancaSAI as the other party (€60m) and the forward cash operations agreed by the subsidiary Milano Assicurazioni with the subsidiary Cofimo SIM (€27m).

The other financial investments are made up as follows:

(Euro K)	30/06/04	31/12/03	variation	30/06/03
Shares and holdings	2,834,443	2,777,759	56,684	3,142,230
Shares of common investment funds	233,937	222,439	11,498	195,200
Bonds and other fixed income securities	15,743,931	15,500,629	243,302	13,956,626
Finance	145,015	141,184	3,831	64,601
Other	251,175	67,980	183,195	157,522
TOTAL	19,208,501	18,709,991	498,510	17,516,179

The shares and holdings included in the financial investments are classified with durable use for €2,477,965K and non-durable use for €356,478K and are made up as follows:

(Euro K)	30/06/04	31/12/03	variation	30/06/03
Quoted shares	2,765,204	2,702,756	62,448	3,086,767
Unquoted shares	69,239	75,003	(5,764)	55,463
TOTAL	2,834,443	2,777,759	56,684	3,142,230

The quoted shareholdings show nett hidden losses of more than €318m based on the quotations of 30/06/2004. These losses have been regarded as an expression of a permanent loss of value.

The common investment fund shares, equal to €233,937K, are mainly considered with non-durable use (€228,772K). Their current value exceeds approximately €2,236K compared with the accounting value for the half year.

With regard to the holding in Swiss Life Holding, reference is made to that stated in the Group Management Report.

Bonds and other fixed income securities

These are made up as follows:

(Euro K)	30/06/04	31/12/03	variation	30/06/03
Quoted	15,154,951	14,838,856	316,095	13,179,400
Not quoted	588,980	661,773	(72,793)	777,226
TOTAL	15,743,931	15,500,629	243,302	13,956,626

The convertible bonds amount to €14,847K

The quoted securities are written in the balance sheet for a total value of less than €162m approximately compared with the market value calculated on the basis of the quotations of 30/06/2004.

The bonds and other fixed income securities included in other financial investments are classified as durable use for €3,162,478K and non-durable use for €12,581,453K.

The “Other” item included in the other financial investments, equal to €251,175K, mainly comprises forward cash operations. Their current value is equal to that of the accounting value.

The “Other financial investments” item includes credits, represented by loans on policies and loans to third parties, payable after the 30th June of the following financial year for an amount equal to approximately €137m.

IV. Deposits with ceding undertakings

These amount to €58,537K (€57,645K as of 31/12/2003) and exclusively reflect the reinsurance ratios.

INVESTMENTS FOR THE BENEFIT OF INSURED OF THE LIFE BRANCHES WHO SUPPORT THE RISKS OF THEM AND DERIVING FROM THE PENSION FUND MANAGEMENT - (Item D)

These total €3,245,027K (€2,708,486 at 31/12/03) with €3,160,708K relating to class DI investments and the remaining €84,319K relating to open pension fund management.

TECHNICAL RESERVES BORNE BY THE REINSURERS - (Item D.bis)

These are shown in the following table:

(Euro K)	30/06/04	31/12/03	variation	30/6/03
I - Technical reserves, non-life branches	1,029,026	911,327	117,699	929,976
II - Technical reserves of the life branches (excluding the reserves according to III)	263,903	280,441	(16,538)	372,172
III - Technical reserves of the life branches if the investment risk is borne by the insured and reserves deriving from pension fund management	0	0	0	824
TOTAL	1,292,929	1,191,768	101,161	1,302,972

The reserves of the life branches include, to the tune of €45,514K, the reserves borne by INA/CONSAP, deriving from the legal cession obligation, abolished following Legislative Decree no. 301 of 23/5/1994, mainly relating to the group Milano Assicurazioni S.p.A..

CREDITS - (Item E)

(Euro K)	30/06/2004	31/12/03	variation	30/06/03
Credits deriving from direct insurance operations	1,774,207	1,959,650	(185,443)	1,797,209
Credits deriving from reinsurance operations	277,390	191,111	86,279	383,163
Other credits	718,218	882,401	(164,183)	688,149
TOTAL	2,769,815	3,033,162	(263,347)	2,868,521

The credits to insured for premiums, included in the credits deriving from direct insurance operations, amount to €826m (€984m as of 31/12/03).

The items payable after the 30th June of the following financial year amount to more than €177m.

OTHER ELEMENTS OF THE ASSETS (Item F):

These are made up as follows:

(Euro K)	30/06/04	31/12/03	variation	30/06/03
Tangible assets and stocks	40,049	44,148	(4,099)	46,068
Liquid availability	552,393	580,033	(27,640)	650,189
Shares or own holdings	149,769	115,254	34,515	101,891
Other assets	666,585	615,633	50,952	632,535
TOTAL	1,408,796	1,355,068	53,728	1,430,683

The shares or own holdings refer to the book value of own shares and warrants of the Group in the portfolio at the latter (€ 64,576K) and the subsidiaries Milano Assicurazioni (€ 66,073K) and Saifin Sainfinanziaria (€ 19,120K).

The other assets also include assets for deferred taxation equal to €397,556K.

The change is mainly influenced by assessments of relevant assets items of the half-year.

ACCRUED INCOME AND PRE-PAYMENTS (Item G)

These total €215,355K and mainly refer to pre-payments for interest on securities.

LIABILITIES

NETT EQUITY - (Item A)

The nett equity amounts to €3,166,259K, including both the result for the period and the shares of third parties. The latter amount to €508,545K.

TABLE LINKING THE HALF-YEARLY REPORT OF THE GROUP AND THE CONSOLIDATED REPORT

The tables linking the half-yearly report of the Group and the Consolidated Report relating to the profit for the period and the nett equity are given below.

(Euro K)	Profit for the period 30/06/2004	Profit for the period 30/06/2003
Balance sheet of FONDIARIA-SAI S.p.A.	81,576	75,765
Consolidation adjustments:		
- Results of the financial year and differences between book value and net equity of the companies consolidated:		
* fully	130,545	82,136
* with the nett equity method	(497)	(6,411)
- Depreciation of consolidation differences	(7,123)	(7,452)
- Elimination of the effects of inter-group operation:		
* Inter-group dividends	(9,279)	(6,034)
* Other inter-group operations	2,500	253
- Application of the accounting principles of the Group and various	2,275	28,223
- Tax effects of the consolidation adjustments	(7,826)	(17,742)
CONSOLIDATED RESULT	192,171	148,738
SHARE OF THIRD PARTIES	(48,094)	(31,143)
CONSOLIDATED RESULT OF THE GROUP	144,077	117,595

(Euro K)	Nett equity nett of the result as of 06/2004	Nett equity nett of the result as of 31/12/2003
Balance sheet of Fondiaria-SAI S.p.A.	2,251,103	2,186,526
Consolidation adjustments:		
- Results for the financial year and differences between the book value and the nett equity of the companies consolidated:		
* fully	542,591	486,613
* with the nett equity method	(4,169)	(30,738)
Elimination of the effects of inter-group operation:		
- Inter-group dividends	9,279	8,630
- Other inter-group operations	(36,935)	(38,625)
Application of the accounting principles of the Group	327,766	228,247
Effect of the conversion of balance sheet in currency	(322)	(436)
Tax effects of consolidation adjustments	(115,226)	(78,961)
NETT EQUITY	2,974,087	2,761,256
SHARE OF THIRD PARTIES	(460,451)	(394,143)
NETT EQUITY OF GROUP	2,513,636	2,367,113

SUBORDINATED LIABILITIES (Item B)

They total €400m and are unchanged compared with 31/12/2003.

They relate exclusively to the loan contracted by the Group in December 2002, subsequently redeemed and renewed for the same amount in July 2003.

The life of the loan is twenty years. Please refer to the balance sheet elements for 2003 for clarification of the terms of the loan.

TECHNICAL RESERVES - (Item C)

Amount to €22,833,200K and show a total change of €666,766K. The detail of the technical reserves is given below:

(Euro K)	30/06/2004	31/12/2003	variation	30/06/2003
NON-LIFE BRANCHES				
Premiums reserve	2,519,987	2,400,713	119,274	2,407,821
Claims reserve	9,095,462	8,783,862	311,600	8,531,983
Equalisation reserve	12,136	11,108	1,028	9,028
Others	11,449	15,641	(4,192)	12,049
TO	11,639,034	11,211,324	427,710	10,960,881
LIFE BRANCHES				
Actuarial reserves	10,980,945	10,712,895	268,050	10,429,809
Reserves for amounts payable	86,259	115,235	(28,976)	60,663
Others	126,962	126,980	(18)	121,035
TOTAL	11,194,166	10,955,110	239,056	10,611,507
TOTAL TECHNICAL RESERVES	22,833,200	22,166,434	666,766	21,572,388

TECHNICAL RESERVES IF THE INVESTMENT RISK IS BORNE BY THE INSURED AND RESERVES DERIVING FROM MANAGEMENT - (Item D)

These are made up as follows:

(Euro K)	30/06/2004	31/12/2003	variation	30/06/2003
Reserves according to class D.I	3,155,774	2,632,538	523,236	2,309,862
Reserves deriving from pension fund management	84,318	71,987	12,331	62,455
TOTAL	3,240,092	2,704,525	535,567	2,372,317

FUNDS FOR RISKS AND CHARGES - (Item E)

These total €567,073K and are decreased by €236,511K. The reduction is mainly due to the removal from the tax band of the amount set aside for the taxation of the previous financial year, paid in the half-year.

DEPOSITS RECEIVED FROM RE-INSURERS (Item F)

These total €320,698K and are reduced by €5,418K. They concern deposits constituted as a guarantee in relation to reinsurance risks ceded.

Please note there are no debit items due after 30th June of the following financial year.

DEBITS AND OTHER LIABILITIES - (Item G)

These are made up of:

(Euro K)	30/06/2004	31/12/2003	variation	30/06/2003
Debts deriving from direct insurance operations	172,019	214,855	(42,836)	401,890
Debts deriving from reinsurance operations	201,872	60,446	141,426	143,297
Convertible bond loans	-	510,872	(510,872)	512,591
Debts to banks and financial institutes	31,570	45,722	(14,152)	73,351
Debts and various loans	605,932	473,358	132,574	502,982
Subordinated severance fund	87,625	90,078	(2,453)	92,372
Other liabilities	617,786	507,647	110,139	591,274
TOTAL	1,716,804	1,902,978	(186,174)	2,317,757

The debts backed by real guarantees on company assets, amounting to €706K, refer to mortgages following financial burdens on account of the vendor.

Please note, no debit items exist that mature after 30th June of the following financial year. The increase in the other liabilities is due to relevant checks in the period among other things.

As indicated in the Management Report, during the first half-year, the convertible bond loans issued by the subsidiaries Sainernational S.A. and Fondiaria Nederland BV were repaid.

During the first six months, the finance and mortgage contracts signed by the subsidiary I.S. S.r.l. with The Royal Bank of Scotland was also repaid for the sum of €14m. This item, included in the "Debts to banks and other finances" item now remains at €26m.

ACCRUED LIABILITIES AND DEFERRED INCOME - (Item H)

Amounts to €5,725K (€10,119K as of 31/12/2003).

GUARANTEES, COMMITMENTS AND OTHER MEMORANDUM ACCOUNTS

These total €23,241,262K (€23,231,561K as of 31/12/2003).

(Euro K)	30/06/2004	31/12/2003	variation	30/06/2003
Guarantees issued	588,105	773,286	(185,181)	1,231,909
Guarantees received or issued by third parties in the interest of consolidated companies	342,753	442,033	(99,280)	303,091
Commitments	944,692	1,835,872	(891,180)	988,607
Others	21,365,712	20,180,370	1,185,342	19,475,248
TOTAL	23,241,262	23,231,561	9,701	21,998,855

The real guarantees include €391,108K relating to mortgages and commitments issued by the subsidiary I.S. S.r.l. in favour of The Royal Bank of Scotland in respect of finance from the latter issued during the preceding financial year and now almost completely repaid.

The change in commitments compared with 31st December 2003 is essentially due to the repayment of the convertible bond loans issued by the subsidiaries Sainternational and Fondiaria Nederland and also the associated cover operations.

The other memorandum accounts mainly include securities deposited with third parties.

E) Information on the Profit and Loss Account

INFORMATION CONCERNING THE PROFIT AND LOSS ACCOUNT, NON-LIFE BRANCHES

RELEVANT PREMIUMS NETT OF REINSURANCE CESSIONS - (Item I.1)

(Euro K)	30/06/2004	30/06/2003	31/12/2003
Gross premiums recorded	3,599,541	3,484,878	6,823,574
Premiums ceded in reinsurance	(155,972)	(195,926)	385,239
Variation in gross amount of premiums reserve	(122,690)	(85,794)	83,450
Variation in premiums reserve borne by reinsurers	5,364	7,206	2,258
TOTAL	3,326,243	3,210,364	6,352,327

The “gross premiums recorded” item does not include, according to ISVAP provision no. 735 of 1/12/97, the cancellation of securities written in previous financial year, which have been allocated to the “Other technical charges” item.

The section on the direct business premiums branches is given in Part 1 – Management Information.

CHARGES RELATING TO CLAIMS, NETT OF RECOVERIES AND REINSURANCE CESSIONS (Item I.3)

(Euro K)	30/06/2004	30/06/2003	31/12/2003
Gross amount paid	(2,374,248)	(2,342,842)	(4,490,419)
Amount paid borne by reinsurers	114,520	170,207	302,807
Recoveries variation	44,480	34,291	117,974
Variation in gross amount of claims reserve	(267,122)	(133,702)	(407,145)
Variation in claims reserve borne by reinsurers	87,411	(56,038)	(17,350)
TOTAL	(2,394,959)	(2,328,084)	(4,494,133)

INFORMATION CONCERNING THE TECHNICAL ACCOUNT, LIFE BRANCHES

PREMIUMS OF THE FINANCIAL YEAR NETT OF REINSURANCE CESSIONS (Item II.1)

(Euro K)	30/06/2004	30/06/2003	31/12/2003
Gross premiums recorded	1,479,118	1,122,761	2,419,888
Premiums needed in reinsurance	(15,930)	(18,730)	(32,458)
TOTAL	1,463,188	1,104,031	2,387,430

The “gross premiums recorded” item does not include, according to ISVAP provision no. 735 of 1/12/97, the cancellations of first year premiums issued in the previous financial years.

The section on direct business premiums is given in Part A – Management Information.

CHARGES RELATING TO CLAIMS NETT OF REINSURANCE CESSIONS - (Item II.5)

These include the amounts paid in the financial year for claims, due payments and redemptions and include the costs incurred for their liquidation. They amount to €843,307K (€705,508K as of 30/06/2003).

OTHER INFORMATION RELATING TO PROFIT AND LOSS ACCOUNT

INCOME FROM INVESTMENTS (Item III.3)

(Euro K)	30/06/04	30/06/03	31/12/03
Income from investments	408,274	406,271	766,996
Increase in value adjustments on investments	22,185	28,242	51,398
Profits on realisation of investments	148,256	60,451	95,761
Income from class D investments	131,015	78,922	118,676
TOTAL	709,730	573,886	1,032,831

The composition of the investment income, including that relating to Class D investments, is as follows:

- income from investments attributable to land and buildings €45,783K;
- income from investments in companies of the Group and other participating interests for €(5.837)K (detrimentally influenced to the tune of €6,236K by the result of some companies of the Group valued according to the nett equity method);
- income relating to other financial investments €368,328K.

ASSETS AND FINANCIAL CHARGES (Item III.4)

These are made up of:

(Euro K)	30/06/2004	30/06/2003	31/12/2003
Management charges for investments and debit interest	45,005	49,310	99,875
Value adjustments on investments	72,473	51,854	265,241
Losses on realisation of investments	28,767	4,433	31,941
Charges on class D investments	24,441	11,993	37,102
TOTAL	170,686	117,590	434,159

The asset and financial charges, excluding those relating to Class D investments, are as follows:

- charges from investments attributable to land and buildings €18,840K;
- charges relating to other financial investments €26,165K.

EXTRAORDINARY INCOME (Item III.9)

This amounts to €51,285K and mainly consists of capital gains on property sales for €25,210K, capital gains on the sale of stocks and shares with durable use for €12,772K and contingent assets for €11,492K.

EXTRAORDINARY CHARGES (Item III.10)

These amount to €60,484K and are mainly represented by contingent liabilities equal to €22,766K, losses on the realisation of sales of stocks and shares for durable use for €20,805K, and further depreciation rate of the consolidation difference for €7,948K.

TAXES ON THE RESULT FOR THE PERIOD (Item III.13)

The tax on income amounts to a total of €137,221K and includes both current and deferred taxes, which will determine a repayment of greater or lesser taxes in subsequent periods.

This tax charge takes into account the adjustments made on consolidation provided that the probability is checked that the difference relating to the charge paid and to be paid is transformed into an effective charge for the consolidated company.

F) Other Information

NUMBER OF EMPLOYEES OF THE GROUP

On 30th June 2004, the average number of employees of the company included in the consolidation was equal to 6,231 units (6,332 as of 31/12/2003).

SOLVABILITY MARGINS AND COVER ASSETS

The elements constituting the solvability margin of the Group are adequate to cover the margin required according to the prescriptions of Isvap no. 2050 of 26th February 2002.

Based on the gross trend in the second half of the year, it can be assumed that the margin to be constituted at the end of the financial year for the fully consolidated subsidiaries is covered in the related constituent elements; regarding the Head of Group, please refer to that already stated in the civil report.

On the date of preparation of the present half-yearly report, the consolidated insurance companies have sufficient assets in relation to the increase in the Italian direct business technical reserves and there are no shortcomings in the elements constituting the solvability margins for these

Milan, 8th September 2004

*For the Board of Directors
Chairman*

Jonella Ligresti