CONSOLIDATED ACCOUNTS

2005 financial year

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International macroeconomic scenario

2005 proved to be a positive year for the international economic climate, signalling the start of an economic upturn in the Euro zone, which is expected to gather pace in 2006 when growth is predicted to be 2.1% compared to an estimated 1.4% for 2005. Initial estimates show that, in the fourth quarter, Euro zone GDP grew by 1.7% on an annual basis, with an acceleration in internal demand, mainly in terms of investment. At the end of 2005, the main European forecast indicators reached their highest since 2000, recording, in particular, internal economic growth within the Euro zone of around 1.4% (1.8% in 2004).

One particularly favourable aspect that has made these results possible (which is to be considered a success in view of the forecasts of recession faced in 2005) is the excellent global reaction of the market to the upswing in the price of raw materials in general, and oil in particular. Faced with an increase which, in two years, has doubled the price (from an average of 30 dollars a barrel in 2003 to around 55 in 2005), the world GDP growth rate dropped by just 7 tenths of a point, falling from 4.7% to 4% (USA: +3.5%; Japan: +2%; OECD developed countries: +2.8%; Developing countries: +6,3%).

What's more, the Central Banks' failure to respond aggressively to the hike in oil prices and the rise in the rate of inflation, have dampened the flames of inflation, sustaining growth way beyond economists' expectations.

The Italian market

The are also signs of an upturn in the Italian economy, although these are weaker and more confused than in other European countries. On a national level, the Country's gross domestic product remained steady in 2005, slowing down after a 1.1% rise in 2004, but with forecasts of an upturn in demand from 2006, mainly due to a monetary policy of moderate intervention regarding reference rates. The first nine month of the year also saw a worsening in our deficit/GDP ratio (up to 4.1%, compared with 3.4% in 2004) way beyond the borrowing forecast by the stability programme (2.7%).
Vehicle registrations rose in January 2006 by almost 11% on an annual basis compared to an average of 5% in the autumn months: retail sales in November rose by 1.7% on an annual basis, the sharpest rise for the last 18 months. There was also a net upturn in exports, up in the same month by over 11%.

The insurance sector

In international terms, Italy has proven itself to be a country where, from an insurance market perspective, there is still little recourse to insurance cover. The ratio between non-life insurance premiums and GDP has remained largely unchanged for the last three years and is steady at 2.6%, approximately one percentage point below the major European countries. The ratio between mathematical reserves and GDP in Italy hovers around
20% and, as an indicator, continues to be lower than the rest of Europe (Germany: approximately
29%, France: approximately 50%, United Kingdom: approximately 87%).

Considering, however, that there is still room for growth in the European market, the Italian insurance industry recorded economic results that were, on the whole, positive in 2005, due mainly to an improvement in technical results in the non-life business class and positive growth in life business.

In the life business class, in particular, despite the presence of a number of recurrent risks such as, for example, a persistent low interest rate scenario, the misalignment between assets and liabilities that characterises some companies, as well as potential pressure on margins that may arise in the long term due to stricter monitoring regulations, Standard
& Poor's believes that the principal reasons for the success of the Italian insurance market are to be found in the life business class i.e. strong growth prospects, high margins on new products, more effective risk management tools and the prudential policy adopted by companies with regard to their own investments are the main reasons for the success of the Italian insurance market.

The Italian insurance industry looks set for a period of stability in the near future. Standard & Poor's main indicators in this respect show that rating valuations for companies in the industry will remain unchanged, due to key factors such as: high profitability within the Non-life segment with growth opportunities to be found in the "non-motor" sector (still particularly underdeveloped in Italy when compared with the European market), strict underwriting policies supported by a prudent investment policy, positive growth prospects (particularly in the Life segment), as well as strong capitalisation again sustained by prudent investment policies. Negative factors could, on the other hand, include potential pressure to reduce Motor TPL tariffs and any external factors (such as, for example, political interventions) which would change the industry scenario.

Regulatory trends and the private insurance code

The high level of regulatory activity that has been witnessed of late is making radical changes to the context in which Italian insurance companies operate. The objective of creating a single, integrated, competitive and efficient market, with low costs, a high level of stability and consumer protection, presents a highly complex reference scenario, given that the new rules are still being defined at national, European and international level.

The insurance industry has recently undergone major regulatory changes (at least 42 Directives in 5 years), that will probably impact on the performance of companies and may extend into 2006 representing a turning point for the industry. Despite the higher cost involved in conforming to the regulations, ANIA found that a good 83% of insurance companies think that the regulatory reforms also represent an opportunity for internal innovation.

On 7 September last year, the Private Insurance Code was approved (Legislative Decree No. 209), which has been in force since 1 January 2006. The code simplifies and reorganises insurance regulations, in particular, by regulating access to the insurance business and its operation, contracts, transparency of transactions and monitoring of companies, systems for compensation and sanctions, accounting provisions (annual and consolidated), accounting books and ledgers for insurance firms. In this context (ref. art. 149 Amalgamated insurance law) the extension of direct compensation to most road accidents would introduce a physiological mechanism for keeping down the cost of claims for companies within the industry, establishing the basis for a gradual reduction in the premiums paid by consumers.

By increasing the level of transparency and by discouraging the most futile disputes, the compulsory nature of direct compensation for claims should, in fact, improve relations with users, encouraging forms of comprehensive– albeit hybrid - cover (which currently account for no more than 5% of policies) and, above all, making it possible to exert a powerful and structural pressure to reduce insurance premiums, by encouraging a parallel reduction in legal disputes. These currently account for approximately 10% of total annual compensation costs, amounting to € 1.5K a year.

On 24 November 2005 a draft legislative decree was issued to incorporate directive 2003/20, which provides for the extension of rules relating to the use of seatbelts to new categories of four-wheeled vehicles, i.e. buses with more than eight seats, as well as goods transport vehicles weighing in excess of 3.5 tonnes, removing exemptions for passengers carried on rear seats.

Since the first of December, with the full implementation of ISVAP circular 551/D, the Life policy market has taken on a new look. The new rules govern the form and content of disclosure prior to, and during, the contract. It is, therefore, now obligatory to supply the client with a policy information pack which includes a summary schedule, an information sheet and contractual terms of the insurance. All this will also be published on the website. Policy transparency standards are, therefore, being brought into line with those already in force in other financial sectors, protecting the contracting parties by ensuring both that the contract matches their risk profile and that they are given information about changes to returns on their investment.

On 30 December last year, ISVAP issued a Directive that revolutionised companies' internal audit and risk management systems. From 2006, in fact, the companies involved must equip themselves with an ad hoc technological system, integrated with other corporate procedures, making it possible to provide ISVAP with statements regarding balance sheet risk, moving from deterministic management to stochastic auditing when it comes to valuing multi-year investments to make an accurate estimate of the company's assets absorbed by the theoretical future distribution of balance sheet commitments.

Finally, it should be noted that, at the time of writing, ISVAP has launched, together with the Italian Ministry of Production Activities, the Check Box project, which aims to monitor the incidence of road accidents, reduce fraud and contain Motor TPL premiums by promoting the spread of satellite devices which record the position and speed of the vehicle in real time. During the first phase of the project, car drivers residing in five cities considered to be most at risk in terms of insurance fraud (Turin, Milan, Rome, Naples and Palermo) will take part. Those who decide to join the experiment will benefit from a discount of 10% on their policy premium offered by companies participating in the initiative.

MANAGEMENT TRENDS

Premiums

Premiums and additional income from direct business and indirect business totalled € 3,325,759K and recorded an increase of l 3.78% over the previous year.

Premium income for direct business was € 3,316,322K (+ 4.05% compared with the previous year). In particular, in the non-Life sector, premium income of € 2,730,030K was achieved, a rise of 2.49%, deriving from an increase of 2.10% in Motor Vehicle business and from growth of 13.58% in other non-Life business.

In the Life business sector, premium income was € 586,292K, with a rise of 11.97% over the previous year. Growth was mainly due to traditional-style products which recorded an increase of 16.71%, with premium income of € 322,694K and to capitalisation products which achieved income of € 240,880K (+19.83% over the previous year). On the other hand, premium income from products with a high financial content (index and unit-linked), which became less popular with clients, fell.
For the purposes of valuing the increases accurately we should also remember that, for Life business, the comparison with the previous year was not made on a uniform basis since on
31/12/2005 the application of IFRS 4 was incorporated, with consequent failure to post income components for which there is no significant insurance risk to the premiums item, said income components only being posted to financial liabilities.
In uniform terms, the increase in Life premiums would amount to 13.5%.

In the indirect business sector, premium income amounted to € 9,437K compared with € 17,399K in the previous year (-45.76%). The paltriness of the premium income follows the earlier decision to halt new subscriptions in the indirect business market. The further drop compared with the previous year was mainly due to the absence of any legal protection business treaties.

The table below provides a summary of data relating to premiums written, with an indication of variations compared with the previous year.
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(€ K)	**31/12/2005**	**31/12/2004**	**Variation**
DIRECT BUSINESS			
Non-life business	2,730,030	2,663,656	2.49%
Life Business	586,292	523,.575	11.98%
Total direct business	3,316,.322	3,187,231	4.05%
INDIRECT BUSINESS			
Non-life business	9,303	17,250	- 46.07%
Life Business	134	149	-10.07%
Total inward reinsurance business	9,437	17,399	-45.76%
GRAND TOTAL	3,325,759	3,204,630	3.78%
including:			
Non-life business	2,739,333	2,680,906	2.18%
Life Business	586,426	523,.724	11.97%

The Consolidated Profit and Loss Account

The 2005 financial year closed with a net profit of € 283,522K compared with € 264,432K the previous year (+ 7.2%). To make an accurate interpretation of the comparison possible, we should state that the profit for the 2004 financial year was restated by applying IAS/IFRS standards to the exclusion, however, of IAS 32 and 39, regarding financial instruments, as well as IFRS 4, regarding insurance contracts, which were only applied with effect from 1 January 2005.

The main aspects characterising the result achieved in 2005 can be summarised as follows:

- Non-Life insurance management closed with a pre-tax profit of € 332,260 K compared with a pre-tax profit of € 352,473 K recorded at the end of the previous year. In this segment, there was a slight improvement in Motor TPL business compared with the previous year which was also due to an increase in the speed with which claims were settled which made it possible to obtain benefits in terms of average consequential claims cost, countering the higher costs deriving from the rise in the number of claims made.
  Land vehicle business continued to show largely satisfactory results with a combined ratio positioned around 68 %.

The overall technical result achieved in non-Life business excluding motor business was also hugely positive, even though at slightly lower levels than the previous year, mainly due to lower profits recorded in accident and fire classes which did, however, in 2004, benefit from a favourable trend in claims from previous years posted to the reserves. On the other hand, there was a significant improvement in General TPL, which returned to profit after a heavy loss the previous year. The contribution made by indirect business was positive despite some high-level claims involving cover in excess of loss, resulting in a significant claw-back from reinsurers.

- Life business showed a pre-tax profit of € 63,214K compared with € 81,578K the previous year. The drop shows the effects of both the physiological reduction in profit margins for new contracts acquired and a profit trend influenced by the drop in bond rates over the last few months of the year further to interest rate hikes triggered by monetary policy interventions by the American Federal Reserve and, lastly, by the European Central Bank.
  Here again, however, comparison with the previous year was not made under entirely uniform terms for the reasons already stated i.e. due to the failure to apply IAS 32 and 39 as well as IRRS 4 to the 2004 Profit and Loss account.

- Asset and financial management made it possible to achieve net income from financial instruments and investment property of € 37,126K. This result was combined with a policy directed at a careful balancing of the investment portfolio, capable of guaranteeing high returns consistent with Fondiaria-Sai Group strategic objectives and aimed, in particular, at keeping rate and counterparty risks in check without, however, forgoing the right to seize the opportunities that the financial markets have to offer. We should also state that, data relating to income achieved in 2005 are not comparable with those relating to the previous year since IAS 32 and 39 accounting standards which have, amongst other things, had a significant impact on the valuation of investments, were only applied from 2005.

- Operating expenses in the non-Life insurance segment amounted to € 473.803K compared with € 479,233K the previous year, with an impact on net premiums which dropped from 18.5% in 2004 to 17.7%. Life business operating expenses amounted to € 26,691 Kwith an impact on premiums of 4.6%.

- Current year taxes amounted to € 119,361K and had a significantly lower impact on the gross profit than in the previous year. The 2005 tax bill did, in fact, show the effects of larger dividends cashed, nearly all with no tax liability and of a withdrawal from the deferred tax fund of € 31,507K, amounting to tax liability for the portion of the write-up in 2004, by the group leader Milano Assicurazioni, of Generali shares in the portfolio which, based on current tax regulations, is no longer taxable.

The table below provides a summary of the2005 profit and loss account compared with that relating to the previous year:

(€ K)	**31/12/2005**	**31/12/2004**	**Variation %**
Net premiums	3,219,614	3,079,256	4.56
Net charges relating to claims	-2,599,816	-2,390,657	8.75
Net commissions	950	-925	n.s.
Net revenue from subsidiaries and associates	292	179	63.13
Net income from investments	280,174	327,981	- 14.58
Net income deriving from financial instruments at fair value recognised through profit or loss	5,660	26,947	110.26
Operating expenses	-500,834	-518,618	- 3.43
Other net income and expenditure	-60,421	-85,215	- 29.1
Pre-tax profit (loss) for the financial year	**396,619**	**438,948**	**- 9.64**
Income tax	-119,361	-173,884	- 31.36
Profit (loss) for the financial year net of taxes	**277,258**	**265,064**	**4.60**
Profit (loss) on operating activities ceased	6,443	-	n.s.
Consolidated Profit (loss)	**283,701**	**265,064**	**7.03**
Minorities' profit (loss) for the financial year	179	632	- 71.68
Group profit (loss) for the financial year	**283,522**	**264,432**	**7.22**

The table below shows the pre-tax profits achieved by each individual segment. The property segment includes the results achieved by subsidiary property companies (Meridiano EUR, Meridiano Orizzonti, Campo Carlo Magno), whilst the Other Business segment summarised trends in subsidiaries, although of limited size, operating within the financial sector and in the Other Services segment (Maa Finanziaria, Sogeint, Campo Carlo Magno Sport).

(€ K)	**Non-life**	**Life**	**Property**	**Other Business**	**Total**
Net premiums	2,644,044	575,570	-	-	3,219,614
Net charges relating to claims	-1,912,113	-687,703			-2,599,816
Net commissions	-	950	-	-	950
Net income from subsidiaries and associates	-3	-	-134	429	292
Net income from investments	119,115	159,812	1,229	18	280,174
Net income deriving from financial instruments at fair value recognised through profit or loss	27,357	29,303	-	-	56,660
Operating expenses	-473,803	-26,691	-44	-296	-500,834
Other net income and expenditure	-72,337	11,973	-71	14	-60,421
Pre-tax profit (loss) for the financial year	**332,260**	**63,214**	**980**	**165**	**396,619**
Income tax					-119,361
Profit (loss) net of taxes					**277,258**
Profit (loss) on operating activities ceased					6,443
Consolidated profit (loss)					**283,701**
Minorities' profit (loss)					179
Group profit (loss)					**283,522**

Non-life insurance sector

In a year in which the Italian economy has shown signs, albeit tenuous ones, of an upturn, the domestic insurance market has witnessed significant growth in profits of companies within the industry. In terms of income, positions taken were consolidated whilst risks covered, commensurate with trends in premium income, remain stagnant. On the whole, the excellence of these results derives, essentially, from the reorganisation of the Motor TPL division in which companies have, in fact, learnt how to improve their risk assessment and selection, with a resultant drop in companies' tolerance of "concentrated" risk.

What's more, the Italian insurance industry, traditionally absent from the United States market, has not suffered the devastating effects of reinsurance within the scope of the catastrophic disasters arising during the year on the American continent. In the non-Life segment Italian insurers can, in fact, unlike their foreign competitors, count upon a market that is more retail-oriented with limited exposure to major risks: suffice to say that 2005 was the most costly year of all time with reinsurers throughout the world being called upon to pay out over 75 billion dollars for damages caused by natural disasters. These insurance losses were even higher (by about one and a half times) than those relating to the terrorist attacks in September 2001. The exceptional scale of the losses suffered over the year, as well as the prospect of a rise in the frequency and severity of natural disasters, will force companies to review their forecasting and pricing models, with forecasts of a middle period where the market will gradually stiffen.

ANIA growth forecasts estimate growth in premiums for 2005 of 5.4%, with non-Life business premium income up slightly with a rise of 3.6% (and limited growth in Motor TPL business of 2.2%).

In the final balance, in September 2005 the non-Life portfolio totalled € 25,4bn, up by 1.9%, in line with expectations and very steady compared with the same period of 2004. Growth was determined almost exclusively by the "non-motor" sector, the largest classes of which recorded an upturn in income i.e. Health (+7.7%), with fairly reasonable results also in the Accident (+5.3%) and General TPL (+5.8%) segments. Growth in the Motor segment proved, on the other hand, to be steady (Motor TPL.: +0.61%, Land Vehicles: +0,07%).

ISVAP's analysis by distribution channel continues to show that income is mainly via authorised agencies which brokered 85.2% of the entire non-Life portfolio (85.9% over the same period in 2004) and 91.5% of the Motor TPL business alone (92.1% in 2004).

Despite the poor growth in industry turnover, the most typical insurance business has become more profitable, with premiums remaining relatively stable (ISVAP observed that premiums written showed a nominal increase of 0.6% in the first half of the year). Despite the effect of the recession and the drop in numbers of vehicle registrations, as well as ever increasing competition within the context of a sector that has become particularly attractive in recent years, the compulsory insurance sector has proved to be one of the most profitable of the entire insurance market, with a consistent combined ratio of below 100%. In particular, the combined ratio of listed companies at the end of the first half year stood at an average of around 96%.

It is highly likely that this positive trend will continue during the course of 2006 due, amongst other things, to the rise in the price of fuel which has slowed car use and, therefore, indirectly, the incidence of accidents, thereby making it possible for sector companies to make a profit even if they keep their prices unchanged, despite an environment impacted by a rise in the price of spare parts, repair times and labour costs.

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With reference to the Milano Assicurazioni Group, premiums written total € 2,739,333K, up 2.18 % over premiums written in the previous year, amounting to € 2,680,906K.
Direct business premium income amounts to € 2,730,030K compared with income of € 2,663,656K in 2004, a rise of 2.49 %. For Motor business in particular (Motor TPL and Land Vehicles) the volume of premiums reached € 2,000,496K, up 2.10 %, whilst the increase recorded in other non-Life classes amounted to 3.6%, with premium income of € 729,534K.

Gross technical reserves amounted to € 4,325,589K (€ 4,237,992K in 2004) and the ratio with premiums written was 157.9 % (158.1% in 2004).

A breakdown of gross direct business premiums by class is given below:

(€ K)	2005	2004	% Variation
Accident and Health	225,181	216,589	3.97
Land vehicle TPL	1,725,112	1,698,171	1.59
Motor insurance other classes	275,384	261,164	5.44
Marine, aviation and goods in transit	10,135	9,125	11.07
Fire and Other Property Damage	265.750	255.545	3.99
General TPL	179,207	174,133	2.91
Credit and Bonds	23,548	24,361	- 3.34
Sundry pecuniary losses	6,692	7,176	- 6.74
Legal protection	6,011	5,563	8.05
Assistance	13,010	11,829	9.98
TOTAL	**2,730,030**	**2,663,656**	**2.49**

Gross claims paid amount to € 1,755,401K compared with € 1,579,008K the previous year (+11.2%).
A breakdown of the number of claims filed and the amount of claims, inclusive of costs, paid for Italian direct business is given below:

	Claims filed (Number)			Claims paid (€ K)		
	2005	2004	Var.%	2005	2004	Var. %
Accidents and Health	70,468	71,004	-0.8	99,960	98,456	1.5
Land Vehicle TPL	432,733	424,617	1.9	1,280,900	1,153,534	11.0
Motor insurance other classes	92,379	79,990	15.5	115,162	96,651	19.2
Marine, aviation and goods in transit	982	880	11.6	4,025	3,860	4.3
Fire and Other Property Damage	80,085	75,136	6.6	127,973	124,360	2.9
General TPL	41,487	43,021	-3.6	106,024	85,062	24.6
Credit and Bonds	478	834	-42.7	15,560	11,957	30.1
Sundry pecuniary losses	204	497	-59.0	548	551	-0.5
Legal protection	1,302	1,855	-29.8	562	484	16.1
Assistance	38,566	25,960	48.6	4,687	4,093	14.5
TOTAL	**758,684**	**723,794**	**4.8**	**1,755,401**	**1,579,008**	**11.2**

The main technical indicators over the last four years are summarised in the table below

TECHNICAL INDICES (%)	2002	2003	2004	2005 IAS
Combined ratio	90.5%	92.1%	91.6%	92.2%
Claims/premiums over the year	69.0%	71.5%	70.4%	72.3%
Reserve ratio (*)	156.8%	156.0%	158.1%	157.9%

(*) gross technical reserves/premiums

New products put on the market

With regard to new products put on the market during the course of the first six months of 2005, “Casa Base” and “Famiglia Base”, two new retail products, characterised by a combination of predetermined cover and premium were launched on the market.
“Casa Base” can offer the Client, whether a homeowner or tenant, initial protection of the home from risks deriving from fire and theft. “Famiglia Base”, on the other hand, is a product intended to insure the householder for responsibilities deriving from home ownership and the performance of related activities.

The following took place in the second half of 2005:

- renaming of the “Protezione Salute” Group product: to improve the commercial positioning a decision was taken to reuse the name Sanicard since it conjures up the image of a product thought by all the stakeholders to be a market reference point. This name was then used for each of the product variants: Sanicard Salute, Sanicard Rinnovo Garantito and Sanicard Ricovero.
- completion of a new Group product dedicated to protecting the Policyholder’s financial circumstances in the event of an occupational or non-occupational accident: “La Mia Assicurazione Infortuni”. This product, which will be released in January 2006, replaces and improves the “Protezione Infortuni” product which is currently on the market.
- completion of a new product dedicated to protecting Policyholders’ patents: “Ritiro Patente”. This product, marketed exclusively under the brand names of Milano Assicurazioni and its various divisions, guarantees a financial contribution to recover the patent or the points lost.
- completion of a new product, marketed by the subsidiary Dialogo Assicurazioni, dedicated to protecting the policyholder from financial losses caused by damages to his/her home following fire or theft: “Dialogo inCasa”.
- completion of a new product, marketed by Dialogo Assicurazioni, intended to cover the householder for responsibilities deriving from home ownership and from the performance of related activities: “Dialogo inFamiglia”.
- completion of a new product, marketed by the subsidiary Systema Assicurazioni, dedicated to protecting the policyholder from financial losses caused by damages to his/her home following fire or theft: “Systema Patrimonio”.
- completion of a new Assistance product, marketed by Dialogo Assicurazioni and Systema Assicurazioni, named “Dialogo Card” and “Systema Card” respectively, which offer a range of services which are amongst the most comprehensive currently on the market.

The second half of 2005 also saw the restyling of the Group policy “RC Progettista Merloni” which relates to professional liability insurance for risks deriving from the executive planning of works for Public authorities or which benefit from public finance or subsidies.

Reinsurance

The reinsurance plan has not been subject to any significant modifications compared with the previous year and the cost of related covers is practically unchanged.
Risks ceded in the non-Life business class were placed with leading international operators by The Lawrence Re Ireland Ltd, a Fondiaria-Sai subsidiary. Also in consideration of the sizeable mass of direct business premium income, treaties underwritten give priority to non-proportional cessions for fire, theft, General TPL, Motor TPL and Land Vehicle classes. Proportional cession treaties with proportional structures have, on the other hand, been continued to protect against the related risk retained in transport, credit and bond classes as well as for aviation risks. For technological risks a proportional and excess of loss structure was preferred, with non-proportional protection combined with fire and land vehicle risks. Assistance was proportionally reinsured with Pronto Assistance, whilst Hail continues to be protected by tradition stop-loss cover. There was, however, no reinsurance cover proposal for Legal Protection. Total premiums ceded

amount to € 63,686K and account for 2.33% of direct business premiums (3.39% change from 2004).

Subsidiaries

Essential data for the 2005 financial year relating to subsidiaries operating in the non-Life insurance sector is given in the table below:

(€ K)	**gross premiums**	**var. %**	**result**	**net equity not inc current yr result**
Dialogo Assicurazioni S.p.A.	17,596	-17.18	761	6,921
Systema Assicurazioni S.p.A.	12,395	-18.52	2,075	7,663
Novara Assicura S.p.A.	-	-	69	15,100

DIALOGO ASSICURAZIONI S.p.A. – Milan (direct shareholding 99.85%)

The Company is active mainly in motor product placement over the telephone and on the internet.
During the course of the financial year, the Company arranged for the Motor TPL premium to be reviewed on the basis of trends in the acquired portfolio and with the aim of maintaining the correct underwriting policy.
Overall, gross premiums amount to € 17,596K compared to € 21,245K the previous year (-17.18%).
The positive trend in claims from previous years, already posted to the reserve and the absence of advertising costs – posted in their entirety to the profit and loss account for the previous year – contributed to a profit of € 761K compared with the loss of € 3,150 recorded as at 31 December 2004.

SYSTEMA Compagnia di Assicurazioni S.p.A. – Milan (direct shareholding 100%)

The Company operates within the non-Life sector via the marketing of standardised products distributed through banks, with which specific agreements are concluded.
New bancassurance agreements came into force during 2005 which, all the same, have not yet had any significant impact on the Company’s portfolio.
Gross premiums posted to the accounts over the current year amount to € 12,395K compared with € 15,213 K the previous year (-18.52%).
The technical account for the2005 financial year shows the effect of a drop in premiums posted but, in any event, continues to be positive. The 2005 profit and loss account shows a profit of € 2,075K compared with a profit of € 2,800K recorded the previous year.

NOVARA ASSICURA S.p.A. – Novara (direct shareholding 100%)

On 9 November 2005, the subsidiary Novara Assicura S.p.A. (100% owned by Milano Assicurazioni) was authorised by ISVAP to conduct business in a number of non-Life classes, including Motor TPL. Subsequently, on 23 December 2005, ISVAP authorised the transfer by Milano Assicurazioni, of 50% of Novara Assicura capital to the Banco Popolare di Verona e Novara.
As a result of the aforementioned authorisations it was possible to launch a partnership with the banking group in the non-Life bancassurance sector via the placement of non-life insurance products created by Novara Assicura over the counter at branches of the Banca Popolare di Novara, a subsidiary of the Banco Popolare di Verona e Novara.

Life insurance sector

In the Life insurance market, despite stock market recoveries, defensive products (Class I) are the ones which currently get the main consensus from savers. After 2004, which saw premiums in this segment rise by over l.8% (with income in excess of € 30K), experts maintain that premium income in
2005 will continue to grow in excess of 10%, more than compensating for the reduction in premiums relating to “linked” type products. In particular, segregated accounts (subscription is via traditional Class I and V policies) are the preferred product on the retail market because they are instruments which guarantee both the return of the capital invested and a minimum annual return. The corporate market is also helping to drive the subscription of Life policies. The number of companies which, in view of the sharp drop in interest rates, have decided to invest in traditional Life instruments, with the aim of stabilising their own profit and loss account against a backdrop of particularly volatile financial markets is, in fact, on the up.

Between January and September 2005, direct premiums for Italian business rose by 17.1% compared with the same period of 2004, well beyond the forecasts made at the start of the year, totalling € 53.8K.
Life income accounts for over two thirds (67.9%) of income from all insurance sector classes (64.8% over the same period of 2004), with significant results in Class I (insurance on human life) amounting to approximately € 24.2bn (+11.8% compared with the third quarter of 2004, 44.9% of total Life income), in Class III (linked) with income amounting to approximately € 19.4bn (+20.5% compared with last year, 36.1% of total Life income), in Class V (pure capitalisation policies with a guaranteed interest rate) with premiums as at 30/9/2005 amounting to approximately € 9.7bn (+21.2% compared with 2004, 18% of total Life income).
Class IV (Health) and Class VI (Pension funds) income, added to supplementary insurance premiums, accounts for less than 1% of the total premium income from the entire Life segment.

The bank and post office counter channel recorded the best result in the first nine months of 2005, brokering 63.8% of premiums and increasing market share by 4.2 points, to the detriment of the Financial Adviser channel (-2 market share points) and the Agents channel (-1.4 points), whilst subsidiary agencies and agencies run by company staff losses to –0.4 points.

New business continues to be mainly concentrated on single premium contracts which grew by 14.2% over the year, compared to the whole of 2004, whilst annual premiums and recurrent premiums fell by 17.5% and 1.4% respectively.

The crucial boost for the Life segment which was expected during the course of the financial year due to the enactment of the enabling law reforming the national social security system (Law 243 of 23/8/2004), was instead “frozen” for another two years, with postponement to 2008 of the tacit approval for severance pay to be consigned to alternative forms of benefit.

* * *

With reference to the Milano Assicurazioni Group, premium income for 2005 totalled € 586,426K compared with € 523,724K in 2004, a rise of 11.97%.
Direct business premiums amounted to € 586,292K (+11.97% compared with the previous year) and accounted for 17.68% of the overall portfolio.
So as to accurately assess the comparison with data from the previous year, we should remember that the data for 2005 shows the effects of the application of IFRS 4, with resultant failure to post income components for which there is no significant insurance risk to the premiums item, said components only being represented in equity terms via posting to the financial liabilities item. In uniform terms, the increase in Life premiums would amount to 13.5 %.
Growth was mainly due to traditional-style products which recorded an increase of 16.71%, with premium income of € 322,694K and to capitalisation products which achieved income of € 240,880K (+19.83% over the previous year). On the other hand, premium income from products with a high financial content (index and unit-linked), which became less popular with clients, fell.

A breakdown of direct business premiums by class is given below:

(€ K)	**31/12/2005**	**31/12/2004**	**% Variation**
I - Whole of life insurance	322,694	276,482	16.71
III – Investment-related insurances referred to in points I and II	22,629	45,992	- 50.80
IV – Health insurance	89	84	5.95
V - Capitalisation operations	240,880	201,017	19.83
Total	**586,292**	**523,575**	**11.98**

Gross technical reserves amounted to € 4,143,201K (€ 3,848,099K in 2004).

Gross sums paid, inclusive of related charges amounted to € 492,255K (€ 503,910K in 2004), a drop of 2.3%.

Purely for information purposes, premium income for new products, determined in line with Supervisory Authority requirements, are given below:

(€ K)	2005	2004	% Variation
Class I	125,262	50,404	+148.5
Class III	24,386	43,775	-44.3
Class IV	-	12	-100.0
Class V	219,408	147,515	+48.7
Total	**369,056**	**241,706**	**+52.7**

A summary of the main Segregated Internal Accounts is given below:

	2005	2004
Viva	4.24%	4.04%
Valuta Viva	4.19%	4.56%
Gepre	4.45%	4.35%
Geprecoll	5.52%	4.83%
3A	4.29%	4.24%

During 2005 the products list for the various Divisions was harmonised and this culminated – near year end and at the same time as the entry into force of ISVAP circular no. 551/D on the subject of the transparency of life insurance contracts – in a single list, now distributed by all agency networks. The adoption of a single list and its organisation in accordance with a product offer logic based on macro areas corresponding to various Clients' needs are a prerequisite for optimising the quality of the pre and post sales service offer to Clients, whilst maintaining the effectiveness of all the sales networks

Individual insurances

The entire year was strongly marked, as has been the case over the last few years, by continued protection of the capital segment upon expiry of life and capitalisation policies.

During the first half year, continuing the process of reviewing and updating its own offer, initiated the previous year, two new products (Open Unico and Open Risparmio) linked to Segregated Accounts and aimed at the specific requirements of Clients' directed savings and investments, were launched on the market within the strategic single premium segment. Both products are characterised by a cost structure aimed at rewarding, on the one hand, the consistency and, on the other, the size of the payments made by the Client.

With the aim increasing the distribution of high value annual premium products, Open Protetto, a new product aimed at meeting Clients' medium to long-term savings requirements, was put on the market in July. Open Protetto is an insurance savings plan characterised by being linked to a new Segregated Account which gives the option to invest in assets within the property sector, and by a series of insurance covers, some of which are intrinsic to the product and other additional covers which can be purchased at the Client's discretion.

Two tranches of Index-Linked products were launched over the year, the first characterised by the presence of annual coupons of predetermined and variable amounts and the second by a mechanism linked to the growth of an innovative European share index. For Unit-Linked products, with the aim of maximising management efficiency and improving the range offered to the Client and also from the perspective of performance anticipated, arrangements were made to review Internal Fund Compartments, both in terms of characteristics and cost.
As regards the Individual Pension Forms segment, as with the last few years, distribution by the Company, and by the entire market was again influenced by demand that was below expectations.

Collective insurance

During the course of 2005 the market trend towards purchasing capitalisation products continued. In particular, demand for this type of product by Institutional Clients with considerable amounts of cash to invest, continued to be high.

So as to protect all typical "corporate" segment business areas, arrangements were made, when the aforementioned standardised list was brought in, to reposition two products called, respectively:

- VALORE TFR, a product dedicated to insurance management of corporate funds intended for Staff-leaving indemnity for its own employees, and
- VALORE TFM, a product dedicated to Companies wishing to guarantee themselves a financial reserve for liabilities to their own shareholders or directors.

These two products are particularly innovative at the moment, both from a regulatory point of view and from a technical/tariff point of view and aroused considerable interest during issue, making possible the acquisition of new contracts which are certainly interesting not only in terms of the volume of premiums distributed but also in terms of the types of clients acquired.

What's more, with the aim of increasing penetration levels in the risk cover sector, the list was further restyled to meet the need for assistance with the issue of the new PLURAL VITA line for Groups and executives. This initiative has made it possible to achieve interesting results in respect of Client portfolio protection via operations aimed at maintaining the portfolio in the light of expiring policies.

Finally, with regard to the market segment relating to forms of supplementary benefits - in fact, strongly influenced by recent regulatory amendments – activities were mainly concentrated on protecting the current portfolio, using the aforementioned VALORE TFR as a vehicle for supplying the work provider not only with advice on the impact that these amendments could have on his/her company, but also for providing the latter with a possible insurance solution giving his/her own employees the possibility of an alternative, or secondary, instrument which, in any event, is objectively speaking, efficient and flexible.

Out-of court settlements with Consap

In March of this year an out-of-court settlement for the dispute relating to the abolition of compulsory cessions for the Milano Assicurazioni portfolio was signed with Consap (a similar out-of-court settlement had already been signed in November 2004 for the portfolio of the incorporated company Maa Vita). The out-of-court settlement resulted in the company receiving € 83,500K against total receivables from Consap and reserves chargeable to it of € 103,947K. The cost of the out-of-court settlement amounted, therefore, to € 20,447K. Foreseeable charges had, in any event, been allocated to the risk fund during the course of previous financial years. In the financial year in question provision was, therefore, made to withdraw the entire amount set aside, amounting to € 20,700K, thereby neutralising the impact of the out-of-court settlement on the profit and loss account for the year.

Reinsurance

In life business classes, the work of standardising Milano and Maa reinsurance cover was consolidated during the course of 2005. Proportional cover and cover in excess of loss is currently in operation with an affiliate company The Lawrence Re, with conservation of the least exposed part of the portfolio.
Total premiums ceded amount to € 10,855K and account for 1.85% of direct business premiums (2.57% change from 2004).

Subsidiaries

In addition to Milano Assicurazioni, the subsidiary Fondi-prev also operates in the Life insurance sector. Here is a brief note on operations performed by said company in 2005, .

FONDIPREV S.p.A. - Florence (direct shareholding 60%):

The Company operates in the Life sector via the banking channel. New contracts are issued over the counter at branches of the Banca delle Alpi Marittime, whilst direct management of old contracts continues.
Gross premiums posted to the accounts in 2005 amounted to € 394K compared to € 422K in 2004 (-6.64%)

The 2005 financial year closed with a net profit of € 434K compared with a profit the previous year of € 175K. The variation is mainly due to the extraordinary management which benefited from capital gains from transfer of holdings worth € 280K

Property sector

In recent years, low interest rates and families' loss of faith in alternative investments have resulted in house price increases. This has also been due to greater recourse on the part of private individuals to borrowing and gradual rise in the number of loans granted by credit institutions. In Europe, between 2001 and 2004, the European Central Bank estimated that house prices would increase, on average, by 6.6% per annum, compared with growth of 3.8% recorded previously between 1997-2000, to reach average growth of 7.7% in the first half of 2005, with particularly steady increases in France, Spain, Ireland and Italy.

In the first half of 2005, in the major Italian cities, property prices confirmed the upward trend of the last few years but with more contained growth rates than in the past: ranging from a minimum of 3% estimated by the *Agenzia del Territorio* for residential property, to a maximum of two percentage points more in major population centres, a far cry from the 10% of 2003 and the 8% of 2004, with forecasts of a gradual slowdown in the overall rate of growth.

After such strong growth the market, although still growing, could not help but show signs of fatigue. The lengthening of sale times and the rise in discounts on sale prices, as well as the particularly limited growth in rents, above all in metropolitan areas, should all be read with this in mind.
The reason for the slowdown in house prices lies mainly in the squeeze on household incomes caused by a long period of weak economic growth. It is, however, still unlikely that the domestic property market will enter a phase of stagnation since demand for homes remains steady in terms of volume and is now favoured by easy access to credit at low rates and by the mortgage system which, traditionally, is less sophisticated than in other European countries.

The commercial and service sector, feeling the impact of the current economic phase is, on the other hand, showing demand which is, generally speaking, very weak. Signs of a turnaround can be seen in the market's interest in major urban heritage rehabilitation projects under way in some of the major Italian cities.

* * *

The main property transactions occurring over the year are given below:

Garibaldi Repubblica Property Project

During first six months, negotiations were completed with the US property group HINES for the purpose of establishing a joint venture with the Fondiaria-Sai Group – and with Milan Assicurazioni in particular on its behalf – aimed at carrying out a property development project in an area of Milan known as “Garibaldi Repubblica”

The “Garibaldi Repubblica” project is expected to cover an area zoned for building of 110,000 square metres of which approximately 50,000 square metres will be for office space, approximately 10,000 square metres for shops, approximately 15,000 square metres for residential properties, approximately 20,000 square metres for exhibition areas and approximately 15,000 square metres for accommodation facilities.

On 15 July, the Implementation Agreement was signed with the Milan City Council and, on the same day, purchase and sale agreements were signed with the private parties and the exchange documents for private building rights were also signed with Milan City Council. Based on the latest estimates, the total cost of the project can be quantified at approximately € 650m and the development work is expect to last for around five years, beginning in 2005.

On 18 April 2005, Milano Assicurazioni acquired from the HINES Group a 48% shareholding in a Luxembourg company called Garibaldi S.c.s., for approximately € 15.34m by acquiring a share of a shareholder loan amounting to almost the entire value of the transaction. Through another Luxembourg holding company this Company will control a number of Italian vehicle companies that will develop the areas zoned for building.

Subsequently, Garibaldi S.c.s. was given additional financing of € 9m. Milano Assicurazioni’s total financial commitment is estimated to be approximately € 100m over the 2005-2010 period. Income in the same period is expected to be € 130-140m. The Company’s investment will take place primarily in the form of interest-bearing loans to the participating interest Garibaldi S.c.s. and to a minor extent by means of capital payments.

Acquisition of a minority interest in Progestim S.p.A. (now Immobiliare Lombarda)

Upon prior authorisation from ISVAP in accordance with the Law, on 21 September 2005 Milano Assicurazioni acquired from Fondiaria-Sai a 12% shareholding in Progestim S.p.A., at a price of € 43,416K, calculated on the basis of an expert evaluation of Progestim’s economic capital by Kpmg Corporate Finance.
Progestim (subsequently incorporated into Immobiliare Lombarda S.p.A.) was the Group company specialising in property services for Fondiaria-Sai and its subsidiaries. In particular, Progestim performed the activity, now performed by Immobiliare Lombarda, of managing the property assets of Group Companies, on the basis of a specific mandate conferred by the latter.

With this in mind and with regard to the significance taken on by the property assets of

Milano Assicurazioni, the Company was given the opportunity to acquire a minority interest in Progestim so as to benefit, by this means, in anticipated income for the latter.
As of the legal effective date of 1 December 2005, Progestim was merged by incorporation into Immobiliare Lombarda.
Due to the effect of this merger, Milano Assicurazioni owns approximately 7% di Immobiliare Lombarda whilst Fondiaria-Sai has direct control of the company with a holding in excess of 50%.

Sale of land in Milan at Via Gonfalonieri-Via de Castillia

In December 2005, a property transaction took place consisting of a repurchase contract for the sale of a piece of land by the Company and the purchase by the same Company, on a future date, of a property to be built on said land.
In particular, the transaction can be broken down into two separate, but functionally related, parts, i.e.:

1) the sale by Milano Assicurazioni to IM.CO. S.p.A. of a piece of land located in Milan, at Via Confalonieri-Via de Castillia (Lunetta dell'Isola), whilst awaiting related planning permissions following the town planning agreement signed with the Milan City Council on 24 June 2005 which has already fixed the extent of the land zoned for buildings for use as offices, shops, warehouses and parking;
2) the purchase from IM.CO. by Milano Assicurazioni, when planning permission is issued, of a property which will be built on the land in question by said IM.CO.. This is, in particular, a property adapted for service sector use, to be built in the area constituting Unit A2 of the "A" De Castillia construction area, comprising a tower block with twelve levels above ground in addition to the ground floor and two levels below ground.

The land was sold at the value determined by an expert appraisal carried out by SCENARI IMMOBILIARI S.r.l. amounting to € 28.8m (compared with a book value of approximately € 15.7m), whilst the finished property was purchased at a predetermined price, not open to negotiation, of € 93.7m, again determined on the basis of a valuation carried out by SCENARI IMMOBILIARI, with stage payments based on progress.
Considering that IM.CO.'s corporate structure makes the latter a related party of the Company, as well as the parent company FONDIARIA-SAI, appropriate fairness and legal opinions were acquired in this respect, as laid down by the corporate governance system adopted by the Company, prepared by KPMG ADVISORY S.P.A. CORPORATE FINANCE and by Studio legale ASHURST respectively.

The fairness opinion confirmed the adequacy of the aforementioned prices for the sale of the land and the purchase of the property whilst the contracts signed specifically incorporated the suggestions contained in the legal opinion.

In approving the transaction, the Milano Assicurazioni Board of Directors, on 9 November 2005 stated:

- the strategic and industrial value of the transaction and the benefit to the Company of said transaction;
- that the nature of the mutual relationship and procedures for determining the financial

terms of the transaction, as well as the legal and fiscal aspects, had been highlighted;
- that the transaction was not by nature atypical or unusual.

A similar valuation was made by the Board of Directors of the parent company Fondiaria-Sai, of which – as has been said – IM.CO. is also a related party.
With the transaction in question, Milano Assicurazioni transferred any business risks to the Company constructing the building, the latter being responsible for any charges of an organisational or supervisory nature relating to the building site with Milano Assicurazioni merely retaining the role of investor. In addition, the fixed purchase price *ab origine* covers the Company against any change in the price of materials or labour. The Company, therefore, once the transaction is over, will be the owner of sizeable property assets at market values, without being saddled with business risks (and related risks) typical of the construction business, thereby limiting its role to that of institutional investor.

Purchase of the entire share capital of Campo Carlo Magno S.p.A. and Campo Carlo Magno Sport s.r.l.

In December 2005 a purchase contract was stipulated by Milano Assicurazioni for 100% of CAMPO CARLO MAGNO S.P.A. and CAMPO CARLO MAGNO SPORT S.R.L. as well as company lease contracts between the latter and ATAHOTELS S.P.A..

CAMPO CARLO MAGNO owns a hotel complex in Madonna di Campiglio called the GOLF HOTEL, whilst CAMPO CARLO MAGNO SPORT is involved in managing ski lifts, ski slopes and golf courses. The FONDIARIA-SAI Executive Committee also approved the transaction.
ATAHOTELS was, therefore, identified as being a hotel operator that could take on the lease of the hotel complex and resultant management responsibilities.

The price paid to acquire the entire capital of the two companies, as well as the receivables represented by various loans made to CAMPO CARLO SPORT, totalled € 22.7m inclusive of transaction costs, less than the value arising from the report on the overall economic value of the two companies prepared by an expert employed to this end – using, in turn, for the property component, an expert appraisal compiled by SCENARI IMMOBILIARI S.r.l. – relating to the two companies' accounts for the last four years, accounting statements as at 31 October 2005, the business plan and other accounting and management information supplied.

As has already been said, once the acquisition of the two companies was complete, a company lease contract was stipulated between CAMPO CARLO MAGNO and CAMPO CARLO MAGNO SPORT and ATAHOTELS.

Considering that ATAHOTELS' corporate structure makes the latter a related party of the Company, as well as the parent company FONDIARIA-SAI, appropriate fairness and legal opinions were acquired in this respect, as laid down by the corporate governance system adopted by the Company, prepared by KPMG ADVISORY S.P.A. CORPORATE FINANCE and by Studio legale ASHURST respectively.
The fairness opinion considered that rents – as contractually defined by the parties as 20% of the annual net income from the company lines of business being leased, with the

provision, in any event, of a guaranteed minimum – represent an adequate return in consideration of said lines of business, in line with market comparisons for similar transactions.

In addition, the contracts specifically incorporated the suggestions contained in the legal opinion.

In approving the transaction, the Milano Board of Directors, on 13 December 2005 stated:

- the strategic and industrial value of the transaction as a whole and, within this context, the benefit to the subsidiary and the Group of stipulating a company lease contract;
- that the nature of the mutual relationship and procedures for determining the financial terms of the offer, as well as the legal and fiscal aspects, had been highlighted;
- that the company lease contract is not, per se, of an atypical or unusual nature.

A similar valuation was made by the Board of Directors of the parent company Fondiaria-Sai, of which – as has been said – ATAHOTELS is also a related party.

Subsidiaries

The 2005 trend for subsidiaries operating within the property sector can be summarised in the table below:

(€ K)	**production value**	**var. %**	**result**	**net equity not including the current year result**
Meridiano EUR	-	n.s.	315	129.018
Meridiano Orizzonti	2,112	n.s.	952	62.494
Campo Carlo Magno S.p.A.	1,333	n.s.	-457	4.436

MERIDIANO EUR – Milan (direct shareholding 100%)

Over the year the Company purchased, from Milano Assicurazioni, the premises built in Assago, previously Milano Assicurazioni's registered office and currently involved in a restructuring project. The sale was made for the price of € 34,000K, this amount being determined by an appropriate expert appraisal for this purpose carried out by Scenari Immobiliari.
The company also holds shares in the property investment fund "Tikal R.E. Fund", with a book value of € 76,506K deriving from the contribution to said Fund, during the 2004 financial year, of the owned premises located in Rome at Piazzale dell'Industria.
The 2005 accounts closed with a profit of € 315K for revenue relating to "Tikal" fund units which, moreover, at year end, recorded a current value of € 93,953K.

MERIDIANO ORIZZONTI – Milan (direct shareholding 100%)

The Company, founded in December 2003, purchased, on 28 December 2004, from Pirelli Real Estate-Morgan Stanley, a property in Milan at, Piazza S.M. Beltrade, 1 at a price of € 54,590K. The 2005 balance sheet close with a profit of € 952K compared with a loss of € 14 K the previous year.

CAMPO CARLO MAGNO S.p.A. - Madonna di Campiglio (direct shareholding 100%)
The company purchased from Milano Assicurazioni in December 2005, owns a hotel complex in Madonna di Campiglio called the GOLF HOTEL.
In December, it stipulated a company lease contact with Atahotels S.p.A. which laid down rent of 20% of net annual revenue, with the provision, in any event, of a guaranteed minimum. The transaction guarantees the company an adequate return on the line of company business leased, in accordance with what is comparable on the market for similar transactions.

The 2005 accounts, with an eight month duration following the decision to make the company year (which previously ran from 1 May to 30 April) run in line with the calendar year, closed with a loss of € 457K.

Other Business sector

Companies included in this sector are shown in the table below

(€ K)	**Production value**	**% var.**	**result**	**net equity not including the current year result**
Maa Finanziaria s.p.a.	-	-63,83	-18	939
Sogeint s.r.l.	1.425	4,62	-189	100
Carlo Magno Sport s.r.l.	130	n.s.	-21	300

MAA FINANZIARIA – Milan (direct shareholding 100%)

The Company, originally active in the sector of financial leases on capital goods and corporate financing, currently limits itself to managing some existing portfolio finance contracts. The balance sheet for the financial year as at 31 December 2005 closed with a loss of € 18K.

SOGEINT – Milan (direct shareholding 100%)

This Company operates in the sector of commercial assistance to agencies. The balance sheet for the financial year as at 31 December 2005 closed with a loss of € 189K.

CAMPO CARLO MAGNO SPORT S.r.l - Madonna di Campiglio (direct shareholding 100%)

This company, purchased by Milano Assicurazioni in December 2005, owns concessions for managing ski slopes, ski lifts and golf courses belonging to the Golf Hotel complex.
In December, it stipulated a company lease contact with Atahotels S.p.A. which laid down rent of 20% of net annual revenue, with the provision, in any event, of a guaranteed minimum. The transaction guarantees the company an adequate return on the line of company business leased, in accordance with what is comparable on the market for similar transactions.
The 2005 accounts, with an eight month duration following the decision to make the company year (which previously ran from 1 May to 30 April) run in line with the calendar year, closed with a lost of € 21 K.

Asset and financial management

As at 31/12/2005 the volume of investments reached € 9,044,687K compared with € 8,303,076K the previous year (+8.93%).

The table below shows investments as at 31/12/2005, compared with corresponding figures as at 31/12/2004 and 01/01/2005 (the latter being the effective date of IAS 39 for the Group).

The table also shows tangible assets due to the significance of the property for direct use component as well as available cash and because of the importance of these assets in ensuring accurate representation of the level of increase in an insurance group's capital.

(€ K)	**31/12/05**	**% comp.**	**31/12/04**	**% comp.**	**% var.n**	**01/01/05**
INVESTMENTS						
Investment property	370,136	3.97	330,346	3.85	12.04	330,346
Holdings in subsidiaries, associates and joint ventures	4,820	0.05	2,612	0.03	84.53	2,612
Loans and receivables	212,874	2.29	314,166	3.67	-32.24	312,776
Investments held to maturity	-	-	-	-	-	-
Financial assets available for sale	7,580,602	81.41	6,894,898	80.48	9.95	7,065,168
Financial assets at fair value recorded in P&L account	876,255	9.41	761,054	8.88	15.14	774,457
Total investments	**9,044,687**	**97.13**	**8,303,076**	**96.91**	**8.93**	**8,485,359**
Tangible assets: property and other tangible assets	110,625	1.19	111,785	1.30	-1.04	111,785
Total non-current assets	**9,155,312**	**98.32**	**8,414,861**	**98.21**	**8.80**	**8,597,144**
Cash at bank and in hand and equivalents	156,649	1.68	152,829	1.79	2.50	152,829
Total non-current assets + cash at bank and in hand	**9,311,961**	**100.00**	**8,567,690**	**100.00**	**8.69**	**8,749,973**

Financial assets available for sale and financial assets at fair value recognised through profit or loss can be broken down as follows:

(€ K)	**31/12/2005**	**31/12/2004**	**Variation %**	**01/01/2005**
Financial assets available for sale	**7,580,602**	**6,894,898**	**9.95**	**7,065,168**
Capital securities and investment fund units	1,526,455	1,081,676	41.12	1,061,425
Debt securities	6,054,147	5,813,222	4.14	6,003,743
Financial assets at fair value recognised through profit or loss	**876,255**	**761,054**	**15.14**	**774,457**
Capital securities and investment fund units	111,971	111,366	0.54	121,470
Debt securities	57,891	646,390	17.25	650,222
Other financial investments	6,393	3,298	93.84	2,765

Financial assets available for sale comprise debt and capital securities not otherwise classified and are by far the largest category of financial instruments, in line with the characteristics and aims of the insurance business.

Financial assets at fair value recognised through profit or loss comprise securities held for trading as well as those designated by group companies in this category.

The table below highlights financial and property business results for the last two years:

(€ K)	**31/12/2005**	**31/12/2004**	**% Variation**
Net income deriving from financial instruments at fair value recognised through profit or loss	56,660	26,947	110.26
Income from holdings in subsidiaries, associates and joint ventures	295	179	64.80
Income deriving from other financial instruments and investment property incl:	308.263	388.365	-20,63
Interest received	200,656	227,108	-11.65
Other income	34,277	28,061	22.15
Profits realised	73,330	124,029	-40.88
Valuation profits	-	9,167	-100.00
Total income	**365,218**	**415,491**	**-12.10**
Liabilities from holdings in subsidiaries, associates and joint ventures	3	-	n.s.
Liabilities deriving from other financial instruments and investment property incl:	28.089	60.384	-53,48
Interest paid	6,591	11,342	-41.89
Other charges	7,977	10,438	-23.58
Losses realised	8,830	25,233	-65.01
Valuation losses	4,691	13,371	-64.92
Total charges and interest paid	**28,092**	**60,384**	**-53.48**
TOTAL NET INCOME	**337,126**	**355,107**	**-5.06**

In 2005, the approach was to slowly but surely increase the duration of the non-Life and Life portfolios.

With regard to the non-Life business portfolio, the main reason for this strategy was to benefit from the flattening of the rates curve caused by the restrictive monetary policy implemented throughout 2005 by the FED and, in the last month, also by the ECB.
The process of increasing rates from an all-time low in absolute terms did, in fact, result in a flattening of the rates curve following an increase in returns on short-term maturities and stability or even a drop in long-term maturities.

This also happened because of the near total absence of inflationary expectations in the medium to long term, further to various factors including the high credibility acquired over the years by the FED and the ever increasing presence on world markets of the Chinese economy which has hampered significant price increases by European and American firms, forced to stay competitive against Chinese firms which mostly benefit from advantages deriving lower labour costs.
As for the life business portfolio, the increase in duration was also related to the greater correlation of assets with related liabilities which generally speaking have longer maturities.

In the share sector, the favourable macroeconomic scenario and attractive valuations made it possible to rebalance asset allocation via an increase both in operating assets and strategic investment positions.
Within the scope of the life portfolio, the objective was to reduce the proportion of investment funds as well as the concentration of Italian and financial securities in particular, in favour of direct securities management which, although keeping the Euro as the reference currency, would widen geographical and sectorial diversification.
Share management in non-Life business was, on the other hand, directed more towards opportunistic short-term choices.

The bond sector accounted, at the end of 2005, for 80% of the overall securities portfolio, with a duration of approximately 3.9.
The non-Life sector is made up of approximately 67% fixed-rate government and supranational bonds and, the remaining 33% of variable rate bonds with a total portfolio duration of 2.20.

The Life sector has a longer duration (5.20) and a larger presence of fixed-rate government bonds which account for approximately 80% of the total with the remaining 20% invested in variable rate bonds.

On a strategic level, preference was given to investment in Euro zone state securities which account for 80% of the portfolio, whilst the Corporate sector percentage dropped from 25% to 20% over the course of the year, mostly represented by securities belonging to the “investment grade category”.

During 2005 the share sector percentage rose from 11.5% to 13% due to a positive view of European stock market trends and a financial position which made it possible to take on a reasoned higher risk with regard to the portfolios.

Sale of the Finitalia holding

On 7 November 2005, Milano Assicurazioni sold its entire shareholding in Finitalia S.p.A., amounting to 60% of the capital, to the affiliate Saifin-Sainfinanziaria (hereinafter Saifin).

As part of the current process of streamlining and reorganising Fondiaria-Sai Group companies, interest was, in fact, shown by said parent company Fondiaria-Sai in purchasing, via Saifin, the holding in Finitalia held by Milano Assicurazioni.
Finitalia operates – as is known – in the field of personal and individual loans aimed at insurance premium payments.

To date, the company offers its own service to its policyholder clients via agency networks belonging to ex Fondiaria Group companies. The process of extending the service to policyholder clients via agency networks belonging to all the other Fondiaria-Sai Group companies as well as the Fondiaria-Sai, SAI division network is under way, also following the merger of Finitalia with My Fin S.p.A., the other Fondiaria-Sai Group company operating within the consumer credit sector and conducting similar business with reference to the ex SAI network.

Within the framework described above, the incorporation of My Fin into Finitalia made it possible to streamline the business and to strengthen structures, guaranteeing the resources needed to sustain expansion of the consumer credit business to serve Group company and approved Company agency networks.

With regard to the above, Fondiaria-Sai agency networks and those of its other subsidiaries have taken on an increasing percentage of Finitalia business compared to the Milano agency network.
Because of this, the Milano Assicurazioni Board also considered arousing the interest of the latter in selling its holding, which would clearly not prejudice the possibility of Milano pursuing a collaboration with Finitalia.

The sale price of Milano Assicurazioni's holding, amounting to 60% of the share capital, was fixed at € 18.8m against a book value of € 13.1m based on a valuation to estimate the value of Finitalia's economic capital compiled for this purpose by KPMG Corporate Finance.
The conclusions reached by KPMG, which identified the value of 100% of Finitalia's economic capital at € 31.3m, were shared by the Milano Assicurazioni Board.
The transaction was authorised in advance by ISVAP in accordance with the law.

Own and parent company shares

As at 31 December 2005, the group leader Milano Assicurazioni held own shares, shares in the direct parent company Fondiaria-Sai and shares in the indirect parent company Premafin as in the amounts shown in the table below:

(€ K)	**number**	**Book value**
Own shares	115,460	374
Fondiaria-Sai shares	5,362,557	148,596
Premafin shares	9,157,710	18,077
GRAND TOTAL		**167,047**

The following transactions were completed during the financial year:

- purchase of 3,588,010 Premafin shares, with an equivalent value of € 6,248K, by decision of the shareholders' meeting dated 22 April 2005 which authorised, in accordance with art. 2359 bis of the Italian civil code, the purchase of these shares, in one or more goes and for a period of twelve months from the decision date, for a maximum increase, taking into consideration any sales made in the meantime, of 6,000,000 shares, in any event, within the € 10m maximum.
- purchase of 1,751,000 Fondiaria-Sai shares, with an equivalent value of € 39,236K, by decision of the shareholders' meeting dated 22 April 2005 which authorised, in accordance with art. 2359 bis of the Italian civil code, the purchase of these shares, in one or more goes and for a period of twelve months from the decision date, for a maximum increase, taking into consideration any sales made in the meantime, of 2,000,000 shares, in any event, within the € 40 m maximum.

Milano Assicurazioni share performance

As at 31 December 2005, the share capital of the parent company, Milano Assicurazioni, was made up of 458,798,121 shares with a nominal value of € 0.52 of which 428,058,239 were ordinary shares and 30,739,882 savings shares. During the course of 2005, the € 6K share capital increase due to the subscription of 10,952 ordinary shares following the conversion of 27,380 Milano Assicurazioni 1998-2007 warrants.
As at 31 December 2005, a further 32,356 ordinary shares were subscribed following the conversion, by related holders, of 80,890 Milano Assicurazioni 1998-2007 warrants. The new share capital, inclusive of the new shares subscribed, was deposited with the Register of Companies on 23 January 2006.

During the course of 2005, the stock market listing fluctuated between a minimum of € 4.117 (13/1/05) and a maximum of € 5.875 (30/09/05) for ordinary shares and between a minimum of € 4.268 (12/1/05) and a maximum of € 5.891 (30/9/05) for savings shares.

At year end the following stock market listings were recorded

(Euro units)	**30/12/2005**	**30/12/2004**	**% Variation**
Milano Assicurazioni ord.	5.720	4.125	+ 38.7
Milano Assicurazioni sav.	5.686	4.255	+ 33.6

The corresponding stock market capitalisation at year end amounted to € 2,623.3m (€ 1,896.5m as at 31/12/2004).

Stock market capitalisation, based on prices on 24 March 2006 of € 6.562 for ordinary shares and € 6.551 for savings shares, amounted to € 3,010.5m.

OTHER INFORMATION

FONDIARIA-SAI foundation

With a letter dated 28 October 2005, the Milan Prefecture confirmed that the Fondiaria-Sai foundation had, on the same date, been listed in the register of legal persons of said Milan Prefecture as number 645, page 1024, volume 3.
The Fondiaria-Sai foundation is the natural point of arrival for a whole series of initiatives already launched by the Fondiaria-Sai Group (or currently in progress), aimed at promoting the spread of culture and art, promoting initiatives aimed at young people, providing support for solidarity initiatives aimed at disadvantaged categories and finance for medical/scientific research. The Foundation was created, at least in the first instance, with the intention of channelling these initiatives.
The Foundation currently has a capital fund of approximately € 109K available and additional resources amounting to € 1,000,000.
These funds were set up during 2005 by the founders Fondiaria-Sai and Milano Assicurazioni, which will also arrange, as of 2006, to support Foundation activities via annual contributions of € 300,000 each.

Sale of Uniservizi shares to other Fondiaria-Sai group companies

During the course of the second half of 2005, as part of the reorganisation of the functions performed by Uniservizi S.c.r.l., the shares held in said Company, which provides organisational and logistical support for Fondiaria-Sai Group companies, were reviewed. As a result, Milano Assicurazioni, which owned 56.80% of Uniservizi, sold a total of 28.80% of its holding to other Group companies, including 20.61% to the parent company Fondiaria-Sai and 5.85% to the affiliate SASA.

Merger by incorporation of First Life into Milano Assicurazioni

On 16 December 2005, the merger contract for the incorporation of First Life S.p.A. into Milano Assicurazioni S.p.A. was stipulated. The transaction did not involve changes to Milano Assicurazioni share capital, the latter having, on 3 August 2005, arranged to purchase from SAI Holding Italia S.p.A. (100% owned by FONDIARIA-SAI) the entire share capital of First Life, at a price of € 13.7m, determined by an appropriate expert valuation compiled by KPMG Corporate Finance.
The legal effects of the merger, which was approved by ISVAP with an Directive dated 2 December 2005, commenced on 31 December 2005 whilst, for accounting and tax purposes, the merger was effective as of 1 January 2005.
First Life was a Life insurance company which was, in the main, inactive but which had set up an open-ended pension fund.
The transaction will make it possible for Milano Assicurazioni to operate direct within the open-ended pension fund sector

Organisation and management model ex Legislative decree of 8 June 2001 no. 231

The Milano Assicurazioni Board decided to equip itself with an appropriate organisation and management system to prevent the offences provided for by Legislative decree no. 231 of 8 June 2001 from being committed. Said decree containing – as we know – "Regulation of the administrative liability of legal persons, Companies and associations, including those with no legal personality, in accordance with art. 11 of Law No. 300 of 29 September 2000", which introduced into Italian law, for the first time, the concept of the criminal liability of entities in addition to that of the physical person actually perpetrating the illegal act.

The Board decided that the adoption of the Organisation and management model laid down by the aforementioned Legislative decree 231/2001, although not obligatory, may constitute a valid tool for raising awareness among all employees and other related individuals, guiding them to behave in an honest and straightforward manner in the performance of their own activities, thereby preventing the risk of committing the offences covered by the decree.

In the meantime, the Board of Directors has, therefore, approved in general terms, the principles from which the Organisational model will be derived:

- the verifiability and recordability of all operations that are relevant to Legislative decree No. 231/2001;
- respect for the principle of separation of functions;
- definition of the authorisation powers related to the responsibilities assigned
- assignment to a Supervisory Body of the task of promoting effective and proper implementation of the Model, particularly by monitoring the company's conduct and exercising a right to be constantly informed about activities relevant to Legislative Decree 231/2001;
- communication of relevant information to the Supervisory Body;
- establishment of appropriate preventive control mechanisms specifically related to the macro-categories of business and their associated risks, in order to prevent the various types of offences defined in the Decree (ex ante control) from being committed;
- provision to the Supervisory Body of the necessary resources to support it in the tasks assigned to it and to achieve reasonably achievable results;
- checking the Model's operation with consequent periodic updating (ex post control);
- implementation of awareness-building tools and dissemination at all company levels of the rules established.

The Board also set up the Supervisory Body which is assigned, in general terms, the task of monitoring compliance with Model requirements by those for whom it is intended, checking its effectiveness and the actual capacity of the Model, in relation to the corporate structure, to prevent the offences referred to in Legislative Decree 231/2001 from being committed as well as updating the Model if it is found to require amendment in the light of changes in company circumstances.

The Board of Directors also approved the Company's Code of Ethics to underline the fact that in conducting its business, Milano Assicurazioni is inspired by criteria of transparency and honesty, in accordance with the law and the interests of the community.

Existing disputes

As at 31 December 2005, 27,570 legal actions had been instituted in respect of claims, 21,164 of which related to Motor TPL business. Over the year 12,498 actions were settled, 10,.807 relating to Motor TPL business.

The disputes constituted by civil actions brought by Company policyholders claiming partial reimbursement of the Motor TPL premium for alleged antitrust activities in Motor TPL in which Your Company may have been involved, in league with other major Companies within the insurance sectors, are still ongoing albeit at to a much lesser extent. There was a drop in the number of cases both with the entry into force of Legislative Decree No. 18 of 8/2/2003 converted into Law No. 63 of 7/4/2003 which made this type of dispute to subject to the legal rules of process and due to ruling No. 2207/05 of the Court of Cassation United Sections, according to which the Appeal Courts rather than Justices of the Peace are deemed competent to rule on the aforementioned cases in execution of art. 33 of Law 287/1990. Following this decision, disputes brought before Justices of the Peace have been practically non-existent whilst some cases have been brought before Appeal Courts but this has been limited to certain geographical areas.
In greater detail, there were 2,760 cases pending as at 31/12/2005. Outlay sustained to date by the Company amounts to € 4,844,079 (approximately € 870 per case).

It should also be noted that the United Sections of the Court of Cassation pronounced on the matter by refusing the appeals filed by Companies sanctioned and rendering the sanction issued by the Italian Competition Authority as well as decisions given by Lazio regional administrative court and the Council of State which, in turn, refused the Companies appeals, final.

Finally, it should be remembered that in March of this year an out-of-court settlement was signed with Consap to settle the dispute relating to the abolition of compulsory cessions relating to the Milano Assicurazioni portfolio (a similar settlement had already been signed in November 2004 for the portfolio of the incorporated company Maa Vita). The out-of-court settlement resulted in the company receiving € 83,500K against total receivables from Consap and reserves chargeable to it of € 103,947K. The cost of the out-of-court settlement amounted, therefore, to € 20,447K. Foreseeable charges had, in any event, been allocated to the risk fund during the course of previous financial years. In the financial year in question provision was, therefore, made to withdraw the entire amount set aside, amounting to € 20,700K, thereby neutralising the impact of the out-of-court settlement on the profit and loss account for the year.

Significant events occurring after the end of the financial year

Sale of shareholding in Swiss Life Holding

On 11 January 2006 the Company arranged to sell its entire holding in Swiss Life Holding, to an institutional investor (UBS).

Milano Assicurazioni sold 828,709 Swiss Life Holding shares at a price of CHF 234.75 each. The price was determined by applying a discount of 0.53% to the closing price of CHF 236 on 11 January 2006.
The proceeds of the transaction totalled approximately CHF 194.5m, against an overall book value of approximately CHF 193.2m. Taking into consideration the CHF/€ book exchange rate and the CHF/€ conversion exchange rate used to convert the sale payment, there is a capital gain of approximately € 336K.

With regard to the valuation of the holding in the 2005 accounts, the Company did not make any adjustment or write-up since the sale of Swiss Life Holding shares took place – as has been said – with a modest capital gain.
During the course of 2004, the FONDIARIA-SAI Group had already determined, together with the Swiss Life Group, that the preconditions required for a prospective joint venture in the Italian life sector did not exist.

In view of the opportunity provided by the stock market performance of Swiss Life Holding securities, it was deemed to be of interest to the Company and its parent company FONDIARIA-SAI and its affiliate FONDIARIA Nederland, to reach an agreement as soon as possible on the sale of the holding, contacting a number of institutional investors in this regard and inviting those interested to an auction market, with closed bids being placed by close of business on 11 January 2006, with the aim of seizing, in this market context, the most propitious moment for the disinvestment.

The transactions allows for increased asset allocation diversification and greater flexibility in the strategic investment sector.

Alliance and cooperation project with Banca Popolare di Milano in the Bancassurance sector

Subsequent to the agreement to grow the bancassurance business with the Banca Popolare di Milano Group, signed on 21 December 2005 by the parent company Fondiaria-Sai S.p.A., the latter, by agreement with Milano Assicurazioni, on 7 February 2006 appointed said Milano to purchase an interest in Bipiemme Vita S.p.A..

This agreement provides for the implementation of a wider industrial alliance and cooperation project with Banca Popolare di Milano (BPM) in the bancassurance sector, to be implemented essentially via life and non-Life business segment agreements and in banking and financial services.

The Board of Directors of BPM, having met on 29 November last year, had decided to approve the offer to expand bancassurance business, jointly and exclusively with the FONDIARIA- SAI Group in the Life business segment and, more generally speaking, to sign a Framework Agreement containing guidelines for the aforementioned wider project.

In accordance with the Framework Agreement cited above, and subject to obtaining authorisations from the relevant Supervisory Authorities, Milano will purchase, in the first instance, from BPM and from the subsidiary Banca di Legnano, a 46% shareholding in Bipiemme Vita S.p.A. with the option to transfer control of the latter from the BPM Group to Milano itself, by means of the sale of a further two shareholdings amounting to 4% and 1% respectively, on two later dates, by 31 December 2006 and 30 June 2007 respectively.

BPM and Milano will sign a shareholders' agreement containing Bipiemme Vita's rules of corporate governance, as well as industrial aspects of the partnership, specifying that said Bipiemme Vita should continue to have access to BPM Group distribution networks for a period of 5 years from the closing date, with the option to renew upon expiry for a further 5 years by mutual agreement between the parties.

The price for 46% of Bipiemme Vita was agreed at € 94.3m, corresponding to an overall valuation of the company of € 205m. This prices will be subject to an adjustment at the time of purchase – planned for the first half of 2006 – mainly in line with dividends relating to the 2005 financial year, still to be determined, which will be received by current shareholders.

Bipiemme Vita is the BPM Group's insurance company and operates via approximately 700 of said Group's branches, with a premium income in 2004 of € 518m. The company closed the 2004 financial year with a net profit of € 11.8m. As at 30 June 2005 net equity amounted to € 53.9m whilst total technical reserves amounted to € 2,904m.

Bipiemme Vita's business plan, on the basis of which the assessments were made to determine the price, forecasts a rise in new product premium income from € 481m at the end of 2004 to in excess of € 750m 2010 and an increase in net profit from € 11m in 2004 to € 25m in 2010.

The price given above should be taken as being a provisional price, arrived at on the basis of an "appraisal value" approach, the analysis taking into consideration all the value components relating to life business (e.g. embedded value as at 30 June 2005 and goodwill relating to the new products expected from 1 July 2005), to non-Life business (e.g. TCM and Accident and Health business), as well as to Bipiemme Vita's overheads.

The final price on the closing date will be the provisional price redetermined between the date of signing and the date of closing at an agreed reference rate, net of 2005 dividends and plus any capital increases paid (both pro-rata).

The purchase price for the subsequent 4% and 1% shareholdings in Bipiemme Vita has been contractually set in accordance with the definitive price paid for the 46% redetermined up to the date on which the options exercised at the reference rate are settled, net of any dividends distributed and plus any capital increases paid – both pro-rata – from the date of closing to the respective settlement date of the aforementioned option strike prices.

Put and call options on 4% of Bipiemme Vita will be exercisable between September-

December 2006. Milano's call option is conditional upon performance of the contract relating to banking and financial services. Subsequent to exercise of these options, control and governance would be joint.

Put and call options on the remaining 1% of Bipiemme Vita, with resulting acquisition of control and full consolidation by Milano, will be exercisable between March and June 2007. BPM can only exercise the put option if it has previously exercised the put option on the 4% holding. Milano's right to exercise the call option will be subject to approval by a joint committee comprising four members (two per party) called upon to assess the performance and results of the agreement at each stage.

In the current market, characterised by clients refocusing on traditional insurance products, the partnership will allow Bipiemme Vita to benefit from the technical and commercial know-how of a leading insurance operator, fostering the development of new products and improving penetration in respect of BPM clients, and will allow Milano Assicurazioni to benefit from the BPM Group's expertise in commercial banking.
The agreement will make it possible for the BPM Group to obtain wider technical/managerial support in insurance services which is needed in order to pursue, via a product range which responds more effectively to the requirements of its own clients, significant objectives in terms of production volume growth. This support will also be needed in view of the role that banks and insurance companies can play for families and small to medium-sized companies in anticipation of future growth of supplementary welfare benefits.

The agreement is a further opportunity for the Company and for the FONDIARIA-SAI Group, to develop the Life sector. From an industrial perspective, the operation is perfectly in line with current Company and FONDIARIA-SAI Group bancassurance agreements which will continue to be strategic elements of the growth policies adopted by both the Company and the Group.
The transaction is subject to authorisation from the relevant Authorities.

BUSINESS OUTLOOK

Within the scope of non-life business insurance management, the objective for the 2006 financial year is to further consolidate portfolio growth, maintaining satisfactory profitability levels in terms of combined ratio via a policy of fair pricing and careful risk selection.

In the Motor business class, in particular, there will be gradual alignment of the prices offered by the company's various sales networks and, at the same time, increased customisation of the tariff, making the most of the information gleaned from the vast client portfolio acquired.
Maintenance work on the acquired portfolio will be carried out in profitable areas and sectors, with the aim of improving profitability and initiatives aimed at reorganising sectors which demonstrate a need for technical rebalancing. In particular, the portfolio will be downsized in the fleet segment by means of divestments.

In non-Motor business, in particular, the retail sector will be developed via campaigns aimed at incentivising the sale of products in areas such as health and home-related cover, in which clients are perceived to be increasingly sensitive. Preference will also be given to multi-cover products, capable of satisfying clients' most sophisticated insurance requirements.

In the life sector, in particular, planned initiatives are aimed at portfolio growth in relation to products of a traditional nature with annual and recurrent premiums, capable of providing adequate levels of profitability and guaranteeing greater client loyalty and, consequently, added value for the portfolio in the long-term. What's more, particular attention will be paid to the requirements of institutional clients who see in the insurance sector a great opportunity for diversification of their investments and for using liquidity.

Asset and financial management will be aimed at careful balancing of the investment portfolio, capable of guaranteeing greater profitability and consistent with the strategic objectives of the Fondiaria-Sai Group. Generally speaking, a prudent approach will be maintained, aimed at keeping rate and counterparty risks in check without, however, foregoing the right to seize the opportunities that the financial and bond markets are likely to offer. In particular, the rates curve trend is being followed very closely following recent monetary policy interventions by the American Federal Reserve and the European Central Bank.

Consolidated Accounts as at 31 December 2005

In accordance with IAS 1.8 (Presentation of Accounts) the Accounts comprise:

- Balance sheet
- Profit and loss account
- Table of changes in net equity
- Financial statement
- Explanatory notes containing, amongst other things, the accounting standards and valuation criteria adopted

The balance sheet, profit and loss account, table of changes in net equity and financial statement presented below have been prepared in accordance with models approved by ISVAP in Directive No. 2404 of 22 December 2005.

The explanatory notes take into account the information explicitly requested by the aforementioned ISVAP Directive and contain additional information that is considered best practice, particularly where this relates to illustrative examples contained in some IAS. In preparing these accounts, the assumption has been made that Milano Assicurazioni prepares the consolidated balance sheet according to IAS which continue to apply. It did not, however, qualify as a “First time adopter” on 31 December 2005. The additional information requested by IFRS 1 for companies that can be qualified as “First time adopters” is, however, given in part of the accounts via the presentation of profit and net equity reconciliation tables respectively, prepared in accordance with national accounting standards on the date of transition and profit and net equity tables prepared in accordance with international accounting standards.

BALANCE SHEET – ASSETS

(Values in thousands of Euro)

		2005	2004
1	**INTANGIBLE ASSETS**	**176.088**	**177.246**
1.1	Goodwill	175.338	175.338
1.2	Other intangible assets	750	1.908
2	**TANGIBLE ASSETS**	**110.625**	**111.785**
2.1	Property	30.519	55.545
2.2	Other tangible assets	80.106	56.240
3	**REINSURERS' SHARE OF TECHNICAL RESERVES**	**358.527**	**438.417**
4	**INVESTMENTS**	**9.044.687**	**8.303.076**
4.1	Investment property	370.136	330.346
4.2	Holdings in subsidiaries, associates and joint ventures	4.820	2.612
4.3	Investments held to maturity		
4.4	Loans and receivables	212.874	314.166
4.5	Financial assets available for sale	7.580.602	6.894.898
4.6	Financial assets at fair value through profit or loss	876.255	761.054
5	**SUNDRY RECEIVABLES**	***973.729***	***932.014***
5.1	Receivables deriving from direct insurance	651.820	645.817
5.2	Receivables deriving from reinsurance	68.095	131.488
5.3	Other receivables	253.814	154.709
6	**OTHER ASSETS**	**526.697**	**441.032**
6.1	Non-current assets or those belonging to an HFS disposal group	1.416	
6.2	Deferred acquisition costs	66.236	46.525
6.3	Deferred tax assets	250.461	197.857
6.4	Current tax assets	152.796	171.154
6.5	Other assets	55.788	25.496
7	**CASH IN HAND AND AT BANK AND EQUIVALENTS**	**156.649**	**152.829**
	TOTAL ASSETS	**11.347.002**	**10.556.399**

BALANCE SHEET - NET EQUITY AND LIABILITIES

(Values in thousands of Euro)

		2005	2004
1	**NET EQUITY**	**1.721.171**	**1.386.907**
1.1	**pertaining to the group**	**1.717.584**	**1.371.857**
1.1.1	Capital	238.575	238.569
1.1.2	Other equity instruments		
1.1.3	Capital reserves	325.145	324.966
1.1.4	Profit and other equity reserves	684.889	546.558
1.1.5	(Own shares)	-374	-374
1.1.6	Reserve for net exchange differences		
1.1.7	Profits or losses on financial assets available for sale	191.125	
1.1.8	Other profits or losses recorded direct to equity	-5.298	-2.294
1.1.9	Profit (loss) for the year pertaining to the group	283.522	264.432
1.2	**minority interest**	3.587	15.050
1.2.1	Minorities' capital and reserves	3.391	14.418
1.2.2	Profits or losses recorded direct in equity	17	
1.2.3	Profit (loss) for the year pertaining to minorities	179	632
2	**PROVISIONS**	**63.453**	**64.317**
3	**TECHNICAL RESERVES**	**8.468.790**	**8.086.091**
4	**FINANCIAL LIABILITIES**	**244.431**	**288.549**
4.1	Financial liabilities at fair value through profit or loss	**84.488**	**318**
4.2	Other financial liabilities	159.943	288.231
5	**PAYABLES**	**392.953**	**408.792**
5.1	Payables deriving from direct insurance	89.036	79.894
5.2	Payables deriving from reinsurance	13.272	13.617
5.3	Other payables	290.645	315.281
6	**OTHER LIABILITIES**	**456.204**	**321.743**
6.1	HFS disposal group liabilities		
6.2	Deferred tax liabilities	225.582	131.672
6.3	Current tax liabilities	24.175	26.499
6.4	Other liabilities	206.447	163.572
	TOTAL NET EQUITY AND LIABILITIES	**11.347.002**	**10.556.399**

PROFIT AND LOSS ACCOUNT

(Values in thousands of Euro)

		2005	2004
1.1	Net premiums	3.219.614	3.079.256
1.1.1	*Gross premiums earned*	3.291.125	3.180.269
1.1.2	*Premiums earned ceded in reinsurance*	-71.511	-101.013
1.2	Commissions receivable	1.239	57
1.3	Income and expenditure deriving from financial instruments at fair value through profit or loss	56.660	26.947
1.4	Income deriving from holdings in subsidiaries, associates and joint ventures	295	179
1.5	Income deriving from other financial instruments and investment property	308.263	388.365
1.5.1	*Interest income*	200.565	227.108
1.5.2	*Other income*	34.277	28.061
1.5.3	*Profits realised*	73.330	124.029
1.5.4	*Valuation gains*		9.167
1.6	Other revenue	108.788	92.919
1	**TOTAL REVENUE AND INCOME**	**3.694.859**	**3.587.723**
2.1	Net charges relating to claims	2.599.816	2.390.657
2.1.2	*Amounts paid and change in technical reserves*	*2.649.040*	*2.445.916*
2.1.3	*Reinsurers' share*	*-49.224*	*-55.259*
2.2	Commissions payable	289	982
2.3	Expenses deriving from holdings in subsidiaries, associates and joint ventures	3	
2.4	Expenses deriving from other financial instruments and investment property	28.089	60.384
2.4.1	*Interest expenses*	6.591	11.342
2.4.2	*Other expenses*	7.977	10.438
2.4.3	*Losses realised*	8.830	25.233
2.4.4	*Valuation losses*	4.691	13.371
2.5	Operating expenses	500.834	518.618

(Cont. from previous page)

2.5.1	*Commissions and other acquisition costs*	429.792	440.082
2.5.2	*Investment management expenses*	2.800	4.145
2.5.3	*Other administration costs*	68.242	74.391
2.6	Other costs	169.209	178.134
2	**TOTAL COSTS AND EXPENSES**	**3.298.240**	**3.148.775**
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	**396.619**	**438.948**
3	Taxes	119.361	173.884
	PROFIT (LOSS) FOR THE YEAR NET OF TAXES	**277.258**	**265.064**
4	**PROFIT (LOSS) FROM DISCONTINUED OPERATIONS**	**6.443**	
	CONSOLIDATED PROFIT (LOSS)	**283.701**	**265.064**
	pertaining to the group	**283.522**	**264.432**
	pertaining to minorities	**179**	**632**
	EARNINGS PER SHARE (in Euro)	**0.64**	**0.60**
	DILUTED EARNINGS PER SHARE (in Euro)	**0.61**	**0.57**

Statement of variations in consolidated Net Equity for the financial year ending 31 December 2005

With regard to the table of changes in net equity, the annex to ISVAP Directive No. 2404/05 which satisfies the directions given by IAS 1 is given below
In particular, we show that the first column contains consolidated data as at 31/12/2003 compiled in accordance with national accounting principles, whilst in the second column the closing balances are modified due to the introduction of the IAS/IFRS on the date of first application as at 01/01/2004. Similarly, in the "Change in closing balances as at 01/01/05" column the effects on net equity deriving from the first application of IAS 39 and IFRS 4 are shown.
In particular, the Profits of losses on financial assets available for sale item shows the effects of the valuation of related financial instruments net of the amount attributable to policyholders and posted to deferred liabilities in respect of policyholders.
The allocations column shows the profit allocations for the year, the profit for the previous year allocated to equity reserves, increases in capital and other reserves and changes in profits or losses recorded direct to equity. The transfers to profit and loss account column shows profits or losses previously recorded direct through profit or loss in accordance with what is laid down by international accounting standards. Other transfers shows the ordinary distribution of dividends and decreases in capital and other reserves, including the acquisition of own shares.

STATEMENT OF VARIATIONS IN NET EQUITY

(Values in thousands of Euro)

			Balance as at 31-12-03 (1)	Change in closing balances	Allocations	Transfers to P&L account	Other transfers	Balance as at 31-12-04	Change in closing balances (2)	Allocations	Transfers to P&L account	Other transfers	Balance as at 31-12-05
Net equity pertaining to the group	Capital		238,569					238,569		6			238,575
	Other equity instruments							0					0
	Capital reserves		324,966					324,966		179			325,145
	Profit and other equity reserves		423,037	-33,398	156,895		24	546,558	-7,257	144,579		1,009	684,889
	(Own shares)		-1				-373	-374					-374
	Resere for net exchange differences							0					0
	Profits or losses on financial assets available for sale							0	38,240	184,923	-32,038		191,125
	Other profits or losses recorded direct to equity	Profits or losses on hedge instruments for a financial flow						0					0
		Profits or losses on hedge instruments for a net investment in foreign management						0					0
		Reserve deriving from changes in participating interests' net equity						0					0
		Revaluation reserve for intangible assets						0					0
		Revaluation reserve for tangible assets						0					0
		Income and expenditure relating to non-current assets or to an HFS disposal group						0					0
		Other reserves			-2,294			2,294		-3,004			-5,298
	Profit (loss) for the yr		249,267		107,537		-92,372	264,432		138,960		-119,870	283,522
	Total pertaining to the group		**1,235,838**	**-33,398**	**262,138**	**0**	**-92,721**	**1,371,857**	**30,983**	**465,643**	**-32,038**	**-118,861**	**1,717,584**
Net equity pertaining to minorities	Minority interest in capital & reserves		7,165	7,440	-192		5	14,418	-507	7		-10,527	3,391
	Profits / losses recorded direct to equity							0	16	10	-9		17
	Profit (loss) for the year		-130		1,670		-908	632		172		-625	179
	Total pertaining to minorities		**7,035**	**7,440**	**1,478**	**0**	**-903**	**15,050**	**-491**	**189**	**-9**	**-11,152**	**3,587**
Total			**1,242,873**	**-25,958**	**263,616**	**0**	**-93,624**	**1,386,907**	**30,492**	**495,832**	**-32,047**	**-130,013**	**1,721,171**

(1) Date of main Italian accounts
(2) Adjusted in accordance with IAS/IFRS principles

FINANCIAL STATEMENT (indirect method)

(In thousands of Euro)

	2005	2004
Pre-tax pro it (loss) for the financial year	**369.619**	**438.948**
Change in non-monetary items	**306.867**	**333.616**
Change in non-life premium reserve	36.918	24.700
Change in claims reserve and other non-life technical reserves	112.453	180.536
Change in mathematical reserves and other life technical reserves	234.973	113.386
Change in deferred acquisition costs	-33.353	-22.568
Change in provisions	-6.129	25.576
Non-monetary income and expenditure deriving from financial instruments, investment property and holdings	-10.536	8.093
Other changes	-27.459	3.893
Change in receivables and payables generated by operating activities	**-32.303**	**46.709**
Change in receivables and payables deriving from direct insurance and reinsurance	66.188	-22.465
Change in sundry receivables and payables	-98.491	69.174
Tax paid	**-121.456**	**-155.472**
Net liquidity generated/absorbed by monetary items appertaining to investments and financial activities	**-76.582**	**-158.407**
Liabilities from financial contracts written by insurance companies	3.788	3.930
Payables to bank and interbank clients		
Loans and receivables to/from bank and interbank clients		
Other financial instruments at fair value through profit and loss	-80.370	-162.337
TOTAL NET LIQUIDITY DERIVING FROM OPERATING ACTIVITIES	**473.145**	**505.394**
Net liquidity generated/absorbed by investment property	-44.483	32.651
Net liquidity generated/absorbed by holdings in subsidiaries, associates and joint ventures	-2.208	-14.648
Net liquidity generated/absorbed by loans and receivables	100.847	55.750
Net liquidity generated/absorbed by investments held to maturity		
Net liquidity generated/absorbed by financial assets available for sale	-261.949	-489.602
Net liquidity generated/absorbed by tangible and intangible assets	-342	-138
Other net cash flows generated/absorbed by investment activities	-1.416	
TOTAL NET LIQUIDITY DERIVING FROM INVESTMENT ACTIVITIES	**-209.551**	**-415.987**

(Cont. from previous page)

Net liquidity generated/absorbed by capital instruments pertaining to the group	238	24
Net liquidity generated/absorbed by own shares		-373
Distribution of dividends pertaining to the group	-119.870	-92.372
Net liquidity generated/absorbed by minority interest in capital and reserves	-11.151	-58
Net liquidity generated/absorbed by subordinated liabilities and equity financial instruments		
Net liquidity generated/absorbed by sundry financial liabilities	-128.991	-26.338
TOTAL NET LIQUIDITY DERIVING FROM FINANCING ACTIVITIES	**-259.774**	**-119.117**

Effect of exchange differences on cash in hand and at bank and equivalents		

CASH IN HAND AND AT BANK AND EQUIVALENTS AT THE START OF THE YEAR	152.829	182.539
INCREASE (DECREASE) IN CASH IN HAND AND AT BANK AND EQUIVALENTS	3.820	-29.710
CASH IN HAND AND AT BANK AND EQUIVALENTS AT THE END OF THE YEAR	156.649	152.829

EXPLANATORY NOTES

News about the group and its activities

Milano Assicurazioni S.p.A. is a leading insurance operator on the Italian market and is active both in the non-Life insurance sector and in the Life insurance sector with premium income of approximately €3.3bn and a sales network made up of over 1,400 agencies operating throughout the national territory.

The registered office is in Milan, at Via Senigallia 18/2

Over the last few years, Milano Assicurazioni has also strengthened its position on the national market by means of company mergers. We should, in particular, remember the incorporation of Nuova Maa and Maa Vita, in 2003; the incorporation of the Insurance company SIS in 2004 and, finally, the incorporation of First Life on 31 December 2005, which will make it possible for Milano Assicurazioni to operate direct in the open-ended pension fund sector.

Milano Assicurazioni's parent company is Fondiaria-Sai, the Italian non-Life insurance market leader. The latter acts, amongst other things, as manager and coordinator for Milano Assicurazioni, in accordance with art. 2497 bis of the Italian civil code.

PART A - Accounting policies

Section 1 – Declaration of conformity to international accounting standards and general accounting principles

These consolidated accounts were prepared in accordance with IAS/IFRS international accounting standards issued by the IASB (International Accounting Standard Board), approved to date by the European Union and in terms of their interpretation, by official bodies.

The accounting tables are those contained in ISVAP Directive No. 2404 of 22 December 2005, compiled on the basis of instructions annexed to the aforementioned directive.

They also contain some additional information considered to be best practice, particularly where this relates to the illustrative examples contained in some IAS.

In preparing these accounts, the assumption has been made that Milano Assicurazioni prepares the consolidated balance sheet according to IAS which continue to apply. It did not, however, qualify as a “First time adopter” on 31 December 2005. The additional information requested by IFRS 1 for companies that can be qualified as “First time adopters” is, however, given in a section of the accounts via the presentation of profit and net equity reconciliation tables respectively, prepared in accordance with national accounting standards on the date of transition and profit and net equity tables prepared in accordance with international accounting standards.

The accounts were prepared in the expectation the that business would continue. There were no uncertainties regarding events or conditions which could result in doubts arising over the ability to continue to operate as a functioning entity.

Section 2 – Basis and methods of consolidation

CONSOLIDATION PRINCIPLES

The consolidation procedure followed conforms to what is laid down by IAS 27 (Consolidated and separate accounts) and by IAS 28 (Accounting for investments in associates). In addition, to the Group leader, all subsidiaries are included in the basis of consolidation. IAS 27 defines control as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. For the purposes of ascertaining the existence of control, reference is made to what is laid down by paragraph 13 of the aforementioned IAS 27.

In accordance with what is laid down by IAS 27.30, for the subsidiaries Campo Carlo Magno S.p.A. and Campo Carlo Magno Sport S.r.l., acquired during the final days of the 2005 financial year, only equity items were consolidated

In accordance with what is laid down by IAS 28, the net equity method is used when accounting for associates.

ACCOUNTS USED FOR THE CONSOLIDATION

Accounts approved by Shareholders' meetings of the respective Companies were used to prepare the Consolidated Accounts. Where the Accounts has not yet been approved, the draft accounts examined by the respective Boards of Directors were consolidated. Consolidated company accounts may have been adjusted due to consolidation requirements and to bring the latter into line with the Group leader's accounting principles.

CONSOLIDATION TECHNIQUES

Full consolidation

All subsidiaries were fully consolidated. The consolidated accounts do, therefore, include the Parent company's accounts and those of companies in which Milano Assicurazioni S.p.A. holds, directly or indirectly, the majority of the voting rights exercisable at ordinary shareholders' meetings or in any event sufficient to exercise de facto control, in accordance with what is laid down by IAS 27.13.

With the full consolidation method, the book value of the holdings is eliminated against the related net equity, taking on all the assets and liabilities, guarantees, commitments and other memorandum items, as well as income and expenditure, of the subsidiary companies.

Minority shareholders' share of the net equity and the economic result are posted to appropriate balance sheet and profit and loss account items.

Differences between the book value of the holdings and the respective net equity shares emerging on the date of acquisition of said holdings, are allocated to equity assets where the higher cost reflects the actual higher value of said assets, or to the Goodwill item in cases where the higher price paid reflects the prospective value of future economic results.

Accounting using the net equity method

Associate companies or those over which the parent company exercises considerable influence, having the power to take part in determining the company's financial and operating policies, without, however, having control or joint control, were valued using the net equity method. Based on what is laid down by IAS 28.6, significant influence is presumed when the shareholder owns, directly or indirectly, at least 20% of the voting rights exercisable at the associate's shareholders' meeting.

Using the net equity method, the holding in an associate company is initially recorded at cost and the book value is increased or decreased to record the applicable share of the associate's profits or losses realised after the date of acquisition, posted to the shareholder's profit and loss account.
The consolidated accounts, therefore, only incorporate the relevant share of the associate's net book equity and result for the financial year, but not the values of the individual balance sheet items.

Consolidation adjustments

So that the consolidated accounts can present group accounting information as if this information related to a single economic entity, the following adjustment principles were implemented:
- dividends received by Companies consolidated or valued using the net equity method were eliminated;
- significant inter-company asset and economic accounts were eliminated, with the exception of those relating to operations with Companies valued using the net equity method.
- profits deriving from sale and purchase transactions between Group Companies were eliminated, even if valued using the net equity method. Likewise, any losses deriving from transactions carried out by Group Companies were eliminated, unless the latter reflected a permanent drop in the intrinsic value of the property transferred.

Merger deficits generated following mergers between companies belonging to the group and posted to the Parent company's accounts, thereby increasing the asset items, were eliminated in the consolidated accounts, since in the latter consolidation differences deriving from the elimination of the book values of individual holdings incorporated against related net equity shares, posted to equity assets or entered under Goodwill, were maintained.
In fact, the merger transaction only produces, on a legal level, what is already expressed in the consolidated accounts. Failure to eliminate said deficits would have essentially constituted a duplication of values already existing within the consolidated accounts.

Date of the consolidated accounts

The Consolidated Accounts closed on 31 December 2005, coinciding with the date of fully consolidated Companies' accounts.

Currency of account

These accounts are expressed in Euro (€) since this is the currency in which most of the Group's transactions are performed. A precise indication of all the amounts appearing in the accounts is given in thousands or millions of Euro. Where necessary, accounts expressed in currencies other than that of the Euro zone are converted by applying current exchange rates at the end of the financial year.

Section 3 – Transition to IAS/IFRS international accounting standards

General overview

Following the entry into force of EC Regulation No. 1606 of July 2002, European companies whose shares are traded on a regulated market must adopt IAS/IFRS (International Accounting Standards/International Financial Reporting Standards) when preparing consolidated accounts for the 2005 financial year 2005.

In this way, a high level of transparency and comparability of accounting and financial information from European listed companies is taken to be guaranteed and is a necessary requirement for the efficient operation of Community capital markets.

IAS/IFRS standards were issued by the IASB (International Accounting Standards Board), a body proposing to develop a single set of high quality accounting principles, valid on a world scale.

The application at Community level of international accounting standards, known as IAS for those issued up to 2001 and IFRS for those issued subsequently, as well as related interpretations known as SIC (Standing Interpretations Committee) and IFRIC (International Financial Reporting Interpretations Committee) is subject to a ratification process, aimed at guaranteeing that the international accounting standards are compatible with Community Directives on such matters and concludes with the publication of adopted documents in the European Union Official Journal.

Community legislation

The standards were gradually ratified by the European Union by means of separate regulatory measures. In particular:

- EC Regulation No. 1725 of 29 September 2003, in accordance with Regulation 1606/2002, adopted all the international accounting standards and interpretation documents compiled on 14 September 2002, with the exception of principles relating to financial instruments (IAS 32 and 39) and related interpretations (SIC 5, 16 and 17).

- EC Regulation No. 707 of 6 April 2004 amended Regulation 1725/03, replacing document SIC-8 (First time application of IAS as a reference accounting system) with IFRS 1 (First time adoption of IFRS).

- Under EC Regulation No. 2086 of 19 November 2004, IAS 39 (Financial instruments - Recognition and measurement) was adopted, excluding some provisions relating to the unlimited fair value option and hedge transaction accounting, which had aroused concerns on the part of supervisory authorities regarding the possibility that these standards could be used inappropriately.

- Under Regulations 2236, 2237 and 2238 of 29 December 2004 the following new principles were adopted: IFRS 3 (Business combinations), IFRS 4 (Insurance contracts), IFRS 5 (Non-current assets held for sale and discontinued operations), IAS 32 (Financial instruments - Disclosure and Presentation) and those principles already adopted under Regulations 1725/03 and 707/04 were approved again but were subsequently reviewed by the IASB.

- Regulation No. 211 of 4 February 2005 adopted the new IFRS 2, relating to Share-based payments.

- Finally, on 16 November 2005, EC Regulation No. 1864 of 15 November 2005 was published in the EUOJ, amending IFRS 1 as well as IAS 32 and 39, following the new wording of the fair value option published by the IASB on 16 June 2005 after much debate, in particular, with the European Central Bank and with supervisory authorities represented on the Basle Committee.

Italian legislation

Regulation No. 1606/02 also gave member states the right to permit or impose the adoption of international accounting standards for annual accounts of listed companies and for annual and consolidated accounts of unlisted companies.

Legislative Decree No. 38 of 28 February 2005, in accordance with the delegation contained in art. 25 of L.306/03 (Community Law 2003), extended the obligation to adopt IAS/IFRS standards:
- to listed companies for preparation of annual accounts;
- to companies issuing financial instruments to the public (art. 116 of the Consolidated Law on Finance), for the preparation of annual and consolidated accounts;
- to banks and financial intermediaries subject to monitoring by the Banca d'Italia, for the preparation of annual and consolidated accounts;
- to insurance companies for the preparation of consolidated accounts and for the preparation of annual accounts but, in this case, only if they are listed and do not prepare consolidated accounts.

The Decree also gives unlisted companies which prepare accounts in a non-abbreviated format, the right to use IAS/IFRS standards.

With its Decision No. 14990 of 14 April 2005, Consob amended the Issuers' Regulation, originally adopted by Decision No. 11971 of 14 May 1999, providing for gradual transition to IAS/IFRS standards with regard to periodic 2005 reporting.

In particular, alongside an ordinary regulation that lays down that the half-yearly report and quarterly reports should be prepared in accordance with international accounting standards, Consob provided for a transitional system which made possible:

- preparation of the quarterly report as at 31 March 2005 using national accounting principles
- preparation of the quarterly report, as at 30 June and the half-yearly report, using national accounting principles, supplying appropriate IAS/IFRS reconciliation tables.

In accordance with art. 9 of Legislative Decree 38/2005, which rules that powers invested in ISVAP by art. 6, paragraph 1 and by art. 83 of Legislative Decree 173/97 should be exercised in accordance with IAS/IFRS standards, ISVAP Directive No. 2404 was finally issued on 22 December 2005, which contains accounting models to be used by insurance companies for the preparation of the 2005 consolidated accounts and related instructions for compilation.

Choices made

With regard to the initiatives undertaken, we must first of all remember that in July 2003 the Fondiaria-SAI Group had already launched an implementation schedule for operating and procedural changes required by IAS/IFRS standards, via the formation of working parties, divided into balance sheet areas and specialist skills.

The transition involved considerable commitment when it came to defining and implementing the work required to align the Group’s corporate procedures and systems to the new requirements.

With specific reference to choices made during transition, it should be noted that Milano Assicurazioni applied the following accounting principles from 1 January 2005:

- IAS 32 – Financial instruments: Disclosure and presentation
- IAS 39 – Financial instruments: recognition and measurement
- IFRS 4 – Insurance contracts

relating to financial instruments and insurance contracts. The aforementioned accounting principles contain new items that are significantly different from the accounting principles used to prepare accounts hitherto.

With reference to IFRS 1, which shows the technical rules for the changeover to international accounting standards and provides, amongst other things, for some concessions at the first-time application stage, transition to IAS/IFRS requires the selection of accounting principles and the identification of first application choices.

In particular, choices relating to application of IFRS 1 relate to:

- criteria for transition to IAS, with the opportunity to adopt some optional valuation criteria or take advantage of some exemptions in applying the new principles retroactively,
- the options provided for by some specific international accounting standards.

The choices made by Milano Assicurazioni can be summarised as follows:

a) Business combinations occurring prior to the date of transition to IAS/IFRS (1/1/2004): based on what is allowed by appendix B of IFRS 1 (first-time adoption of IAS) the company took advantage of the right not to apply IFRS 3 to business combinations occurring prior to the date of transition to IAS/IFRS standards. And so, goodwill recorded in the consolidated accounts prepared according to Italian accounting principles with reference to acquisitions prior to 1 January 2004 (date of transition to IFRS), were maintained at the previous value, subject to prior checking of the adequacy of said value and recording of any losses in value.
b) Property and other tangible fixed assets: on first-time application these may be recorded at fair value instead of at cost. This option makes its possible to record these assets at fair value and to use this value instead of the cost value. Milano Assicurazioni did not choose this option and decided to record property and tangible fixed assets at amortised cost and to record any losses in value.
c) The staff-leaving indemnity (TFR) has no equivalents in other countries and controversy surrounds the most appropriate accounting method to apply to this item. In anticipation of specific guidelines from authorities it was deemed appropriate to deal with staff-leaving indemnity under IAS 19 (Employee benefits). According to this principle, the staff-leaving indemnity is considered to be a duty to pay specific benefits to be determined using actuarial methods by applying the criterion of projected unit credit. With reference to employee benefits, IFRS 1 allows for actuarial profits and losses on the date of transition to IAS/IFRS standards to be recorded in full, without prejudicing the opportunity of applying, for actuarial profits and losses accruing subsequently, the so-called corridor method provided for in paragraphs 92 and 93, which makes it possible to record these actuarial profits and losses only if they exceed the greater of 10% of the current value of the obligation to pay specific benefits and 10% of the fair value of the assets serving the obligation.
   Milano Assicurazioni did not take this option and decided to record both the actuarial profits and losses accrued on the date of transition as well as those accruing subsequently, in full.
d) As has been said, accounting standards
   - IAS 32 – Financial instruments: Disclosure and presentation
   - IAS 39 – Financial instruments: recognition and measurement,
   - IFRS 4 – Insurance contracts,

   were applied as of 1 January 2005.

   It is, therefore, clear that comparison with 2004 data for items affected by the aforementioned standards may be not be fully significant. To this end, for equity data as at 31 December 2004, financial investments in the categories provided for by IAS 32 and 39 were reclassified without prejudice to the application of valuation criteria as of 1 January 2005. Equally, the comparison is not significant for profit and loss account items impacted by the aforementioned standards and so the reclassification was necessarily subject to reasonable estimation.

The effects of the transition to IAS/IFRS resulting from changes in accounting principles are reflected:
- in the initial net equity on the date of transition (1 January 2004) for all accounting principles already in force during the course of 2004.
- in the net equity as at 1 January 2005 for international accounting standards IAS 32, IAS 39 and IFRS 4.

Main impacts resulting from the introduction of IAS/IFRS standards

Goodwill

Based on what is laid down by IAS 38 (Intangible assets), Goodwill, as an asset with an undefined useful life, is no longer amortised systematically but is subject to an impairment test performed at least annually for the purposes of identifying the existence of any loss in value. In short, to this end:
- Cash Generating Units – CGU relating to the goodwill posted have been identified;
- the recoverable value of the CGU, taken as being the greater of the fair value, less sale costs and the value in use, amounting to the current value of future financial flows relating to the CGU, has been identified
- the book value of the CGU has been compared with the recoverable value to see if there is any loss in value.

The impairment test on goodwill, in accordance with the model summarised above, confirmed the adequacy of the values posted on the date of transition (1 January 2004) in accordance with Italian principles. We have, therefore, made provision to cancel amortisation amounts applied on the basis of Italian accounting principles in 2004.

Other intangible assets

IAS 38 lays down that set-up and expansion costs and research and advertising costs cannot be maintained in the accounts and, during first-time application of the IAS, must be cancelled with consequent drop in net equity. The amount posted to the accounts prepared in accordance with Italian accounting principles on the date of transition to IAS (1/1/2004) resulted, therefore, in a reduction in net equity and, consequently, the amortisation charges posted to the profit and loss account for the 2004 financial year were cancelled.

Property

IAS 16 (Property, plant and equipment) lays down that, during initial entry, property for company use should be posted at cost. Subsequent recognitions can be made on the basis of the cost model (paragraph 30) or on the basis of the revaluation model (paragraph 31).

IAS 40 (Investment property), governing property held by the company for investment purposes, lays down that, at the time of acquisition, the property must be recorded at cost whilst, in subsequent valuations, the company may choose between valuation at cost and valuation at fair value.
Fair value is the price for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction, i.e. what is commonly known as the market price.

The Company has chosen to use cost as the valuation principle for all property, both property intended for company use and property owned for investment purposes and, as such, intended for use by third parties.
During first-time application, as permitted by IFRS 1 (First-time adoption of International Financial Reporting Standards), the value restated on the basis of previous accounting principles was used instead of cost.
Revaluations of property in previous years were not removed in the process of restating cost since they were deemed to contribute to determination of the amortised cost in reflecting the variation in price indices.

On the basis of what is laid down by IAS 16 and IAS 40 the Group:
- unbundled from the value of property owned in full, the value of the land on which the latter stands which, being of unlimited duration, is not subject to amortisation;
- applied an appropriate amortisation process to the resulting net value, using different rates according to the estimated useful life of the buildings;
- consequently restated the value of the buildings on the date of transition to IAS, posting to net equity the difference between this and the value appearing in the accounts prepared according to Italian principles;
- adjusted the result for the 2004 financial year by the difference between amortisations calculated according to Italian principles and those determined on the basis of IAS standards, also taking into consideration variations in capital gains realised.

Property is subject to an impairment test - comparing the book value with the estimated fair value, determined by way of apposite expert appraisals.

Staff-leaving indemnity

There is no equivalent of the Staff-leaving indemnity in other countries and controversy surrounds the most appropriate accounting method to be applied to this item. In anticipation of specific guidelines from authorities it was deemed appropriate to deal with staff-leaving indemnity under IAS 19 (Employee benefits).
In particular, since this is a complex obligation, in so far as there is the guarantee of a fixed return on sums set aside which are not realisable on the date of the accounts, the amount to be entered must be the subject of an actuarial calculation using the procedure indicated in point 1 of IAS 19 (Projected Unit Credit Method).

Financial investments

IAS 39 (Financial instruments: recognition and measurement), applied by the Company from 1 January 2005, lays down that financial instruments should be classified not according to their nature but according to their functional intended use within the scope of company management. In particular, IAS 39 provides for the following categories of financial assets:

- "financial instruments valued at fair value through profit or loss", which includes securities held for short-term trading and securities which, at initial recognition, are assigned to this category by the company;
- "loans and receivables" which, in addition to receivables and loans in the strictest sense, defined by Italian principles, also includes unlisted debt securities not purchased on the primary market;
- "financial instruments held to maturity", which includes debt securities with fixed maturity and fixed or determinable payments that the company intends, and is capable, of holding to maturity;
- "securities available for sale", which includes securities which cannot be classified in the preceding categories.

During first recognition, financial assets are entered at fair value, which generally corresponds to the price paid for their acquisition. Subsequently, different valuation criteria are applied to the individual categories, again in accordance with IAS 39. In particular:

- financial instruments at fair value through profit or loss, as, however, explained by the name of the category, are valued at fair value, posting the difference between fair value and initial value to the profit and loss account;
- financial instruments held to maturity and loans and receivables are valued at amortised cost, calculated using the effective interest method;

financial instruments available for sale are valued at fair value, the difference compared to the initial value being posted to net equity. Amounts relating to adjustment to fair value are maintained in net equity for as long as the related financial assets remain in company equity and are posted to the profit and loss account at the time of sale. Value adjustments for impairment losses are also posted to the profit and loss account.

For financial assets entered in the category "fair value through profit or loss", during recognition of fair value on the date of transition (which, as has already been said, for IAS 39 and related IAS 32 – Financial instruments: disclosure and presentation, was 1 January 2005) the difference between the fair value and the book value determined according to Italian principles must be posted to an appropriate net equity reserve.

IAS standards define fair value as the amount for which an asset (or a liability) could be exchanged between knowledgeable and expert parties not subject to any constraints. The fair value of financial instruments is determined on the basis of the following:

- for financial instruments listed on active markets, the current market price on the reference date;
- for unlisted financial instruments, the price determined on the basis of appropriate

valuation techniques.

In the light of the above:
- each security in the portfolio was assigned to one of the categories laid down by IAS 39;
- the initial value or the fair value as at 1 January 2005, the date of application of IAS 32 and 39, of securities assigned to the fair value through profit or loss category and the available for sale category was determined and the difference compared with cost was posted to net equity.

Insurance Contracts

In accordance with IAS/IFRS standards, insurance policies must be divided into two categories:
- insurance contracts (defined as contracts with a significant insurance risk) and financial instruments with discretionary participation, covered by IFRS 4 “Insurance Contracts”. These contracts are posted to the accounts in accordance with rules laid down by Italian accounting principles and related technical reserves are subject to an adequacy test;
- other financial instruments, which are covered by IAS 39 (Financial instruments: recognition and measurement) and of IAS 18 (Revenue). In particular, policies which, although insurance contracts in legal terms, do not present a significant insurance-type risk, come under this category.

Analyses carried out on policies in the portfolio revealed that IFRS 4 was applicable to all non-Life business contracts and all Life business contracts with the exception of:
- index-linked contracts coming under class V “Capitalisation”,
- unit-linked contracts,

which were, therefore, valued on the basis of the aforementioned IAS 39 and IAS 18 standards and treated using the deposit accounting method which, in the main, provides for profit margins alone to be posted to the profit and loss account and the amount accrued in favour of contracting parties to be entered under financial liabilities.

Catastrophe and equalisation reserves

On the basis of IFRS 4, which defines insurance liability as a clear contractual obligation of the insurer under the terms of an insurance contract, equalisation reserves and other premium reserve components which, although obligatory according to Italian accounting principles in so far as they are set aside to meet specific regulatory measures, relate not only to individual insurance contracts but to all contracts covering certain risks of a catastrophic nature, cannot be maintained in accounts prepared in accordance with international accounting standards.

These are reserves set aside on the basis of standard rates in addition to the reserve for portions of individual contract premiums, calculated using the pro rata temporis method, with the aim of reinforcing the reserves intended to cover these catastrophe-type risks.

These additional reserves are, however, (as are the rest of the premium reserve item components) not set aside following losses that have already occurred (which would trigger a contractual obligation on the part of the insurer, to be entered as a provision for outstanding claims) but to meet the possibility that losses of this nature could arise in the future.

Based on the provisions of IFRS 4, the following reserves existing as at 1 January 2005, the date of application of IFRS 4, were eliminated by posting them as net equity increases:

- addition to the premium reserve for insurance of losses deriving from nuclear energy, as laid down by the Italian Ministerial Decree of 21 September 1981;
- addition to the premium reserve for insurance of losses deriving from hailstorms and other natural disasters, as laid down by the Italian Ministerial Decree of 29 October 1981;
- addition to the premium reserve for the insurance of losses deriving from natural disasters constituted by earthquakes, tidal waves, volcanic eruptions and related phenomena (Italian Ministerial Decree of 15 June 1984).
- the equalisation reserve for risks of natural disasters governed by Italian Ministerial Decree No. 705 of 19 November 1996;
- the equalisation reserve for the bond business class rendered by art. 24 of Italian Legislative Decree No. 175 of 17 March 1995;

Mathematical reserves - Life business

In accordance with IFRS 4, mathematical reserves posted according to previous accounting principles underwent a liability adequacy test which confirmed their adequacy for IAS purposes.

Mathematical reserves relating to contracts included in Life business segregated accounts were, however, adjusted by applying the accounting practice known as shadow accounting referred to in paragraph 30 of IFRS 4.

The aim of using this accounting practice, which is an option for the company rather than an obligation, was to further contribute to the transparency and clarity of the data, correlating the value of the mathematical reserve relating to these contracts to the value of assets included in segregated accounts determined using IAS standards.

Securities included in segregated Life business accounts do, in fact, come under the available for sale category or the financial instruments valued at fair value through profit or loss category and, as such, were valued at fair value, recognising the difference between fair value and value determined according to Italian principles as an increase in net equity or in the result for the period.

Moreover, as is known, the yield from securities included in segregated accounts determines the yield to be paid back to policyholders and, therefore, influences the amount of the mathematical reserve.

The mathematical reserve for contracts included in segregated accounts was, therefore, adjusted in line with the valuation of related assets, posting the difference compared with the reserve amount calculated according to Italian principles to the net equity or to the profit and loss account for the period.

In essence, the difference in the mathematical reserve for these contracts compared with Italian principles accounts for the policyholders' share of latent capital gains on securities included in segregated accounts which, on the basis of contractual terms and current legislation, will only be paid to policyholders if and when the capital gains are realised by the sale of the related assets but which in this context is clarified by the fact that the latent capital gains on said securities, as already stated, were recognised as an increase in net equity or in the result for the period.

Section 4 – Other aspects

Following the amendments made to IAS 19 and IAS 39 accounting standards and a different interpretation of the treatment of credit for advance payment of tax on the yield from mathematical reserves referred to in Legislative Decree 209/02, detailed below, a restatement of the reconciliation tables required by paragraphs 39 and 40 of IFRS 1 presented in the 2005 half-year accounts to which reference should be made for full details, is given below. The new tables are given below and the adjustments made are given in the notes.
Section 1 shows the changes to international accounting standards made subsequent to presentation of 2005 half year accounts and the effects of the changes on balances at the start of the year are given below.

RECONCILIATION TABLE AS LAID DOWN BY IFRS 1 - PARAGRAPHS 39 AND 40

(€ K)	Notes	Net equity 1/1/2004	Result 2004	Net equity (*) 31/12/2004
Total amounts (group and minority interest) determined on the basis of Italian accounting principles		1,242,874	249,115	1,399,584
Less: minority interest		7,035	- 11	6,966
Group interest according to Italian accounting principles		**1,235,839**	**249,126**	**1,392,618**
Effects deriving from the application of IAS/IFRS standards:				
IAS 38 "Intangible assets"				
- Goodwill			20,758	20,758
- Other intangible assets		-6,482	4,296	-2,186
IAS 16 and 40 "Property and investment property"				
- Property		-31,813	- 376	-32,189
IAS 19 "Employee benefits"				
- Staff-leaving indemnity and other employee benefits	1	-12,874	625	- 15,673
IAS 1 "Presentation of financial statements"				
- Own shares		-1		- 374
Fiscal effect on items in reconciliation		17,771	-9,998	8,903
Group interest according to IAS/IFRS international Accounting standards		**1,202,440**	**264,431**	**1,371,857**

(*) including result

MILANO ASSICURAZIONI S.p.A.

RECONCILIATION TABLE AS LAID DOWN BY IFRS 1 - PARAGRAPHS 39 AND 40		
(€ K)	Notes	Net equity (*) 01/01/2005
Total amounts (group and minority interest) determined on the basis of Italian accounting principles		1,399,584
Less: minority interest		6,966
Group interest according to Italian accounting principles		**1,392,618**
Effects deriving from IAS/IFRS standards applied from the date of transition 01/01/2004:		
- IAS 38 “Intangible assets”		
Goodwill		20,758
Other intangible assets		-2,186
- IAS 16 and 40 “Property and investment property”		
Property		-32,189
- IAS 19 “Employee benefits”		
Staff-leaving indemnity and other employee benefits	1	-15,673
- IAS 1 “Presentation of financial statements”		
Own shares		-374
- IAS 27 “Basis of consolidation”		
Change in basis of consolidation		
- IAS 37 “Provisions, contingent liabilities and contingent assets”		
Fiscal effect on items in reconciliation		8,903
Group interest as at 31/12/2004 according to IAS/IFRS international Accounting standards		1,371,857
Effects deriving from IAS/IFRS standards applied from 01/01/2005:		
- IAS 39 “Financial instruments”		
Financial assets:		
Available for sale	2	170,102
Fair value through profit or loss	2	13,404
Other financial assets	3	-6,100
Financial liabilities		-3,910
- IFRS 4 “Insurance contracts”		
Catastrophe and equalisation reserves		28,339
Mathematical reserves		-124,654
Service component linked policies (IAS 18)		-362
Fiscal effect on items in reconciliation		-45,835
Group interest as at 31/12/2004 according to IAS/IFRS international Accounting standards		**1,402,841**

(*) including result

NOTES

1) Under EU Regulation No. 1910 published in the EUOJ on 24/11/2005, some amendments were made, amongst other things, to IAS 19 "Employee benefits". In particular, the possibility of recognising actuarial profits and losses in the year in which they occur direct to net equity was laid down. Actuarial profits and losses were not recognised in the tables presented in the half year accounts due to application of the "corridor method". It was decided to take the opportunity offered by the new version of IAS 19 and, as a result, the balances as at 31 12 2004 were adjusted by entering all actuarial profits and losses accumulated on that date. A drop in net equity of € 1,927K was recorded in addition to the related fiscal effect of €636K.

2) Under EU Regulation No. 1864 published in the EUOJ on 16/11/2005, some amendments were made, amongst other things, to IAS 39 "Financial instruments: recognition and measurement"; in particular, the possibility of using the Fair Value Option was restricted. Following the amendment, the accounts as at 31/12/2004 were reclassified by reversing all the financial assets which, in accordance with the amended IAS 39 could not be classified in the Fair Value Through Profit and Loss category, and consequently entering them in the Available For Sale category. As a result, the related reserves were reclassified, increasing the FVTPL reserve by € 29,825K and reducing the AFS reserve by the same amount.

3) On the basis of a widespread market practice, in the tables presented in the 2005 half year accounts, the credit for advance taxes on mathematical reserves (art. 1 paragraph 2 Legislative Decree 209/2002) was considered to fall within the scope of IAS 39, considering IAS 12 applicable solely to income tax and, consequently the credit was discounted. Based on the instructions contained in ISVAP Directive 2404 of 22 December 2005, this credit was once again included in the scope of application of IAS 12. The tables were, therefore, adjusted by reversing the effect of the discounting and recognising a positive effect of €
1,585K plus the related fiscal effect of € 606K.

The changes mentioned earlier relate to effects on the Group's equity. The tables also show the overall effects on minority equity.

Section 5 – Accounting principles and valuation criteria

The valuation criteria pertaining to the main balance sheet items are summarised below:

1. INTANGIBLE ASSETS

Goodwill

The item includes goodwill deriving from business combinations. Based on what is

allowed by appendix B of IFRS 1 (first-time adoption of IAS) the company took advantage of the right not to apply IFRS 3 to business combinations occurring prior to the date of transition to IAS/IFRS standards. Goodwill arising from accounts prepared in accordance with Italian accounting principles was, however, maintained in the amount already posted, subject to adequacy testing of said value.
In particular, this amount includes:

- goodwill posted following the merger by incorporation of Lloyd Internazionale S.p.A. in 1991;
- the goodwill posted in 1992 following acquisition of the Card S.p.A. insurance portfolio;
- goodwill deriving from the acquisition of the Latina Assicurazioni insurance portfolio in 1992;
- goodwill relating to the life portfolio of La Previdente Assicurazioni originally purchased from La Previdente Vita (formerly Latina Vita) in 1993;
- goodwill relating to the acquisition of Maa Assicurazioni S.p.A. insurance assets in 1995, and originating from the accounts of the incorporated Nuova Maa;
- goodwill deriving from the acquisition of the insurance contracts portfolio of Profilo Life in 2001 and originating from the accounts of the incorporated Maa Vita;
- the goodwill recorded in 2003 following the merger by incorporation of Maa Vita, corresponding to the difference between the book value of the holding and the value of the corresponding share of the net equity book value.

Based on what is laid down by IAS 38 (Intangible assets), goodwill, as an asset with an undefined useful life, is no longer amortised systematically but is subject to an impairment test performed at least annually for the purposes of identifying the existence of any loss in value.
In short, to this end:

- Cash Generating Units – CGU relating to the goodwill posted have been identified;
- the recoverable value of the CGU, taken as being the greater of the fair value, less sale costs and the value in use, amounting to the current value of future financial flows relating to the CGU, has been identified
- the book value of the CGU has been compared with the recoverable value to see if there is any loss in value.

Impairment tests carried out on the resulting goodwill as at 1 January 2004, the date of transition to IAS/IFRS international accounting standards, confirmed the values recorded in accordance with Italian principles which were, therefore, maintained, with consequent provisions for the reversal of the amortisation carried out on the basis of Italian accounting principles, over 2004.

It should also be noted that, on the basis of the optional exemption provided for by IFRS 1, data relating to business combinations already recognised in the accounts prior to the date of transition to IAS (01/01/2004) have not been shown again in accordance with IFRS 3 rules.

Other intangible assets

These are assets with no physical consistency and can be posted in accordance with IA3 38 in so far as they are known for the following characteristics:

- Identifiability
- Monitoring of the resources by the company
- Existence of future economic benefits

In accordance with IAS 38, set-up and expansion costs and research and advertising costs cannot be entered under this item.
During initial posting, these assets are entered at cost, inclusive of direct allocation charges.
During subsequent recognition they are posted at cost, net of amortisations accumulated and any write-downs for reduction in value. Amortisations are calculated at constant rates, on the basis of the useful life estimated at 3 or 5 years.
Any assets with an indefinite useful life are not subject to amortisation but undergo annual impairment tests, in accordance with what is laid down by IAS 36, so as to identify any impairment losses.

2. INTANGIBLE ASSETS

Property

Property used direct by the company as a tool for the production of income is included in this item.

IAS 16 (Property, plant and equipment) lays down that, during initial entry, property for company use should be posted at cost. Subsequent recognitions can be made on the basis of the cost model (paragraph 30) or on the basis of the revaluation model (paragraph 31).

The Company has chosen to use cost as the valuation principle. During first-time application, as permitted by IFRS 1 (First-time adoption of International Financial Reporting Standard), the value restated on the basis of previous accounting principles was used instead of cost.
Revaluations of property in previous years were not removed in the process of restating cost since they were deemed to contribute to determination of the amortised cost in reflecting the variation in price indices.

On the basis of what is laid down by IAS 16 we have also:

- unbundled from the value of property owned in full, the value of the land on which the latter stands which, being of unlimited duration, is not subject to amortisation;
- subjected the resulting net value to an appropriate amortisation process, using different rates according to the estimated useful life of the buildings;
- consequently restated the value of the buildings on the date of transition to IAS, posting to net equity the difference between this and the value appearing in the accounts prepared according to Italian principles;

Property is subject to an impairment test which involves comparing the book value with the estimated fair value, determined by way of apposite expert appraisals.

Other tangible assets

The item includes property, plant, equipment and motor vehicles used direct by the company as tools for the production of income.
They are entered at cost and subject to amortisation based on their estimated useful life. For the purposes of quantifying amortistations, the residual value of the asset, or the value of the asset at the end of its useful life, is estimated at zero.

3. REINSURERS' SHARE OF TECHNICAL RESERVES

Reinsurers' share of technical reserves is calculated using the same criteria used for the allocation of direct business reserves, taking into account contractual reinsurance clauses.
Retrocessionaires' share of the reserves are determined using the criteria used for the formation of reserves for risks accepted and represent the latters' share of contractual liabilities.

4. INVESTMENTS

Investment property

IAS 40 (Investment property), governing property held by the company for investment purposes, lays down that, at the time of acquisition, the property must be recorded at cost whilst, in subsequent valuations, the company may choose between valuation at cost and valuation at fair value.

Fair value is the price for which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction, i.e. what is commonly known as the market price.

The Company has chosen to use cost as the valuation principle for property held for investment purposes and, as such, intended for use by third parties.
During first-time application, as permitted by IFRS 1 (First-time adoption of International Financial Reporting Standards), the value restated on the basis of previous accounting principles was used instead of cost. Revaluations of property in previous years were not removed in the process of restating cost since they were deemed to contribute to determination of the amortised cost in reflecting the variation in price indices.

On the basis of what is laid down by IAS 40 we have also:
- unbundled from the value of property owned in full, the value of the land on which the latter stands which, being of unlimited duration, is not subject to amortisation;
- subjected the resulting net value to an appropriate amortisation process, using

different rates according to the estimated useful life of the buildings;
- consequently restated the value of the buildings on the date of transition to IAS, posting to net equity the difference between this and the value appearing in the accounts prepared according to Italian principles;

Investment property is subject to an impairment test which involves comparing the book value with the estimated fair value, determined by way of apposite expert appraisals.

Holdings in subsidiaries, associates and joint ventures

The item includes non-consolidated holdings, defined and governed by IAS 27, 28 and 31, valued using the net equity method.

Loans and receivables

The item includes loans governed by IAS 39, to the exclusion of trade receivables, reinsurance deposits with ceding companies, as well as receivables from successor agents for recoupment of claims paid to agents who have ceased trading.
During first-time recognition they are entered at fair value plus any directly attributable transaction costs. During subsequent valuations they are entered at amortised cost which is, in short, the amount at which the activity is valued initially plus or minus the amortisation, determined using the effective interest rate, of any difference between the initial value and the repayment value.

Investments held to maturity

This item includes non-derivative financial instruments, with fixed or determinable payments and fixed maturity, that the company intends and is able to hold until maturity.

Based on what is laid down by IAS 39 (Financial instruments: recognition and measurement), applied from 1 January 2005, initial recognition of these financial instruments must be at fair value plus transaction costs directly attributable to the purchase.

Fair value is the amount for which an asset could be exchanged between knowledgeable and expert counterparties who are not subject to any constraints and generally corresponds to the transaction price.

During subsequent valuations, financial instruments entered under this category are valued at amortised cost, calculated using the effective interest method.
The amortised cost of a financial asset is the value at which this asset was measured at first recognition net of capital repayments, plus or minus total amortisation of the difference between the initial value and the value at maturity, calculated using the effective interest method.

The effective interest rate is the rate that equates the current value of a financial asset to the contractual flow of future cash payments or receipts to maturity.
In essence, the logic of amortised cost is that of distributing economic components throughout the life of the contract which would otherwise have been recorded as income or expenditure at the time of receipt or payment.

Financial assets available for sale

Includes all financial assets not otherwise classified.
During first recognition, these assets are entered at fair value, which generally corresponds to the price paid for their purchase, plus directly attributable transaction costs.

Subsequently, financial instruments available for sale are valued at fair value, the difference compared to the initial value being posted to net equity. The fair value is determined on the basis of the following:
for financial instruments listed on active markets: it is the current market price on the reference date;
for unlisted financial instruments it is the price determined on the basis of appropriate valuation techniques.

Amounts relating to adjustment to fair value are maintained in net equity for as long as related financial assets remain in company equity and are posted to the profit and loss account at the time of sale. Value adjustments for impairment losses are also posted to the profit and loss account.

Financial assets at fair value recognised through profit or loss

This item includes financial assets held for short-term trading as well as financial assets designated to this category, within the constraints of IAS 39. This item includes, in particular, financial assets relating to index and unit linked-type insurance or investment contracts (with the exception of those referred to in IFRS 4.IG2) written by insurance companies.

During first-time recognition, these assets are entered at fair value, which generally corresponds to the price paid for their purchase.

Subsequently, financial instruments at fair value through profit or loss, as is explained by the name of the category itself, are valued at fair value, posting the difference between fair value and initial value to the profit and loss account;
For financial instruments listed on active markets, fair value is the current market price on the reference date whilst, for unlisted financial instruments, it is the price determined on the basis of appropriate valuation techniques.

During recognition of fair value on the date of transition to international accounting standards, IAS 39 requires the difference between fair value and the book value determined according to Italian principles to be posted to an appropriate net equity reserve.

5. RECEIVABLES

This item includes trade receivables, governed by IAS 39, which are shown at recoverable value.
For short-term trade receivables, IAS/IFRS accounting standards make provision for accounting management which is marked by some peculiarities. In particular, amortised cost is not applied, in the belief that the application of this criterion would prove to be very similar to valuation at historic cost and there is no discounting of financial flows in the determination of recoverable value, which would result in insignificant results.

6. OTHER ASSETS

Deferred acquisition costs

These comprise:
- the share of commissions on multi-year policies still to be amortised. The amortisation process provides for:
  - in Life business, distribution based on the duration of each contract and, at any rate, over no longer than a 10 year period.
  - in non-Life business, allocation at cost according to the average duration of multi-year contracts, amounting to 7 years.
- the share of commissions paid upon stipulation of index linked-type financial contracts included in class V (Capitalisation), still to be amortised.

Amortisation of commissions paid in relation to index linked-type contracts included in the capitalisation class derives from the treatment that international accounting standards reserve for insurance contracts. On the basis of IAS/IFRS standards, insurance policies must, in fact, be divided into two categories:
- insurance contracts and financial instruments with discretionary participation, which are subject to IFRS 4 (Insurance Contracts). These contracts are posted to the accounts in accordance with current rules laid down by Italian accounting principles and related reserves are subject to an adequacy test;
- other financial instruments, which are covered by IAS 39 (Financial instruments: recognition and measurement) and of IAS 18 (Revenue). In particular, policies which, although insurance contracts in legal terms, do not present a significant insurance-type risk, come under this category.

Analyses carried out on policies in the portfolio revealed that IFRS 4 was applicable to all non-Life business contracts and all Life business contracts with the exception of:
- index-linked contracts coming under class V “Capitalisation”,
- unit-linked contracts,

which were, therefore, valued on the basis of the aforementioned IAS 39 and IAS 18 standards and treated in accordance with the deposit accounting method.

In particular, for the purposes of these accounts, IAS 18 requires:
- revenue and costs relating to the same transaction to be recorded simultaneously;
- revenue and associated costs for a transaction which involves the provision of services to be recorded with reference to the stage of completion of the transaction.

The stage of completion can be measured in various ways and, in particular, when services are rendered via an unspecified number of actions over a fixed period of time, revenue and costs are measured at constant rates, unless it is clear that other methods would provide a better representation of the stage of completion.

Based on these considerations, the share of costs incurred for financial contracts to be amortised, using the linear method, posted to "Deferred acquisition costs" and the share of revenue relating to these contracts that has not yet accrued, posted to "Other Liabilities", has been determined.

Current and deferred tax assets

Current tax assets relate to receivables from the Treasury, mainly deriving from deductions at source and from the posting to the accounts of the tax referred to in art. 1, paragraph 2, of Legislative Decree 209/2002, as converted by art. 1 of Law No. 265/2002 and subsequent amendments (tax on mathematical reserves).

Deferred tax assets include the positive fiscal effect determined in relation to time differences between taxable amounts and those posted in accordance with IAS standards. Posting of deferred tax assets (and deferred tax liabilities posted with other liabilities) makes it possible to maintain the correlation between the tax liability posted in the accounts and the pre-tax economic result, both in the financial year in which these differences arise and in future years in which these differences are cancelled out following, for example, the disposal of the assets to which they relate, recovery of same via amortisations or the extinction of liabilities.

Non-current assets or assets belonging to an HFS disposal group

This item includes assets defined and governed by IFRS 5. In particular, the book value of a property sold in 2006 for which a preliminary sale contract had been stipulated prior to the end of 2005 was allocated to this item.

Other assets

This item includes transitory accounts for reinsurance receivables, deferred commissions payable relating to contracts not falling within the scope of IFRS 4 and other residual assets which are not included in previous items.

7. CASH AT BANK AND IN HAND AND EQUIVALENTS

Liquid assets are represented by cash and demand deposits (including any current cash flow accounts with a negative balance at the end of the financial year). Equivalents represent short-term financial investments with high liquidity which are readily convertible into cash and which are not subject to a petty risk of changes in value. Short-term financial investments are taken as those maturing three months or less from the date of acquisition.

IAS 39 and, in particular, what is laid down in relation to financial assets available for sale, applies for the purposes of valuing the assets included in this category . Initial valuation is at fair value, generally corresponding to the price paid for the acquisition, including transaction costs. Subsequently, these assets are posted at fair value, which normally corresponds to the acquisition costs plus interest accrued, with any difference between this and the initial value being posted to net equity

NET EQUITY AND LIABILITIES

1. NET EQUITY

Capital

This item represents the capital of the parent company, Milano Assicurazioni, recorded at the nominal value of the fully subscribed and paid up shares comprising said capital.

Capital reserves

This item includes, in particular, the consolidating company's share premium reserve.

Profit and other equity reserves

This item includes, in particular, profits and losses deriving from the first-time application of international accounting standards (IFRS 1), catastrophe and equalisation reserves not included in technical liabilities in accordance with IFRS 4.14(a), reserves provided for by the Italian civil code and by special laws prior to the adoption of international accounting standards, as well as consolidation reserves.

Own Shares

As laid down by IAS 32.33, the value of the shares in the company that prepares the consolidated accounts, owned by said company and by consolidated companies, is recorded as a drop in net equity.

Profits or losses on financial assets available for sale

This item includes profits or losses deriving from the valuation of financial assets classified under the "available for sale" category, net of the part which can be attributable to policyholders and allocated to insurance liabilities on the basis of the shadow accounting method, described in full in the subsequent note on Technical Reserves. The amount posted is the difference between the cost and fair value of the assets, represented by current listing on the reference date for financial instruments listed on active markets and by the price determined on the basis of appropriate valuation techniques for unlisted financial instruments.

Other profits and losses recognised direct to equity

This item includes the recognition of actuarial profits and losses relating to the staff-leaving indemnity both for the part accrued on the date of transition to IAS/IFRS international accounting standards, and for the part accrued subsequently as permitted by EU Regulation No. 1910 published in the EUOJ of 24/11/2005.

Minorities' share of capital and reserves

This macroitem includes instruments and components which represent the minorities' share of capital and related equity reserves.

2. PROVISIONS

On the basis of IAS 37 (Provisions, contingent liabilities and contingent assets) provisions are liabilities for uncertain amounts or maturity which are recognised when the following conditions occur at the same time:
- a present obligation on the reference date of the accounts exists as a result of a past event;
- it is probable that to fulfil this obligation it will be necessary to use economic resources;
- a reliable estimate of the amount needed to fulfil the obligations can be made.

In particular, this item includes, therefore, provisions for future risks and charges of a fixed nature, reliably estimated on the basis of information available on the date on which the accounts are drawn up.

3. TECHNICAL RESERVES

Includes commitments arising from insurance contracts and from financial instruments governed by IFRS 4.2, gross of reinsurance cessions. Reserves set aside following the adequacy test on liabilities (IFRS 4.15), deferred liabilities to policyholders (IFRS 4.30,34) and the reserve for amounts payable, are also included.

In detail, the macroitem includes:

NON-LIFE BUSINESS

Premium reserve for direct insurance risks

Includes both the reserve for premium portions and, where the necessary prerequisites exist, the reserve for current risks determined in accordance with what is laid down by art. 32 of Legislative Decree No. 173 of 26 May 1997. The reserve for premium portions was determined using the "pro-rata temporis" method applied analytically for each policy on the basis of gross premiums posted to the accounts. The methodology provided for by ISVAP Directive No. 1978-G of 4 December 2001 applies to the Bonds business class. The additions provided for by specific provisions on the subject were also applied to the bonds class.

The reserve for current risks, which essentially represents the adequacy test on insurance liabilities for non-Life business required by paragraph 15 of IFRS 4 (Insurance Contracts), is set aside on the basis of individual insurance classes where the anticipated experience of currently generated claims proved to be in excess of the premium portions reserve. The amount is determined with reference to the ratio of losses to earned premiums relating to current generation, also taking into consideration premium instalments still due.

The overall amount set aside was judged to be adequate to cover commitments for current risks at the end of the financial year.

Claims reserve for direct insurance risks

Includes sums which, from a prudent valuation based on objective factors, prove to be necessary to pay for claims arising in the financial year or in previous financial years, and not yet paid, as well as related settlement costs.

The reserve was valued at final cost as referred to in paragraph 2 of art. 33 of Legislative Decree 173/97 and, therefore, takes into consideration all future foreseeable charges on the basis of historical and prospective data.

In order to determine the final cost of claims relating to the Motor TPL reserve (both current and previous generations) statistical methodologies were used which relate to trends in the cost of claims, based on historical and prospective data appropriately adapted to the specific characteristics of the company (methods falling within the scope of various Fisher-Lange typologies). In particular, in order to determine future hikes in the cost of losses covered by reserves, consideration was given to scheduled inflation and specific cost trends in the insurance industry.

For other classes, the reserve is entered on the basis of a prudent technical valuation of each claim filed and calculation of the final cost is checked on the basis of historical trends relating to the reduction of claims reserves.

The claims reserve includes an amount set aside to pay for claims relating to the financial year but not yet filed by the end of said year, estimated with reference to experiences of previous financial years.

Other technical reserves

These relate to the reserve for increasing age in the Health business class, intended to compensate for the worsening risk due to the increasing age of policyholders. This reserve is determined using the method laid down by point 3 of art. 25 of Legislative Decree No. 175 of March 1995, (analytical method).

Premium reserves for indirect business risks
These are determined on the basis of communications received from ceding companies. Failing receipt of these communications, appropriate fixed rates are applied to premiums posted to the accounts and relating to risks still in existence at the end of the financial year, taking note of what is laid down by ministerial provisions for Bond and Deposit classes.

Claims reserves for risks accepted in reinsurance
These are determined on the basis of communications received from ceding companies, possibly supplemented by objective factors and our own statistics. The amounts set aside were deemed to be sufficient to meet existing commitments at the end of the financial year.

LIFE BUSINESS

Technical reserves relating to direct insurance risks
These are calculated in accordance with actuarial technical procedures which satisfy current legislation and, in particular, the calculation principles fixed by art. 25 and the regulations contained in art. 119 of Legislative Decree No. 174/95. The calculation is made analytically for each contract on the basis of pure commitments without deductions for acquisition costs. The technical bases for the calculation (technical rates of interest, demographic hypotheses of eliminations for death or disability and default frequencies) are the same as those used to determine premiums for individual contracts. In any event, the mathematical reserves were not less than the surrender values.

This item also includes an additional reserve for technical bases and an additional reserve for guaranteed interest.

The additional provision for technical bases, set up in line with what is laid down by ISVAP Directive No. 1380-G of 21 December 1999, provides for the higher costs that the company will have to sustain due to the increase in the average human longevity for premiums in the form of life annuities or where there is the option of conversion to a predetermined return.

The additional provision for guaranteed interest, set up on the basis of what is laid down by ISVAP Directive No. 1801-G of 21 February 2001, provides for the higher cost that the company will have to sustain for the difference between the rate of interest guaranteed to policyholders and the yield performance forecast for segregated accounts calculated according to what is laid down by the aforementioned ISVAP Directive 1801-G.
For products with the characteristics indicated in art. 30 paragraph 2 of Legislative Decree 174/95, where the investment risk is borne by policyholders, the calculation

is made analytically on a contract by contract basis, adopting allocations approximating, as closely as possible, the value of the underlying assets.

In accordance with IFRS 4, mathematical reserves posted according to said principles underwent a liability adequacy test which also confirmed their adequacy for IAS purposes.

This item also includes the adjustment of mathematical reserves relating to contracts included in Life business segregated accounts, made by applying accounting practices known as shadow accounting, referred to in paragraph 30 of IFRS 4.

The aim of using this accounting practice, which is an option for the company rather than an obligation, was to further contribute to the transparency and clarity of the data, correlating the value of the mathematical reserve relating to these contracts to the value of assets included in segregated accounts determined using IAS standards.

Securities contained in segregated life business accounts do, in fact, come under the available for sale category or the financial instruments valued at fair value through profit or loss category and, as such, were valued at fair value, recognising the difference between fair value and value determined according to Italian principles as an increase in net equity or in the result for the period.

Moreover, as is known, the yield from securities included in segregated accounts determines the yield to be paid back to policyholders and, therefore, influences the amount of the mathematical reserve.

The mathematical reserve for contracts included in segregated accounts was, therefore, adjusted in line with the valuation of related assets, posting the difference between this and the reserve amount calculated according to Italian principles to equity or to the profit and loss account.

In essence, the difference in the mathematical reserve for these contracts compared with Italian principles accounts for the policyholders' share of latent capital gains on securities included in segregated accounts which, on the basis of contractual terms and current legislation, will only be paid to policyholders if and when the capital gains are realised by the sale of the related assets but which in this context is clarified by the fact that the latent capital gains on said securities, as already stated, were recognised as an increase in net equity or in the result for the period.

Technical reserves for risks accepted in reinsurance
These are entered on the basis of communications supplied by ceding companies.

4. FINANCIAL LIABILITIES

Financial liabilities at fair value recognised through profit or loss

This item includes financial liabilities at fair value recognised through profit or loss

defined and governed by IAS 39 (IAS 39.9,47(a)).
This item includes, in particular, financial liabilities designated at fair value recognised through profit or loss, relating to index or unit-linked type investment contracts not falling within the scope of application of IFRS 4, which are treated using the deposit accounting method which, essentially, provides for the allocation to profit and loss solely of profit margins and the posting to the liabilities of premiums written and yields accrued by policyholders.

Other financial liabilities

This item includes financial liabilities defined and governed by IAS 39, other than trade payables and not included in the previous item.
In particular, this item includes:
- deposits received from reinsurers;
- investment contracts not falling within the scope of application of IFRS 4, other than index and unit-linked type contracts.

IAS 39 lays down that during first-time recognition, financial liabilities should be posted at fair value and, subsequently, be valued at fair value, with the difference between this and the initial value being posted to the profit and loss account.

5. PAYABLES

This item includes trade payables as well as payables to employees for staff-leaving indemnity.

Staff-leaving indemnity and other deferred employee benefits
There is no equivalent to the staff-leaving indemnity in other countries. In line with prevailing opinion and in anticipation of specific guidelines from authorities, it was deemed appropriate to deal with staff-leaving indemnity under IAS 19 (employee benefits).

In particular, since this is a complex obligation, in so far as there is the guarantee of a fixed return on sums set aside which are not payable on the date of the accounts, the amount to be entered in accordance with IAS standards must be subject to an actuarial calculation using the procedure indicated in point 64 of IAS 19 (Defined benefit plan). Likewise, the effect of other deferred employee benefits falling within the scope of IAS 19 and following termination of employment, was calculated.
Under EU Regulation No. 1910 published in the EUOJ on 24/11/2005 some amendments were made, amongst other things, to IAS 19 "Employee benefits". In particular, the possibility of recognising actuarial profits and losses direct to equity in the year in which they occur was laid down. Actuarial profits and losses were not recognised in the tables presented in the half year accounts due to application of the "corridor method". The group has now decided to take the opportunity provided by the new version of IAS
19 and has consequently adjusted the balances as at 31 12 2004 by posting all actuarial profits and losses accumulated on that date to equity. It follows that actuarial profits and losses recognised in 2005 are also posted to a specific net

equity item.

6. OTHER LIABILITIES

Current and deferred tax liabilities

These comprise:

- current tax liabilities limited to IRAP [regional tax on production activities]. Current tax liability with regard to IRES [corporation tax] is, on the other hand allocated as a payable to the parent company following Milano Assicurazioni's inclusion in the fiscal consolidation of the Fondiaria-Sai group;
- deferred tax liabilities allocated, according to what is laid down by IAS 12 (Income taxes), with reference to temporary taxation differences, for the purpose of maintaining a correlation between the tax liability and the profit shown in the accounts

Other Liabilities

This item includes, amongst other things, liabilities relating to fixed and other long-term employee benefits (excluding provisions for staff-leaving indemnity, posted to payables), transitory reinsurance accounts, and deferred commissions receivable relating to contracts not falling within the scope of application of IFRS 4, determined according to what is laid down by IAS 18.

PROFIT AND LOSS ACCOUNT

Net premiums

This macroitem includes earned premiums relating to insurance contracts and financial instruments containing an element of discretionary participation, referred to in IFRS 4.2, net of reinsurance cessions.
Proceeds relating to policies which, although insurance contracts in legal terms, do not present a significant insurance risk and do not contain elements of discretionary participation are not, however, covered by this item. These contracts fall within the scope of application of IAS 39 (Financial instruments: recognition and measurement) and IAS 18 (Revenue) and are treated using the "deposit accounting" method which, in short, provides for the posting to the profit and loss account solely of explicit and implicit loadings entered under
"commissions receivable".

Once again it should be stated that analyses carried out on policies in the portfolio revealed that IFRS 4 was applicable to all non-life business contracts and all life business contracts with the exception of:

- index-linked contracts coming under class V "Capitalisation",
- unit-linked contracts,

which were, therefore, valued on the basis of the aforementioned IAS 39 and IAS 18 standards and treated using the deposit accounting method.

Contracts which, on the other hand, fall within the scope of application of IFRS 4 are treated according to principles applicable to annual accounts. In particular, in accordance with art. 45 of Legislative Decree 173/1997 and the instructions contained in the ISVAP provision on charts of accounts for insurance companies, premiums include:

- cancellations justified by technical reversals of individual securities issued during the financial year;
- the cancellation of life business premiums for subsequent years falling due in previous years;
- contract changes with, or without, premium changes, made via substitutions or appendices;

whilst they do not include the following because they are allocated to technical charges, included in "other costs":

- write-downs due to inability to recover receivables from policyholders for premiums for the year carried out at the end of that year;
- write-downs for receivables from policyholders for non-life premiums for previous years;
- write-downs of receivables from policyholders for life premiums for the first year of single premiums written in previous years.

Commissions receivable

This item includes commissions relating to investment contracts not falling within the scope of application of IFRS 4, such as explicit and implicit loadings on the contract and management commissions receivable.

As already stated in the note on the premiums item, these are commissions for the year relating to:
- index-linked contracts coming under class V "Capitalisation",
- unit-linked contracts,

Income from investments

Income and expenditure deriving from financial instruments at fair value through profit or loss
This item includes profits and losses realised and positive and negative changes in the value of financial assets and liabilities at fair value through profit or loss. Changes in value are determined on the basis of the difference between fair value on the reference date and the initial value of financial instruments posted to that category.
For financial instruments listed on active markets, fair value is the current market price on the reference date whilst, for unlisted financial instruments, it is the price determined on the basis of appropriate valuation techniques.

Income deriving from holdings in subsidiaries, associates and joint ventures includes income deriving from holdings in associate companies posted to the corresponding item in the assets. In particular, this is the share of the profit for the period achieved by said participating interests.

Income deriving from other financial instruments and investment property
This macroitem includes income deriving from investment property and financial instruments not valued at fair value through profit or loss, in particular:
- interest received recorded using the effective interest method (IAS 18.30 (a));
- other income and, in particular, dividends relating to shareholdings and proceeds deriving from the use, by third parties, of investment property;
- Profits realised following the disposal of financial assets and investment property or the elimination of financial liabilities;
- Valuation gains, deriving mainly, where this arises, from reversal of impairment.

Other revenue

This item includes:
- income deriving from the sale of assets, the provision of services other than those of a financial nature and from the use, by third parties, of tangible and intangible assets and other assets belonging to the company.
- other technical net income relating to insurance contracts;
- exchange differences to be allocated to the profit and loss account as stated in IAS 21;
- profits realised and an value adjustments relating to tangible and intangible assets.

Net charges relating to claims

This item includes:
- amounts paid, net of recoveries,
- variations in claims reserves and reserves for recoveries
- variations in the reserve for sums payable, mathematical reserves and technical reserves where the investment risk is borne by policyholders
- variations in other technical reserves relating to the insurance contracts and financial instruments referred to in IFRS 4.2, including deferred liabilities to policyholders relating to income and expenditure posted to the profit and loss account (e.g. shadow accounting reserve).

The amounts entered include settlement costs both paid and posted to the reserves, which include all expenses relating the investigation, assessment, valuation and settlement of claims.

Commissions payable

This item includes acquisition cots for investment contracts not falling within the scope of application of IFRS 4 written by insurance companies. These are, in particular, commissions paid to Agents in relation to the acquisition of unit-linked and index-linked contracts covered by class V (Capitalisation).

Investment charges

Charges deriving from holdings in subsidiaries, associates and joint ventures
These include charges deriving from holdings in associate companies, posted to the corresponding item in the assets. In particular, this is the company's share of the profit for the period achieved by said participating interests.

Charges deriving from other financial instruments and investment property
This macroitem includes expenditure deriving from investment property and financial instruments not valued at fair value through profit and loss, in particular:
- interest payable recorded using the effective interest method;
- other charges and, in particular, costs relating to investment property, such as shared ownership costs and maintenance and repair costs not entered as an increase in the value of the investments;
- losses realised following the disposal of financial assets and investment property or the elimination of financial liabilities;
- valuation losses, deriving mainly from amortisations and, where this arises, from value adjustments (impairment).

Operating expenses

Commissions and other acquisition costs
This item includes acquisition costs relating to insurance contracts and financial instruments referred to in IFRS 4.2, net of reinsurance cessions.

Investment management costs
These relate to general and personnel costs for the management of financial instruments, investment property and holdings, as well as custody and administration costs

Other administration costs
This item includes general and personnel costs not allocated to charges relating to claims, to acquisition costs for insurance contracts and to investment management costs. This item includes, in particular, general and personnel costs for companies conducting financial business other than insurance companies, which are not otherwise allocated, as well as general and personnel costs sustained for the acquisition and administration of investment contracts not falling within the scope of application of IFRS 4.

Other costs
This item includes:
- costs relating to the sale of assets other than those of a financial nature
- other net technical charges relating to insurance contracts, for which please refer to the note on the premiums item;
- amounts set aside during the year;
- exchange differences to be allocated to the profit and loss account as stated in IAS 21;
- losses realised, any impairment losses and amortisations relating both to tangible assets, where not allocated to specific items, and to intangible assets.

USE OF ESTIMATES

Preparation of the accounts in accordance with IAS/IFRS standards involves making estimates and valuations which produce effects on the assets, liabilities, costs and revenue posted as well as on the identification and quantification of potential assets and liabilities. Directors periodically check estimates and valuations made on the basis of historical experience and other factors considered reasonable at different times. Actual results may differ in comparison with estimates made under different operating conditions. The use of estimates and valuations mainly relates to the following items:
- Technical reserves
- Employee benefits
- Goodwill

Please refer to the previous chapter on accounting principles and valuation criteria for detailed information on methodologies used to determine the items mentioned above and, in particular, for the valuation of technical reserves, for the performance of impairment tests on goodwill posted and for assumptions made as a basis for the determination of liabilities relating to employee benefits.

Group structure

CONSOLIDATED ACCOUNTS AS AT 31 DECEMBER 2005

BASIS OFCONSOLIDATION

Name	State	Method (1)	Activity (2)	% Direct shareholding	% Total interest (3)	% Votes available at ordinary shareholders' meeting	% consolidation
CAMPO CARLO MAGNO S.p.A.	ITALY	F	10	100.00	100.00	100.00	100.00
CAMPO CARLO MAGNO SPORT S.r.l.	ITALY	F	11	100.00	100.00	100.00	100.00
DIALOGO ASSICURAZIONI S.p.A.	ITALY	F	1	99.85	99.85	99.85	100.00
FONDIPREV S.p.A.	ITALY	F	1	60.00	60.00	60.00	100.00
MAA FINANZIARIA S.p.A.	ITALY	F	11	100.00	100.00	100.00	100.00
MERIDIANO EUR S.r.l.	ITALY	F	10	100.00	100.00	100.00	100.00
MERIDIANO ORRIZZONTI S.r.l.	ITALY	F	10	100.00	100.00	100.00	100.00
NOVARA ASSICURA S.p.A.	ITALY	F	1	100.00	100.00	100.00	100.00
SOGEINT S.r.l.	ITALY	F	11	100.00	100.00	100.00	100.00
SYSTEMA COMPAGNIA DI ASSICURAZIONI S.p.A.	ITALY	F	1	100.00	100.00	100.00	100.00

(1) Method of consolidation: Full consolidation = F, Proportional consolidation = P, Full consolidation by Unitary Division = U

(2) 1=Italian Ins.; 2=EU Ins.; 3=Third party state Ins.; 4=Insurance holding company; 5=EU Reins.; 6=Third party state Reins.; 7=Banks; 8=Savings Management Company; 9=Sundry Holding Companies; 10=Property companies; 11=Other

(3) is the product of the shareholding relationships relating to all companies which, located along the shareholding chain, eventually come between the company that prepares the consolidated accounts and the company in question. Should several subsidiaries have a direct holding in the latter, the individual products must be added together
(4) total percentage of votes available at an ordinary shareholders' meeting, if different from the direct or indirect shareholding

CONSOLIDATED ACCOUNTS AS AT 31 DECEMBER 2005

€K

Details of non-consolidated holdings

Name	State	Activity (1)	Type (2)	% Direct shareholding	% Total interest (3)	% Votes available at ordinary shareholders' meeting	% consolidation
GARIBALDI S.C.S.	LUXEMBURG	10	B	47.95	47.95	47.95	135
SAI INVESTIMENTI S.G.R. S.p.A.	ITALY	8	B	40.00	40.00	40.00	1.874
SERVICE GRUPPO FONDIARIA-SAI S.r.l.	ITALY	11	B	30.00	30.00	30.00	227
SISTEMI SANITARI S.p.A.	ITALY	11	B	25.71	25.71	25.71	518
UNISERVIZI S.c.r.l.	ITALY	11	B	28.00	28.39	28.40	2.336

(1) 1=Italian Ins.; 2=EU Ins.; 3=Third party state Ins.; 4=Insurance holding company; 5=EU Reins.; 6=Third party state Reins.; 7=Banks; 8=Savings Management Company; 9=Sundry Holding Companies; 10=Property companies; 11=Other

(2) a=subsidiaries (IAS 27); b=associates (IAS 28); C=joint ventures (IAS 31); (*) indicate companies classified as being held for sale in accordance with IFRS 5 and provide legend under table

(3) is the product of the shareholding relationships relating to all companies which, located along the shareholding chain, eventually come between the company that prepares the consolidated accounts and the company in question. Should several subsidiaries have a direct holding in the latter, the individual products must be added together
(4) total percentage of votes available at an ordinary shareholders' meeting, if different from the direct or indirect shareholding

Basis of consolidation

As at 31/12/2005 the Milano group comprised, including the Parent company, 11 companies, all of which were fully incorporated. 5 of these were insurance companies, 3 were property companies and the remaining 3 operate in diversified sectors

Compared with the previous financial year, the following companies were not included in the basis of consolidation:

- Finitalia S.p.A., the shareholding having been sold in full to Saifin- Saifinanziaria, a subsidiary of Fondiaria-Sai, as part of the policy to downsize financial business conducted within the group
- Uniservizi s.c.r.l., as the shareholding was subject to Fondiaria-Sai Group internal redistribution, this resulted in the Milano Assicurazioni shareholding dropping from 58% to 28.4%.

PART B – Notes to the consolidated balance sheet

Details and additional explanatory notes relating to the figures given in the consolidated balance sheet are given below. Please note that further details are provided in the annexes issued by the Supervisory Authority with Regulation No. 2404/2005 and given at the end of these notes.

Balance Sheet - Assets

1. INTANGIBLE ASSETS

Comprising:

(€K)	**31/12/2005**	**31/12/2004**	**Variation**	**01/01/2005**
Goodwill	175,338	175,338	-	175,338
Other intangible assets	750	1,908	-1,158	1,908
TOTAL	**176,088**	**177,246**	**-1,158**	**177,246**

Goodwill

The table below shows the movement over the financial year (IFRS 3.75)

(€K)	**2005**	**2004**
Value at the start of the financial year	175,338	175,338
Accumulated impairment losses (-)	-	-
Increases over the period	-	-
Reductions for disposals or registration as assets available for sale	-	-
Losses in value for the period	-	-
Exchange differences	-	-
Other variations	-	-
Value at the end of the financial year	**175,338**	**175,338**

The table below gives details of the goodwill item:

(€K)	**31/12/2005**	**31/12/2004**	**Variation**
Goodwill posted following the merger by incorporation into the parent company of Lloyd Intenazionale S.p.A. in 1991	17,002	17,002	-
Goodwill posted in 1992 following the acquisition by the parent company of the portfolio of Card S.p.A.	33.053	33.053	-
Goodwill deriving from the acquisition by the parent company of the portfolio of Latina Assicurazioni S.p.A., in 1992	34,522	34,522	-
Goodwill relating to the life portfolio of La Previdente Assicurazioni S.p.A. originally acquired from Previdente Vita (formerly Latina Vita) in 1993	16.463	16.463	-
Goodwill deriving from the acquisition, in 1995, of the portfolio of Maa Assicurazioni by Nuova Maa, incorporated in the parent company in 2003	65,134	65,134	-
Goodwill deriving from the acquisition, in 2001, of the Profilo Life portfolio by Maa Vita, incorporated into the parent company in 2003	1,052	1,052	-
Goodwill posted following the merger by incorporation into the parent company of Maa Vita, in 2003	4,636	4,636	-
Goodwill relating to the acquisition by SIS of the Ticino portfolio, in 1995	152	152	-
The consolidation difference deriving from the acquisition, in 1996, of La Previdente Vita (then incorporated into Milano Ass.) by La Previdente Assicurazioni (then incorporated into Milano Ass.)	3.275	3.275	-
The consolidation difference deriving from the acquisition of Dialogo Ass. by La Previdente Ass. in 1997	49	49	-
TOTAL	**175,338**	**175,338**	**-**

Based on what is laid down by IAS 38 (Intangible assets), goodwill, in so far as it is an asset with an undefined useful life, is no longer amortised systematically but is subject to an impairment test to be performed at least once a year using the procedures contained in IAS 36 (impairment of assets) for the purposes of identifying the existence of any loss in value.

To these ends, goodwill posted as at 1/1/2004, the date of changeover to international accounting standards, was allocated, on a preliminary basis, to Cash Generating Units CGU) in order to determine its correct book value.

CGU book value

In this respect, two Cash Generating Units (CGU), were identified, represented by Life and non-Life business relating to the whole of the Milano Assicurazioni Group, taking into consideration the opportunity to also include CGUs deemed to have benefited from past business combination synergies to which the individual components of the goodwill item posted to the accounts relate.
Furthermore, this identification is consistent with the Group's management reporting in which the aforementioned CGUs represent the minimum level at which goodwill is monitored for the purposes of internal management audits. What's more, these CGUs are no greater than the segment definition based on primary segment reporting in accordance with what is laid down by IAS 14.
CGU book value was also calculated in line with the determination of financial flows required to identify their recoverable value i.e. if CGU future financial flows included inflows and outflows relating to specific assets and liabilities, the latter were included in the book value of said CGU.

CGU recoverable amount

The recoverable amount of CGUs is defined as the greater between the fair value, less sale costs and the value in use. The fair value of the CGU represents the amount obtainable from its sale in a bargained transaction between knowledgeable, willing parties, less disposal costs. Since the CGUs identified belong to a listed entity (Milano Assicurazioni), for which there is an active retail market, the Group considered it opportune, in this phase, to identify this value on a preliminary basis and to compare it with the book value of the CGU on which the goodwill was allocated.

The impairment test carried out using these procedures confirmed the adequacy of the values posted on the date of changeover (1 January 2004) in accordance with Italian principles. No value adjustment was, therefore, posted in 2005 and the amortisations carried out on the basis of Italian accounting principles in 2004, were reversed.

Other intangible assets which on 31/12/2005 amounted to € 750K are made up, by type, of the following:

Table IAS 38.11

(€K)	**Gross book value**	**Accumulated amortisation and impairment**	**Net value**
Research and development expenditure	-	-	-
User rights	-	-	-
Other intangible assets	750	-	750
TOTAL	**750**	**-**	**750**

Intangible assets have a definite useful life and are, consequently, amortised over said life. None of the intangible assets proved to have been generated internally.

Movement of other intangible assets over the year is shown below:

Table IAS 38.118e

(€K)	**R&D Expenditure**		**User**		**Other intangible assets**		**Total**	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
Book value at the start of the period	-	-	-	-	1,908	2,152	1,908	2,152
Increases:								
generated internally								
acquired					750	2,.335	750	2,335
deriving from business combinations								
Decreases for disposal or reclassification					-1,908		-1,908	
Impairment losses recorded over the period								
Write-ups recorded over the period								
Amortisation over the period						-2,579		-2,579
Variations due to exchange differences								
Other variations								
Book value at the end of the period	**-**	**-**	**-**	**-**	**750**	**1,908**	**750**	**1,908**

It should be noted that, subsequent to the tests carried out, no impairment loss was recorded over the financial year.

2. INTANGIBLE ASSETS

These amount in total to € 110,625K (€ 111,785K as at 31/12/2004) and can be broken down as follows:

(€K)	**Premises**		**Land**		**Other intangible assets**		**Total**	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
Gross book value	33,204	56,890	7,748	17,884	156,442	159,643	197,394	234,417
- Accumulated amortisation and impairment	-10,433	-19,229	-	-	-76,336	-103,403	-86,769	122,632
Net Value	**22,771**	**37,661**	**7,748**	**17,884**	**80,106**	**56,240**	**110,625**	**111,785**

Movement over the period is shown below:

(€K)	**Premises**		**Land**		**Other intangible assets**		**Total**	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**	**2005**	**2004**
Book value at the start of period	37,661	39,192	17,884	18,136	56,240	48,739	111,785	106,067
Increases	1,211	772			24,474	12,254	25,685	13,026
Decreases for disposal or Rreclassification	-14,369		-9,407			-145	-23,776	-145
Premises deriving from business combinations								
Impairment losses recorded over the period								
Write-ups recorded over the period								
Amortisation over the period	-1,046	-1,717			-1,240	-4,608	-2,286	-6,325
Variations due to exchange differences Transfers to other categories (IAS 2 or IAS 16)								
Other variations	-686	-586	-729	-252	632		-783	-838
Book value at the end of the period	**22,771**	**37,661**	**7,748**	**17,884**	**80,106**	**56,240**	**110,625**	**111.785**

Premises appearing as tangible assets include premises intended for company use (premises for direct use). These premises are recorded at cost and are systematically amortised on the basis of their useful life solely for components with a defined useful life.

No Group property appearing under this macroitem is subject to restrictions of title or ownership, nor has significant redress obtained for drop in value, losses or disposals and damages been posted to the profit and loss account. At year end there were no existing contractual obligations for the acquisition of tangible assets represented by premises.

The Group instructs accredited independent experts to calculate the fair value of its own land and buildings on an annual basis. In particular, this practice responds, for the Group's insurance companies, to specific Supervisory Authority provisions.
With reference to premises intended for company use, it should be noted that the book value, at year end, was € 13.8m less than the valuation determined on the basis of market values.

Other tangible assets mainly comprise the allocation of the Group's capital goods for the performance of its business, such as hardware, furnishings, plant and office equipment.

3. REINSURERS' SHARE OF TECHNICAL RESERVES

These amount, in total to € 358,527K (€ 338,417K as at 31/12/2004) with a negative variation of € 79,890K. They are made up as follows:

(€K)	**31/12/2005**	**31/12/2004**	**Variation**
Reinsurers' share of non-life premium	20,866	23,073	-2,207
Reinsurers' share of non-life claims	187,584	218,813	-31,229
Reinsurers' share of other non-life claims	-	-	-
Reinsurers' share of mathematical reserves	149,152	195,105	-45,953
Reserve for amounts payable by reinsurers	923	1,424	-501
Reinsurers' share of Class D provisions	-	-	-
Reinsurers' share of other reserves	2	2	-
TOTAL	**358,527**	**438,417**	**-79,890**

	31/12/2005		
	Non-Life Business	**Life Business**	**Total**
Reserve at the start of the period	241,886	196,531	438,417
Increases over the period	42,053	-20,073	21,980
Payments (-)	-38,631	-	-38,631
Profits or losses recognised through profit or loss	-12,022	-9	-12,031
Reserves acquired or transferred to others	-24,865	-26,355	-51,220
Exchange differences	30	-18	12
Reserve at the end of the period	208,451	150,076	358,527

4. INVESTMENTS

Comprising:

(€K)	**31/12/2005**	**31/12/2004**	**Variation**	**01/01/2005**
Investment property	370,136	330,346	39,790	330,346
Holdings in subsidiaries, associates and joint ventures	4,820	2,612	2,208	2,612
Investments held to maturity				
Loans and receivables	212,874	314,166	-101,292	312,776
Financial assets available for sale	7,580,602	6,894,898	685,704	7,065,168
Financial assets at fair value recognised through profit or loss	876,255	761,054	115,201	774,457
TOTALE	9,044,687	8,303,076	741,611	8,485,359

Investment property

This item includes all Group-owned property intended for rental to third parties or held as an investment with the aim of increasing the value of said premises over time.
Investment properties are shown at purchase cost in accordance with what is laid down by IAS 16 (to which IAS 40 refers in the event of adoption of the cost model). It follows that, for accounting purposes, the Group has made provision to unbundle the value of the land from the value of the premises owned as a whole, since this component, having an indefinite useful life, has been deemed not to be subject to amortisation.
The land component was unbundled from the building component on the basis of an expert evaluation updated on the date of transition to international accounting standards (and, therefore, on 1/1/2004).

The part of the property relating to the building is systematically amortised in line with the useful life of the components characterising said building. In particular, it should be noted that the amortisation rate used is, on average, 2%.

The Group makes provision, on an annual basis, to calculate the fair value of investment property, determined on the basis of expert valuations carried out by independent third party experts offering specialist valuation services for these types of investment. In total, the book value of investment property as at 31/12/2005 proved to be over € 165.1m lower than the expert valuation carried out by the above.

As at 31 December 2005, capital gains of € 21.7m deriving from the acquisition, during the year, of a 100% holding in the company Campo Carlo Magno S.p.A were allocated to premises.

The composition of investment property and related movements is shown below.

	31/12/2005	**31/12/2004**
Gross book value	409,059	363,450
Accumulated amortisation and impairment	-38,923	-33,104
Net Value	370,136	330,346

(€K)	**2005**	**2004**
Book value at the start of the period	330,346	375,155
Increases:		
for acquisitions	26,636	55,208
for incremental expenditure	6,529	6,514
Premises deriving from business combinations		264
Decreases for disposal or reclassification	-12,640	-103,483
Amortisation over the period	-4,692	-3,596
Impairment losses/Write-ups recorded over the period	-	-
Variations due to exchange differences	-	-
Transfers to other categories (IAS 2 or IAS 16)	23,957	284
Other variations	-	-
Book value at the end of the period	**370,136**	**330,346**

It should be noted that, during the course of the financial year, income from investment property rentals amounted to € 12m.
There are no significant limits on the realisability of investment property due to legal or contractual restrictions or obligations of any other nature.

Holdings in subsidiaries, associates and joint ventures

Milano Assicurazioni fully consolidates all the Group companies, including those that perform dissimilar activities. The amount posted relates to the following holdings in associate companies valued using the net equity method:

(€K)	**31/12/2005**	**31/12/2004**
Service Gruppo Fondiaria-Sai S.r.l.	227	230
Sai Investimenti SGR S.p.A.	1.874	1.661
Uniservizi S.c.r.l.	2.336	-
Sistemi Sanitari S.p.A.	518	630
Garibaldi S.c.S.	-135	-
Effe Servizi S.r.l.	-	91
Total	**4,820**	**2,612**

Loans and receivables

These amount to € 212,874K (€ 314,166K as at 31/12/2004) and are made up as follows:

(€K)	**31/12/2005**	**31/12/2004**	**Variation**
Debt securities	34,377	36,300	-1,923
Repurchase agreements	17,317	18,409	-1,092
Loans on life policies	24,250	21,900	2,350
Deposits with reinsurers	4,110	6,450	-2,340
Receivables from successor agents for recoupment of claims paid to agents who have ceased trading	59,611	50,166	9,445
Other loans and receivables	73,209	180,941	-107,732
TOTAL	**212,874**	**314,166**	**-101,292**

In particular, the "debt securities" item includes the book value of some issues (in particular, securities from Ania special issues) for which a valuation at amortised cost rather than at fair value was deemed appropriate, in the absence of an active reference market. This is the only financial asset appearing in the consolidated accounts for which it is believed that the related fair value cannot be accurately calculated. Repurchase agreements refer to operations at the end of the financial year but maturing before the end of the subsequent financial year.

Receivables from successor agents for recoupment of claims paid to agents who have ceased trading are placed in this item both due to express provision by ISVAP with Directive No. 2404/05, and in consideration of their interest-bearing nature in respect of the Group.

The item "other loans and receivables" comprises:

- € 24,293K for the loans granted to the associate company Garibaldi S.c.s., relating to the property development project for the area located at the northern boundary of the historic centre of Milan, known as "Garibaldi Repubblica";
- € 40,449K for the residual loan secured by a lien on mezzanine property granted, in 2003, to Ganimede S.r.l. in relation to the operation to increase the value of part of the parent company's property assets during the year. This loan was accommodated by a 2nd mortgage on the property sold to Ganimede. Repayment of the capital and related interest is subject to satisfaction of the debtor's payment obligations in accordance with the "senior" loan acquired by the latter in relation to the operation described above. The loan is for seven years from the disbursement date, expiring in December 2010. In addition, provision has been made for partial early repayments by the debtor in line with the disposal schedule, for the premises to which the transaction relates and, what's more, the debtor is entitled to make early repayment of the loan, at any time, in whole or in part.

Financial assets available for sale

Financial assets available for sale comprise bonds and shares, as well as unit trusts, not classified separately. Although this is a residual category, it represents the category with the most financial instruments, in line with the characteristics and aims of the insurance business.
They can be broken down as follows:

(€K)	**31/12/2005**	**31/12/2004**	**Variation**
Capital securities	1,132,214	818,610	313,604
Debt securities	6,054,147	5,813,222	240,925
Other financial investments	394,241	263,066	131,175
TOTAL	**7,580,602**	**6,894,898**	**685,704**

Financial assets at fair value recognised through profit or loss

Comprising:

(€K)	**31/12/2005**	**31/12/2004**	**Variation**
Capital securities	55,072	63,994	-8,922
Debt securities	757,891	646,389	111,502
Unit trusts	56,899	47,372	9,527
Other financial instruments	6,393	3,299	3,094
TOTAL	**876,255**	**761,054**	**115,201**

Investment activities, the book values of which are shown above, are represented by investments in shares and bonds in listed and unlisted companies, as well as in unit trusts, held with the aim of making a profit from same or via dividends and coupons or trading. Their fair value was calculated by using stock market listings on the last day of December 2005 as a reference.

5. OTHER RECEIVABLES

These are made up as follows:

(€K)	**31/12/2005**	**31/12/2004**	**Variation**	**01/01/2005**
Receivables deriving from direct insurance operations	651,820	645,817	6,003	645,817
Receivables deriving from reinsurance operations	68,095	131,488	-63,393	131,488
Other receivables	253,814	154,709	99,105	154,709
TOTAL	**973,729**	**932,014**	**41,715**	**932,014**

The Group believes that the book value of trade receivables and other receivables approximate their fair value. Trade receivables do not bear interest and generally have a due date of less than 90 days.

In particular, receivables deriving from insurance operations include receivables from policyholders of € 325,982K, including € 305,620K relating to premiums for the financial year and € 20,362K for premiums for previous financial years.
In addition, € 266,380K of receivables from insurance brokers, € 10,672K of receivables from current account companies and € 48,786 of receivables from policyholders and third parties for sums to be recovered, are included.

Receivables deriving from reinsurance contracts include € 68,095K relating to receivables from insurance and reinsurance companies for reinsurance operations.

Other receivables can be broken down as follows:

(€K)	**31/12/2005**	**31/12/2004**	**Variation**
Receivables from Fondiaria-Sai for advance tax payments and for tax receivables and withholding tax transferred following participation in fiscal consolidation	135,897	78,087	57,810
Trade receivables	92,212	68,028	24,184
Other receivables	25,705	8,594	17,111
TOTAL	**253,814**	**154,709**	**99,105**

With reference to receivables from policyholders for premiums, from agents and other intermediaries as well as insurance and reinsurance companies, the Group does not present significant concentrations of credit risk, its credit exposure being divided between a large number of counterparties and clients.

6. OTHER ASSETS

In total, these amount to € 526,697K (€ 441,032K in 2004) with a rise of € 85,665K.

They comprise:

(€K)	**31/12/05**	**31/12/04**	**Variation**	**01/01/05**
Non-current assets or those held in a disposal group for sale	1,416	-	1,416	-
Deferred acquisition costs	66,236	46,525	19,711	46,525
Deferred tax assets	250,461	197,857	52,604	263,781
Current tax assets	152,796	171,154	-18,358	171,154
Other assets	55,788	25,496	30,292	25,696
TOTAL	**526,697**	**441,032**	**85,665**	**507,156**

Non-current assets or those held in a disposal group for sale During the final part of 2005, the Group's Property Management Team decided to put the premises located in Rozzano – Quinto de Stampi, Via Tagliamento 32/34/36 up for sale. The disposal was formalised by the stipulation of a preliminary contract. The deed of sale will be drawn up during the course of 2006.
Payment for the sale is higher than the book value of the asset being sold and so no write-down was made when this asset was classified as being held for sale.

Deferred acquisition costs

Deferred acquisition costs of € 66,236K (€ 46,525K as at 31/12/2004) relate to purchase commissions on multi-year contracts which, in accordance with principles responding to matching concepts, are amortised in approximately seven years for Non-life business and on the basis of the life of each contract for Life business and, in any event, over no more than10 years for Life business.
The variation compared with the same date in 2004 amounts to € 19,711K. In accordance with what is laid down by FRS 4.IG39 the table below shows the movement of these costs over the financial year:

(€K)	31/12/2005			
	Non-Life business	**Life Business**	**Total**	**31/12/2004**
Amount at the s tart of the period	41,421	5,104	46,525	39,526
Increases over the period	30,158	3,195	33,353	26,330
Amortisation over the period (-)	-11,840	-1,802	13,642	-19,331
Accumulated impairment losses recorded over the financial year (-)	-	-	-	
Other variations	-	-	-	
Amount at the end of the period	59,739	6,497	66,236	46,525

Current tax assets

Current tax assets, amounting to € 152,796K (€ 171,154 as at 31/12/2004) relate to receivables from financial authorities for advance taxes, withholdings and income tax receivables.
Also posted to this item are amounts paid for tax referred to in art. 1 paragraph 2 of Legislative Decree No. 209/02 as converted by art. 1 of law 265/2002 and subsequent amendments. This being in accordance with what is laid down by ISVAP Directive No. 2404/05, although the aforementioned assets do not, strictly speaking, come under the application of IAS 12, since they do not relate to income taxes.

Deferred tax assets

These amount to € 250,461K (€ 197,857K in 2004) and are calculated on the total amount of temporary differences between the book value of balance sheet assets and liabilities and the respective taxable value according to the "balance sheet liability method" provided for by IAS 12 in relation to the likelihood of their recovery correlated with the capacity to continuously generate positive taxable income.

Other assets

These amount to € 55,788K (€ 25,496 as at 31/12/2004) and include, amongst others, tax on mathematical reserves (€ 11,208K), claims paid to agents in anticipation of recoupments (€ 5,073K), retirement pension policies (€ 3.899K), transitory reinsurance accounts (€ 66 K) and deferred commission payable on contracts not falling within the scope of IFRS 4 (€ 109K).

7. CASH AT BANK AND IN HAND

These amount, in total, to € 156,649K (€ 152,829K as at 31/12/2004). They include cash held by the Group and deposit and current bank accounts with a due date of less than 15 days.
The book value of these assets is a significant approximation of their fair value. Deposit and current bank accounts bear interest at both fixed and variable rates which is accrued and credited on a quarterly basis or in relation to the lesser duration of any unavailability constraint on fixed-term deposits.

Balance sheet - Liabilities

NET EQUITY AND LIABILITIES

1. NET EQUITY

The Consolidated net equity, amounting to € 721,171K, inclusive of the result for the year and minority interests, rose by € 334,264K compared with 2004.

The composition of equity reserves is given below:

(€K)	**2005**	**2004**	**Variation**	**01/01/2005**
Group net equity	**1,717,584**	**1,371,857**	**345,727**	**1,402,840**
Capital	238,575	238,569	6	238,569
Other equity instruments	-	-	-	-
Capital reserves	325,145	324,966	179	324,966
Profit and other equity reserves	684,889	546,558	138,331	807,653
Own shares	*-374*	*-374*	-	*-374*
Reserve for net exchange differences	-	-	-	-
Profits or losses on financial assets available for sale	191,125	-	191,125	34,320
Other profits and losses recognised direct to equity	-5,298	-2,294	-3,004	-2,294
Group profit (loss)for the financial year	283,522	264,432	19,090	-
Minorities' net equity	**3,587**	**15,050**	**-11,463**	**14,559**
Minorities' share of capital and reserves	3,391	14,418	-11,027	14,542
Profits and losses recognised direct to equity	17	-	17	17
Minorities' profit (loss) for the financial year	179	632	-453	-
TOTAL	**1,721,171**	**1,386,907**	**334,264**	**1,417,399**

The information required by IAS 1.76a is given below:

	Ordinary 31/12/2005	Savings 31/12/2005	Ordinary 31/12/2004	Savings 31/12/2004
Number of shares issued	428,058,239	30,739,882	428,047,287	30,739,882

As at 31 December 2005, a further 32,356 ordinary shares had been subscribed following the conversion, by related holders, of 80,890 Milano Assicurazioni 1998-2007 warrants. The new share capital, inclusive of the new shares subscribed, was deposited with the Register of Companies on 23 January 2006.

	Ordinary	Savings	Total
Shares existing as at 01/01/2005	428,047,287	30,739,882	458,787,169
Own shares (-)	-115,460		-115,460
Shares in circulation: existing as at 01/01/2005	427,931,827	30,739,882	458,671,709
Increases:			
Sale of own shares	-	-	-
Exercise of warrants	10,952		10,952
Decreases:			
Purchase own shares	-	-	-
Shares in circulation: existing as at 31/12/05	427,942,779	30,739,882	458,682,661

Capital reserves amounting to € 325,145K, relate to the share issue premium reserve recorded in the Parent company’s accounts.

Nature and purpose of other reserves

Profit and other equity reserves include other net reserves from the Parent company’s accounts. Please refer to the notes to the Parent company’s separate accounts for comment on changes to same.

Profit and equity reserves also comprise:

- a consolidation reserve amounting to € 6,116K;
- the reserve for profits and losses deriving from first-time application of international accounting standards which is € 39,681 in the red.

Minorities' net equity showed a drop of € 11,462K due to the exclusion from the basis of consolidation of Finitalia S.p.A. and Uniservizi S.c.r.l.

For variations in consolidated net equity please refer to the relevant table.

Own Shares

These amount to € 374K (€ 374K as at 31/1/ 2004). This item includes the book value of instruments representing capital belonging to the Parent company Milano Assicurazioni and held by same.
This item is negative according to what is laid down by IAS 32.

Profits or losses on financial assets available for sale

This item, amounting to € 191,125K, includes profits or losses deriving from the valuation of financial assets available for sale. It is expressed net of the part attributable to policyholders and allocated to insurance liabilities.

Other profits and losses over the year recognised direct to equity

This item, negative to the tune of € 5,298K, includes the effect of charging profits and losses of an actuarial nature, direct to net equity, further to application of IAS 19.

Reconciliation tables for Parent company accounts and Consolidated accounts relating to the profit for the financial year and the Net equity, are given below.

PARENT COMPANY ACCOUNTS AND CONSOLIDATED ACCOUNTS RECONCILIATION TABLES

(€K)	Profit over the year	
	2005	**2004**
Milano Assicurazioni S.p.A. accounts	**233,106**	**306,226**
Consolidation adjustments		
- Elimination of the effects of tax purging		-76,155
- Difference between the write-down and the pro-rata result: of companies:		
Consolidated fully	4,838	4,066
Valued using the Net Equity method	310	-359
- Amortisation of consolidation difference	-2,070	-1,706
- Application of different accounting principles	22,236	21,145
- Differences on asset disposals	2,424	
- Elimination of effects of inter-company transactions:		
Dividends	-1,927	-1,094
Reversal of amortisation of goodwill deriving from merger deficits	5.092	5.091
Reversal of capital gains realised	-8,566	
- Tax impact of consolidation adjustments	-5,229	-8,088
Group interest according to local accounting principles	**250,214**	**249,126**
Effects deriving from the application of IAS/IFRS standards:		
IAS 38 "Intangible assets"		
- Goodwill	20,971	20,758
- Other intangible assets	770	4,296
IAS 16 -40 "Property and investment property"		
- Premises	-3,914	
IAS 19 "Employee benefits"		
- Staff-leaving indemnity and other employee benefits	5,698	625
IAS 39 "Financial instruments"		
Financial assets:		
- Available for sale	14,.206	
Fair value through profit or loss	1,409	
- Other financial assets	5,266	
- Financial liabilities		
IFRS 4 "Insurance contracts"		
- Catastrophe and equalisation reserves	2,224	
- Mathematical reserves	8,441	
- Service component linked policies (IAS 18)	83	
Fiscal effect on items in reconciliation	-21,846	-9,997
Group interest according to IAS/IFRS international accounting standards	**283,522**	**264,432**

PARENT COMPANY ACCOUNTS AND CONSOLIDATED ACCOUNTS RECONCILIATION TABLES

(€K)	Net equity net of result	
	31/12/2005	**31/12/2004**
Milano Assicurazioni S.p.A. accounts	**1.269.409**	**1.082.846**
Consolidation adjustments		
- Elimination of the effects of tax purging		76,155
- Difference in the pro-rata book value/net equity of companies:		
Consolidated fully	-15,016	969
Valued using the Net Equity method	-220	352
- Difference posted to assets	18,453	
- Consolidation difference	2,087	3,793
- Application of different accounting principles	31,921	10,775
- Elimination of effects of inter-company transactions:		
Dividends	1,927	1,094
Reversal of goodwill deriving from merger deficits	-20,360	-25.451
Other inter-group transactions	-3,007	-2,919
- Tax impact of consolidation adjustments	-12,210	-4,122
Group interest according to local accounting principles	**1,272,984**	**1,143,492**
Effects deriving from the application of IAS/IFRS standards:		
IAS 38 “Intangible assets”		
- Goodwill	20,758	
- Other intangible assets	-2,430	-6,482
IAS 16 -40 “Property and investment property”		
- Premises	-32,190	-31,813
IAS 19 "Employee benefits"		
- Staff-leaving indemnity and other employee benefits	-20,157	-16,298
IAS 1 “Presentation of financial statements”		
- Own shares	-374	-374
IAS 39 “Financial instruments”		
Financial assets:		
- Available for sale	373,140	
Fair value through profit or loss	13,396	
- Other financial assets	-5,266	
- Financial liabilities	-3,530	
IFRS 4 "Insurance contracts"		
- Catastrophe and equalisation reserves	28,338	
- Mathematical reserves	-181,029	
- Service component linked policies (IAS 18)	-362	
Fiscal effect on items in reconciliation	-29,215	18,901
Group interest according to IAS/IFRS international accounting standards	**1,434,063**	**1,107,426**

2. PROVISIONS

These can be broken down into:

(€K)	2005	2004	Variation	01/01/2005
Provisions relating to tax issues	77	453	-376	453
Other provisions	63,376	63,864	-488	69,130
TOTAL	**63,453**	**64,317**	**-864**	**69,583**

(€ K)	Provisions relating to tax issues	Other provisions	Total
Book value at the start of the period	453	63,864	64,317
Increases over the period	-	24,036	24,036
Withdrawals over the period for costs incurred	-	-20,700	-20,700
Withdrawals transferred to the profit and loss account	-	-3,824	-3,824
Increases for financial charges falling due or for variations in rates	-	-	0
Other variations	-376	-	-376
Book value at the end of the period	**77**	**63,376**	**63,453**

The item "other provisions" includes a reasonable valuation of future risks and charges existing at year end, also deriving from current disputes. In particular:

- € 50,462K for amounts allocated to the risks fund mainly relating to disputes with agency networks and current disputes.
- € 12,914K relates to allocations to the future charges fund

3. TECHNICAL RESERVES

These amount to € 8,468,790K and were up by € 382,699 compared with the same date in 2004.

Details of the technical reserves appear below:

(€K)	**31/12/2005**	**31/12/2004**	**Variation**	**01/01/2005**
NON-LIFE BUSINESS				
Premium reserve	982,854	972,049	10,805	948,142
Claims reserve	3,340,652	3,258,229	82,423	3,258,229
Other	2.084	7.714	-5.630	3.282
Total non-Life business	**4,325,590**	**4,237,992**	**87,598**	**4,209,653**
LIFE BUSINESS				
Mathematical reserves	3,660,931	3,450,224	210,707	3,450,368
Reserve for sums payable				
Technical reserves where the investment risk is borne by policyholders and deriving from pension fund management	278,101	352,698	-74,597	275,613
Other	197,855	26,637	171,218	151,455
Total life business	**4,143,200**	**3,848,099**	**295,101**	**3,895,976**
TOTAL TECHNICAL RESERVES	**8,468,790**	**8,086,091**	**382,699**	**8,105,629**

The item “premium reserve” includes the reserve for direct business premium portions amounting to € 981,510K and the reserve for premiums relating to indirect business amounting to € 1,313K. Further to the favourable technical trend recorded over the year and assumptions regarding forecasts for the current year, the conditions required in order to set aside a reserve for current risks did not exist with the exception of € 31K set aside in the Marine, lake and inland waterway vehicles class.

Other non-Life technical reserves relate entirely to the ageing reserve referred to in art. 25 of Legislative Decree 175/95.

The non-Life claims reserve includes the IBNR claims reserve (IFRS 4 IG22C) amounting to € 338.293.

Mathematical reserves include the additional financial risk reserve amounting to € 53,712K, as indicated in ISVAP Directive No. 1801-G of 21/02/2001, and already governed by 25 paragraph 12 of Legislative Decree 174/95.

Life business “other technical reserves” mainly comprises the reserve for future expenses as well as the reserve for deferred liabilities to policyholders, calculated by applying the accounting practice known as shadow accounting, referred to in paragraph 30 of IFRS 4. (€ 172,891K).

The table below shows the movement of technical reserves over the year

	31/12/2005		
	Non-life Business	**Life Business**	**Total**
Reserve at the start of the period	4,237,992	3,848,099	8,086,091
Increases over the period	1,315,505	788,856	2,104,361
Payments (-)	-1,224,601	-493,738	-1,718,339
Profits or losses recognised through profit or loss	-3,929	0	-3,929
Reserves acquired or transferred to others	-136	0	-136
Exchange differences	758	-16	742
Reserve at the end of the period	4,325,589	4,143,201	8,468,790

With reference to financial liabilities relating to contracts with discretionary participation components, as defined by IFRS 4.2 b) these are classified within the technical reserves and their book value amounts to € 933,316.

4. FINANCIAL LIABILITIES

(€K)	31/12/2005	31/12/2004	Variation	01/01/2005
Financial liabilities at fair value recognised through profit or loss	84,488	318	84,170	80,699
Other financial liabilities	159,943	288,231	-128,288	288,934
Total	**244,431**	**288,549**	**-44,118**	**369,633**

Financial liabilities at fair value recognised through profit or loss can be broken down into:

Financial liabilities held for trading
This item includes € 4,146K relating to derivative hedging contracts on equities stipulated by the Parent company.

Financial liabilities at Fair Value recognised through profit and loss
As governed by IAS 39, this item includes € 80,342K relating to life policies which, although insurance contracts in legal terms, do not present a significant insurance risk and, therefore, do not fall within the scope of application of IFRS 4.

There are no financial liabilities in the “Fair Value through profit or loss” segment for which the variation in fair value component should not be attributed to variations in the market reference parameter.

Other financial liabilities
This item includes the financial liabilities defined and governed by IAS 39 that are not included in the category “Financial liabilities at fair value recognised through profit or loss”. Included are deposits set up to guarantee risks ceded in reinsurance amounting to € 155.756.
The variation compared with the previous year is mainly due to the exclusion from the basis of consolidation of Finitalia S.p.A. which operates in the consumer credit segment.

5. PAYABLES

These amount to € 392,953K and are made up as follows:

(€K)	**2005**	**2004**	**Variation**	**01/01/2005**
Receivables deriving from direct insurance operations	89,036	79,894	9,142	79,894
Payables deriving from reinsurance operations	13,272	13,617	-345	13,617
Other payables	290,645	315,281	-24,636	315,281
Total	**392,953**	**408,792**	**-15,839**	**408,792**

Payables deriving from direct insurance operations include € 71,967K in respect of insurance intermediaries, € 15,021K of current account payables in respect of insurance companies, € 299K for policyholders’ deposits and premiums and
€ 1,749K in guarantee funds for policyholders.

Payables deriving from reinsurance operations relate exclusively to reinsurance companies.

Details of “other payables” are given below:

(€K)	**2005**
For policyholders’ share of taxes	28,402
For sundry tax liabilities	16,600
To social security and welfare institutions	10,198
Trade payables	71,717
Staff-leaving indemnity	43,699
Ires payable to Fondiaria –Sai further to participation in tax consolidation	97,935
Other	22,094
Total	**290,645**

Staff-leaving indemnity

The tables below provide analytical information relating to movement of the staff-leaving indemnity fund, as well as the main demographic and financial hypotheses adopted for quantification of the Fund in line with the "Projected Unit Credit Method".

Variations in staff-leaving indemnities over the financial year:

(€ K)

Value as at 31/12/2004	39,365
Cost of benefits relating to current work provisions	4,402
Financial liabilities	806
Actuarial losses	4,484
Withdrawals for payments made	-5,358
Value as at 31/12/05	**43,699**

The main statistical/actuarial and financial assumptions used to determined staff-leaving indemnity according to IAS 19 are shown below.

(values expressed in %)	**1**	**2**	**3**	**4**
MILANO ASSICURAZIONI	3.52	3.22	1.60	4.27
DIALOGO	3.69	3.22	1.60	4.27
SYSTEMA	3.75	3.22	1.60	4.27

1 = Discount rate
2 = Anticipated wage-rise rate
3 = Anticipated inflation rate
4 = Turnover

It should be noted that the average data appearing in the table represent indicative parameters, in so far as they are calculated with reasonable levels of aggregation and approximation. For this reason, the methodological choices made for the analytical definition of the main actuarial hypotheses are given below:

- Discount rate: use of an interest rate curve on the valuation date, rather than a constant rate, representative of bond issues from leading companies (Bloomberg).

- Anticipated wage-rise rate: analysis of the historical movement of company wages over the last five years (2000-2004 period) and their adjustment on the basis of what is laid down by the industry-wide wage agreement and the anticipated inflationary scenario. Wage-rise hypotheses were differentiated by contractual rating and employee's length of service with the company.

- Turnover: analysis of historical movement over the last five years (2000-2004 period) relating to the departure from the company of employees and their standardisation on the basis of any “extraordinary” phenomena occurring in the past. Turnover hypotheses were differentiated by contractual rating, age details and sex of the employee.

- Rate of inflation: the inflationary scenario appearing in the current Economic and Financial Planning document on the valuation date.

6. OTHER LIABILITIES

Comprising:

(€K)	2005	2004	Variation	01/01/2005
Current tax liabilities	24,175	26,499	-2,324	26,499
Deferred tax liabilities	225,582	131,672	93,910	243,136
Liabilities for a group spin-off held for sale	-	-	-	-
Other liabilities	206,447	163,572	42,875	164,135
Total	**456,204**	**321,743**	**134,461**	**433,770**

Current tax liabilities
These amount to € 24,175K (€ 26,499K as at 31/12/2004) and relate to current income tax liabilities set aside by the Group at year end.

Deferred tax liabilities
Deferred tax liabilities, amounting to € 225,582K, include the tax impact of all temporary differences relating to items of an equity-related or economic nature, intended to be repaid in future years.

Other liabilities
These amount to € 206,447K (€ 163,572 as at 31/12/2004) and comprise commissions for premiums in the process of being collected of € 42,778K, deferred inward commissions on contracts not covered by IFRS 4 of € 317K, recovery of premiums on reinsurance treaties of € 10,990K and liabilities for cheques issued for by beneficiaries after 31/12/2005 of € 102m.

PART C – Notes to the consolidated profit and loss account

NET PREMIUMS

Consolidated net premiums amount to € 3,219,614K (€ 3,079,256K in 2004). The Group's gross premium income amounts to € 3,291,125K, up by 3.49% compared with 2004, broken down as follows:

(€K)	**2005**	**2004**	**Variation**
Life-business gross premiums	586,426	523,724	62,701
Non-Life business gross premiums	2,739,333	2,680,906	58,426
Variation in gross amount of premium reserve	-34,634	-24,361	-10,271
Total non-Life business	2,704,699	2,656,545	48,155
Gross earned premiums	3,291,125	3,180,269	110,856

(€K)	**2005**	**2004**	**Variation**
Life business premiums ceded	10,55	13,480	-2,625
Non-Life business premiums ceded	63,686	90,351	-26,665
Variation in reinsurers' share of the premium reserve	-3,030	-2,818	-212
Total non-Life business	60,656	87,533	-26,877
Earned reinsurance premiums ceded	71,511	101,013	-29,502

The item "gross premiums recorded" does not include the cancellation of securities issued in previous years, which have been posted to "Other costs".
The above amounts are net of reinsurance between Companies within the Group.

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

For further illustrations of item 1.1. of the profit and loss account broken down into Life and non-Life segments, please refer to the Annex at the end of the accounts.

COMMISSIONS RECEIVABLE

Commissions receivable for 2005 amounted to € 1,239K, up by € 1,182K from 2004.

(€K)	2005	2004	Variation
Commissions receivable	1,239	57	1,182

Comparison with 2004 data is not representative in so far as 2005 data was subject to full application of IFRS 4, on the basis of which commissions relating to investment contracts not falling within the scope of application of the aforementioned IFRS, were posted to this item. These relate, in particular, to explicit and implicit loadings for investment contracts and to internal fund management commissions.

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

These amount to € 56,660K, up by € 29,713K from 2004

(€K	Interest net	Other net income	Profits	Losses	Capital gains on valuations and write-ups	Capital losses on valuations and write-downs	Total 2005	Total 2004	Variation
Result of investments- deriving from:									
Financial assets held-for trading	29,749	38,077	16,727	-48,895	12,196	-13,640	34,214	4,689	29,525
Financial assets at fair value recognised through profit or loss	3,765	2,051	2,009	-2,730	11,646	- 4,296	22,446	22,258	188
Total	**43,514**	**40,128**	**18,736**	**-51,625**	**23,843**	**-17,936**	**56,660**	**26,947**	**29,713**

FINANCIAL INCOME AND EXPENDITURE FROM OTHER FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY

(€K	**Interest net**	**Other net income**	**Profits**	**Losses**	**Capital gains on valuations and write-ups**	**Capital losses on valuations and write-downs**	**Total 2005**	**Total 2004**	**Variation**
Result deriving from:									
Investment property		6,214	18,462			-4,691	19,985	55,353	-35,368
Holding in subsidiaries associates and joint ventures		295		-3			292	179	113
Loans and receivables	10,241						10,241	12,365	-2,124
Investments held to maturity									
Financial assets available for sale	190,300	20,086	54,867	-8,830			256,423	271,605	15,182
Cash at bank and in hand	115						115		115
Other financial liabilities	-6,591						-6,591	-7,107	516
Payables								-4,235	4,235
Total	**194,065**	**26,595**	**73,329**	**-8,833**		**-4,691**	**280,465**	**328,160**	**-47,695**

OTHER REVENUE

Other revenue amounted to € 108,78K (€ 92,919K in 2004) and mainly comprised

(€K)	**2005**	**2004**
Other technical income	23,889	10,829
Fund withdrawals	24,531	13,105
Exchange differences	5,844	1,683
Contingent assets	5,722	8,037
Profits realised on tangible assets	26	19
Recovery of administrative expenses and charges	38.271	36.399
Other revenue	10,505	22,847
Total	**108,788**	**92,919**

Recovery of administrative expenses and charges, offset against other charges, mainly relate to charges to Fondiaria-Sai Group Companies for their share, based on objective criteria, of costs relating to amalgamated functions and are, in the main, staff costs.

NET CHARGES RELATING TO CLAIMS

Claims paid, including life business amounts and related expenses reached, gross of units ceded to reinsurers, the sum of € 2,428,525K up by 7.30 % over the previous year.

Claims-related charges, amounts paid and changes in the technical reserves

(€K)	**2005**	**2004**	**Variation**
Non-life business			
Amounts paid	1,942,785	1,758,235	184,550
Variation in recoveries	-69,744	-69,707	-37
Variation in other technical reserves	-1,197	750	-1,947
Variation in claims reserve	82,094	161,592	-79,498
Total Non-Life business	**1,953,938**	**1,850,870**	**103,068**
Life Business			
Amounts paid	485,740	505,108	-19,368
Variation in mathematical reserves and other technical reserves	214,385	32,365	182,020
Variation in technical reserves where the investment risk is borne by policyholders and arises from pension fund management	7,195	50,038	-42,843
Variation in the reserve for payables	-12,218	7,534	-19,752
Total Life	**695,102**	**595,045**	**100,057**
Total non-Life + Life	**2,649,040**	**2,445,915**	**203,125**
Amounts paid	2,428,525	2,263,343	165,182
Variation in reserves	220,515	182,572	37,943

Claims-related charges, reinsurers' share

(€K)	2005	2004	Variation
Non-life business			
Amounts paid	50,239	62,208	-11,969
Variation in other technical reserves	-	-	-
Variation in recoveries	-26	-26	-37
Variation in claims reserve	-8,415	-21,353	12,938
Total Non-Life business	**41,824**	**40,829**	**995**
Life Business			
Amounts paid	27,480	34,563	-7,083
Variation in mathematical reserves and other technical reserves	-19,579	-19,622	43
Variation in the reserve for payables	-501	-512	11
Total Life	**7,400**	**14,429**	**-7,029**
Total non-Life + Life	**49,224**	**55,258**	**-6,034**
Amounts paid	77,719	96,771	-19,052
Variation in reserves	-28,495	-41,513	13,018

COMMISSIONS PAYABLE

Commissions payable for 2005 amounted to € 289K, down by € 693K on 2004.

(€K)	2005	2004	Variation
Commissions payable	289	982	-693

OPERATING EXPENSES

(€K)	**2005**	**2004**	**Variation**
Non-life business			
Purchase commissions and variations in deferred acquisition costs	335,035	341,065	-6,030
Other acquisition costs	57,393	56,408	985
Collecting commissions	37,981	37,366	615
Commissions and profit shares received by reinsurers	-15.623	-18.826	3.203
Total Non-Life business	414,786	416,013	-1,227
Life Business			
Purchase commissions and variations in deferred acquisition costs	3,971	10,062	-6,091
Other acquisition costs	5,364	7,822	-2,458
Collecting commissions	7,057	8,228	-1,171
Commissions and profit shares received by reinsurers	-1.385	-2.043	658
Total Life	15,007	24,069	-9,062
Investment management costs	2,772	3,570	-798
Other administrative expenses	67,930	70,345	-2,415
Total	500,495	513,997	-13,502

Acquisition costs accrued over the financial year amount to € 401,763K.
Details are given below:

(€K)	**2005**
Portion incurred and disbursed over the year	388,121
Portion arising from amortisation of capitalised costs	13,642
Total acquisition costs	401,763

OTHER COSTS

Other costs amounted to € 169,209K (€ 178,134K in 2004) and comprise:

(€K)	**2005**	**2004**
Other technical charges	65,685	78,592
Provisions	14,415	9,457
Losses on receivables	28,775	14,667
Contingent liabilities	10,648	3,262
Amortisation tangible assets	2,283	4,607
Amortisation intangible assets	-	2,579
Exchange differences	1,908	8,768
Minorities' administrative charges and expenses	38,271	36,399
Other costs	7,224	19,803
Total	**169,209**	**178,134**

TAXES

(€K)	**2005**
Charges (income) for current taxes	121,456
Adjustments recorded over the financial year relating to current taxes and taxes for previous years	-
Deferred tax liabilities arising over the year	25,418
(-) Deferred tax liabilities used over the year	-56,421
(-) Deferred tax assets arising over the year	-37,107
Deferred tax assets used over the year	66,015
Income for deferred tax assets arising in previous years and not previously recorded used to reduce current taxes	-
Income for deferred tax assets arising in previous years and not previously recorded used to reduce deferred taxes	-
Charges (income) relating to write-downs (write-ups) of assets for deferred taxes recorded in the previous year	-
Variations following errors or changes in accounting principles according to IAS 8	-
Total	**119,361**

Taxes for the financial year amount to € 119,361K (€ 173,884K in 2004) being the combined effect of current taxes of € 121,456K and net deferred taxes of € 2,095K.

Current taxes (Ires and Irap) are calculated by applying current nominal rates of 33% for Ires and 5.25% for Irap to basic taxable amounts on the accounting date. When calculating Irap for the year in question, consideration was also given, again by prudent valuation, of any increase or reduction in rates decided upon by some regions with regard to particular categories of economic agents.

With regard to deferred taxation, the latter generated a tax benefit of € 2,095 K. In particular, deferred tax liabilities showed a positive net balance of € 31,003K and, generally speaking, relate to all the taxable temporary differences arising, or repaid, over the year. The overall amount of tax liabilities for deferred taxes recorded at the end of 2005 was € 225,582K.
On the other hand, advance taxes arising over the year, net of those repaid, resulted in a greater tax liability of € 28,908K. The latter were set aside according to the likelihood of repayment, less related temporary differences in subsequent years. Advance taxes for losses were not set aside in the current year.
At year end, advance taxes amounted to a total of € 250,461K. As a supplement to the balance sheet disclosure required by IAS 12 – Income taxes, it should be noted that deferred assets and liabilities were not offset against each other in the balance sheet.

The reconciliation between the tax liability posted to the accounts and the theoretical tax liability, calculated on the basis of the current IRES nominal rate for 2005 of 33%, is as follows:

(€K)	**2005**
Pre-tax result	396,619
Tax on theoretical income (excluding Irap)	130,884
Tax impact deriving from permanent changes in tax liability	-7,049
Other differences	-33,699
Income tax (excluding Irap)	90,136
Irap	29,225
Total income taxes posted to the accounts	**119,361**

For the purposes of making the reconciliation easier to understand in terms of the actual balance sheet tax liability and the theoretical tax liability, the latter being calculated on the basis of a nominal tax rate of 33%, the effect of Irap was not taken into considerations since the taxable amount to which this tax relates is very different and, therefore, incomparable with the pre-tax result.

The positive effect of permanent tax changes was mainly linked to the prevalence of positive income components which, following the Ires reform as per Legislative Decree
344/2003, are subject to detaxation as, amongst other things, dividends allocated over the year are not subject to consolidation adjustment.
Other differences relate, in the amount of € 31,533K, to the cancellation of deferred tax liabilities due to the reduction in the transitional system provided for by 'art. 4 of Legislative Decree 344/2003 in accordance with which taxes relating to the adjustment made in previous years were repaid.

FURTHER INFORMATION

Earnings per share

The basic earnings per share is calculated by dividing the net profit for the year attributable to the Parent company's ordinary shareholders by the weighted average number of shares in circulation during the year. It should be noted that the weighted average shares in circulation was decreased by the weighted average of own shares possessed by the Milano Group.
Diluted earnings per share was calculated by dividing the net profit for the year attributable to the Parent company's ordinary shareholders by the weighted average number of shares in circulation during the year, adjusted for the diluting effects of Milano Assicurazioni warrant options in circulation and, therefore, of all potential shares.
It should also be noted that dividends intended for savings shareholders are deducted from the Group's consolidated net profit.

Share results and information for the purposes of calculating basic and diluted earnings per share are given below:

	2005	**2004**
Net profit attributable to the Parent company's ordinary shareholders (€K)	274,301	255,825
Weighted average number of ordinary shares for calculation of basic earnings per share	427,937,303	428,104,327
Basic earnings per share (in Euro)	0.64	0.60
Dilution effect:		
Adjusted weighted average number of ordinary shares for the purposed of diluted earnings per share	452,411,177	452,599,855
Diluted earnings per share (in Euro)	0,61	0,57

Dividends paid and proposed

The information below is given in accordance with what is laid down by IAS 1.125a and 125b:

(€K)	**2005**	**2004**
Declared and paid over the year		
Dividends on ordinary shares	111,263	85,609
Dividends on savings shares	8,607	6,763
Proposals for approval by the Shareholders' meeting		
Dvdends on ordinary shares	122,176	111,263
Dividends on savings shares	9,222	8,607

It should be noted that dividends proposed for approval by the Shareholders' meeting were not recorded as liabilities as at 31 December.

PART D – Segment information disclosures

According to what is laid down by IAS 14, business segment disclosures provide an additional tool to improve the reader's understanding of the Group's economic/financial performance.
The logic underlying the application of the standard is that by indicating how and where the Group's results are formed, it is then possible to obtain information on both the Group's overall operability and, more especially, areas where risks and returns are concentrated.

The Group's primary reporting is by business segment. Group companies are organised and managed separately on the basis of the nature of the products and services supplied, for each business segment representing a strategic business unit offering different products and services.
In order to identify primary segments, the Group conducted an analysis of the risk/return profile of these segments and took into consideration the internal disclosure structure whilst identification of the remaining segment was the result of a discretional valuation aimed at showing the primary source of risks and benefits to which the Group is exposed. Lastly, it should be considered that ISVAP, with Directive 2404/05, deemed it opportune to show the non-Life segment and Life segments as de minimis disclosure for the purposes of segment reporting.

The non-Life segment supplies insurance cover for the events indicated in art. 4 of Legislative Decree 175/97.

The Life segment consists of insurances and operations indicated in point A of the table annexed to Legislative Decree 174/1995.

The Property segment includes the activities of subsidiary property companies actively operating in the investment property management and development market.

The Other Business segment, being of a residual nature, includes the business of subsidiaries operating in the financial and commercial assistance for agencies segment.

Transactions between segments are generally concluded under the same terms applied to third parties.

This section reports on the balance sheet and profit and loss account broken down by segment, prepared in accordance with models approved by ISVAP with Directive No. 2404 of 22 December 2005. Notes and further data on individual segments are given in the Management Report. Please refer to this report for further information

To this we should add that, as a result of the abolition of the transitional system instituted by article 4, paragraph 1, of Legislative Decree 344/2003, the Group released funds for deferred taxes payable, in view of the write-downs of shareholdings which fulfil the requirements for partial exemption from tax under article 87 of the Income Tax Consolidation Act, deducted in the 2003 financial year. The effect of this operation on the profit and loss account is positive by approximately € 51m.
However, both because of the extraordinary nature of the aforesaid drawings, and because the legislative framework will be different in future years, owing to the adoption of the IRES corrective provisions contained in Legislative Decree 247/05, the reduction in the tax burden achieved in this financial year might not be repeated in future years.

- The net equity amounts to € 4,509m (€ 3,275m in 2004) and the parent company's share amounts to € 3,460m (€ 2,633m in 2004). -
- The Group ROE, calculated on the basis of its average net equity, minus dividends payable and third party shares, amounts to 16.02% (13.6% in 2004). The total ROE, thus including third party profits and equity, amounts to 15.9%.

The next 2 pages show the business trends in the financial year by sector of business.

Balance sheet by sector of business

(Value in thousands of Euros)

		Non-life sector		Life sector		Property sector		Other		Intersectorial overlaps		Total	
		Total 2005	Total 2004	Total 2005	Total 2004	Total 2005	Total 2004	Total 2005	Total 2004	Total 2005	Total 2004	Total 2005	Total 2004
1	**INTANGIBLE ASSETS**	**153,185**	**153,185**	**22,153**	**22,153**			**750**	**1,908**			**176,088**	**177,246**
2	**TANGIBLE ASSETS**	**106,342**	**10885**	**135**	**113**	**2,469**		**1.679**	**2,787**			**110,625**	**111,785**
3	**TECHNICAL RESERVES BORNE BY REINSURERS**	**208,451**	**241,886**	**150,076**	**196,531**							**358,527**	**438,417**
4	**INVESTMENTS**	**4,296,156**	**4,019,859**	**4,544,148**	**4,013,342**	**198,933**	**131,714**	**5,687**	**138,161**	**-237**	**-**	**9,044,687**	**8,303,076**
4.1	Property investments	265,346	275,138			104,790	55,208					370,136	330,346
4.2	Shareholdings in subsidiaries, associated companies and joint ventures	-	-	-	-	135	-	4,955	2,612			4,820	2,612
4.3	Investments held until maturity												
4.4	Loans and receivables	156,944	123,479	56,167	55,884				134,803	-237		212, 874	314,166
4.5	Financial assets available for sale	3,734,296	3,479,322	3,751,296	3,338,324	94,278	76,506	732	746			7,580,602	6,94,898
4.6	Financial assets at fair value through profit or loss	139,570	141,920	736,685	619,134							876,255	761,054
5	**SUNDRY RECEIVABLES**	**874,865**	**775,494**	**70,193**	**134,826**	**28,055**	**15,554**	**616**	**12,566**		**-6426**	**973,729**	**932,014**
6	**OTHER ASSET ELEMENTS**	**398,250**	**376,334**	**164,320**	**74,878**	**871**	**10,305**	**201**	**7,790**	**-36,945**	**-28,275**	**526,697**	**441.032**
6.1	Deferred acquisition costs	59,739	41,421	6,497	5,104							66,236	46,525
6.2	Other assets	338,511	334,913	157,823	69,774	871	10,305	201	7,790	-36,945	-28,275	460,461	394,507
7	**CASH AND EQUIVALENTS**	**108,549**	**108,862**	**45,537**	**37,592**	**1,159**	**825**	**1,404**	**5,550**			**156,649**	**152,829**
	TOTAL ASSETS	**6,145,798**	**5,784,505**	**4,996,562**	**4,479,435**	**231,487**	**158,398**	**10,337**	**168,762**	**-37,182**	**-34,701**	**11,347,002**	**10,556,399**
1	**NET EQUITY**											**1,721,171**	**1,386,907**
2	**APPROPRIATIONS**	**58,529**	**41,974**	**4,847**	**21,829**			**77**	**514**			**63,453**	**64,317**
3	**TECHNICAL RESERVES**	**4,325,589**	**4,237,992**	**4,143,201**	**3,848,099**							**8,468,790**	**8,086,091**
4	**FINANCIAL LIABILITIES**	**23,793**	**20,252**	**216,520**	**148,467**	**3,362**	**-**	**756**	**119,830**	**-**	**-**	**244,431**	**288,549**
4.1	Financial liabilities at fair value through profit or loss	4,146		80,342	318							84,488	318
4.2	Other financial liabilities	19,647	20,252	136,178	148,149	3,362		756	119,830			159,943	288,231
5	**DEBTS**	**347,733**	**342,274**	**40,827**	**43,288**	**2,417**	**15,494**	**2,213**	**14,162**	**-237**	**-6,426**	**392,953**	**408,792**
6	**OTHER LIABILITY ELEMENTS**	**314,357**	**260,471**	**166,992**	**86,979**	**11,684**	**395**	**116**	**2,173**	**-36,945**	**-28,275**	**456,204**	**321,743**
	TOTAL NET EQUITY AND LIABILITIES											**11,347,002**	**10,556,399**

Profit and loss account by sector of business

(Value in thousands of Euros)

		Non-lilfe sector		Life sector		Property sector		Other		Intersectorial overlaps		Total	
		Total 2005	Total 2004	Total 2005	Total 2004	Total 2005	Total 2004	Total 2005	Total 2004	Total 2005	Total 2004	Total 2005	Total 2004
1.1	Net premiums	2,644,044	2,569,012	575,570	510,244							3,219,614	3,079,256
1.1.1	*Gross premiums for the period*	2,704,700	2,656,545	586,425	523,724							3,292,125	3,180,269
1.1.2	*Premiums ceded to reinsurers for the period*	-60,656	-87,533	-10,855	-13,480							-71,511	-101,013
1.2	Commissions receivable			1,239					57			1,239	57
1.3	Income and charges resulting from financial instruments at fair value through profit or loss	27,357	2,796	29,303	24,151			,				56,660	26,947
1.4	Proceeds from shareholdings in subsidiaries, associated companies and *joint ventures*					-134		429	179			295	179
1.5	Proceeds from other financial instruments and property investments	135,501	195,536	169,839	171,543	2,905	3,412	18	17,874			308,263	388,365
1.6	Other income	69,064	65,940	38,291	15,116	2	13	1,431	14,054		-2,204	108,788	92,919
1	**TOTAL INCOME AND PROCEEDS**	**2,875,966**	**2,833,284**	**814,242**	**721,054**	**2,773**	**3,425**	**1,878**	**32,164**		**-2,204**	**3,694,859**	**3,587,723**
2.1	Net charges relating to claims	1,912,113	1,810,041	687,703	580,616							2,599,816	2,390,657
2.1.2	*Amounts paid and variation in technical reserves*	1,953,937	1,850,871	695,103	595,045							2,649,040	2,445,916
2.1.3	*Shares borne by reinsurers*	-41,824	-40,830	-7,400	-14,429							-49,224	-55,259
2.2	Commissions payable			289					982			289	982
2.3	Charges resulting from shareholdings in subsidiaries, associated companies and joint ventures	3										3	
2.4	Charges resulting from other financial instruments and property investments	16,386	37,247	10,027	14,674	1.676	772		7,691			28,089	60,384
2.5	Management costs	473,803	479,233	26,691	34,765	44	575	296	5,218		-1,173	500,834	518,618
2.6	Other costs	141,401	154,290	26,318	9,421	73	30	1,417	15,424		-1,031	169,209	178,134
2	**TOTAL COSTS AND CHARGES**	**2,543,706**	**2,480,811**	**751,028**	**639,476**	**1,793**	**1,377**	**1,713**	**29,315**		**-2,204**	**3,298,240**	**3,148,775**
	PROFIT (LOSS) FOR THE FINANCIAL YEAR BEFORE TAX	**332,260**	**352,473**	**63,214**	**81,578**	**980**	**2,048**	**165**	**2,849**			**396,619**	**438,948**
	Taxes											119,361	173,884
	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS											6,443	
	CONSOLIDATED PROFIT (LOSS)											**283,701**	**265,064**
	pertaining to the group											283,522	264,432
	pertaining to minorities											179	632

Balance sheet and Profit and Loss account by business segment

PART E – Information on financial risks

Objectives and criteria

The Group's financial instruments mainly comprise debt and capital securities, represented by bonds and shares. Added to these are current bank accounts, bank deposits and receivables from policyholders, agents and other intermediaries, as well as insurance and reinsurance companies i.e. these are, in the case in point, financial instruments deriving from business operations which, as is known in the insurance industry, anticipate a major reversal of the monetary cycle.
With regard to the Group's insurance companies, whether within the non-Life or the Life segment, similar financial instruments are mainly intended to guarantee adherence to commitments to policyholders that have matured or are in the process of maturing. In particular, financial instruments represented by securities are mainly intended to hedge technical reserves in accordance with the criteria and procedures laid down by the Supervisory Authority with its own specific standards.
The main risks generated by financial instruments are: interest rate risk, liquidity risk, exchange risk and credit risk. Added to this is the market price risk (fair value) generated by financial instruments. The Parent company's Board of Directors reviews and approves policies to manage these risks.
Over the years, the Fondiaria-Sai Group has developed a plan for mapping and estimating financial risks. The plan was born of the need to supply appropriate support for management and financial choices, also in terms of asset allocation. From an operational point of view this monitoring is facilitated by the fact that the Finance Department operates on a centralised model.

Interest rate risk, market risk and V.a.R.

Exposure to market risk due to interest rate changes mainly relates to debt securities held and, in particular, long-term securities. From this perspective, a balanced mix of fixed and variable rate securities are used.
The Group's monitoring system provides for assessment of the risk of interest rate and share rate fluctuation, inherent in portfolios and measured by "Value at Risk" (V.a.R.). Using this measurement, the existing portfolio's loss in value can be estimated in the light of significant risk factors, interest rate and share market fluctuations, over a predetermined timeframe and with a predetermined level of probability of the event that is damaging for the portfolio occurring. The asset portfolio's risk profile is also determined by the structure of the liabilities being hedged by these securities. In particular, the sensitivity of the value of the Life reserves to interest rate changes is determined and then the hedged asset portfolio is structured so that its sensitivity is in line with said risk value.

As for assets hedging non-Life reserves, these are selected in line with the portfolio's asset allocation, giving priority to listed fixed income securities and, then, to unlisted fixed income securities, listed and unlisted equities, property and bonds.

Table A1

	1	2	3	4	5	6				7
	Valore quotato	**Composiz. %**	**Dur.**	**VaR tasso %**	**VaR Cambio %**	**Sensitività tasso**	**Sensitivity shift+ %**	**Sensitivity shift- %**	**TIR**	**Rendim**
Government Euro	**5.136.303,03**	**85,47%**	**4,15**	**0,47%**	**0,00%**	**-1,55**	**0,04%**	**0,04%**		
Tasso variabile	*1.168.386,82*	19,44%	*0,55*	0,03%	0,00%	*-0,39*	0,01%	0,01%		
Tasso fisso	*3.967.916,22*	66,02%	*5,21*	0,60%	0,00%	*-1,89*	0,05%	0,05%		
0,0< <=1,5	1.073.931,28	17,87%	1,23	0,27%	0,00%	-1,01	0,01%	0,01%	2,82	3,11
1,5< <=3,0	730.548,17	12,16%	2,27	0,49%	0,00%	-1,59	0,02%	0,02%	2,95	3,02
3,0< <=5,5	862.210,58	14,35%	3,76	0,68%	0,00%	-2,11	0,04%	0,04%	3,52	2,82
5,5< <=7	74.753,88	1,24%	5,25	0,78%	0,00%	-2,38	0,05%	0,05%	3,38	4,49
>7	1.226.472,30	20,41%	11,39	0,90%	0,00%	-2,66	0,11%	0,11%	3,71	3,82
Corporate Euro	**741.883,09**	**12,34%**	**5,45**	**0,64%**	**0,00%**	**-1,96**	**0,05%**	**0,05%**		
Tasso variabile	*150.883,40*	2,51%	*1,32*	0,14%	0,00%	*-0,66*	0,01%	0,01%		
Tasso fisso	*590.999,69*	9,83%	*6,47*	0,77%	0,00%	*-2,28*	0,06%	0,06%		
0,0< <=1,5	25.807,85	0,43%	0,86	0,17%	0,00%	-0,74	0,01%	0,01%	3,1	5,15
1,5< <=3,0	58.990,55	0,98%	1,86	0,40%	0,00%	-1,33	0,02%	0,02%	3,74	4,31
3,0< <=5,5	134.193,36	2,23%	3,89	0,70%	0,00%	-2,12	0,04%	0,04%	0	3,88
5,5< <=7	83.917,38	1,40%	5,45	0,83%	0,00%	-2,44	0,05%	0,05%	3,21	3,95
>7	288.090,55	4,79%	9,32	0,92%	0,00%	-2,62	0,09%	0,09%	4,05	4,34
8 **Fondi obbligazionari Euro**	**55.720,06**	**0,93%**	**2,98**	**0,56%**	**0,00%**	**-1,72**	**0,03%**	**0,03%**		
Tasso fisso	*55.720,06*	0,93%	*2,98*	0,56%	0,00%	*-1,72*	0,03%	0,03%		
0,0< <=1,5	20.141,05	0,34%	0,97	0,20%	0,00%	-0,84	0,01%	0,01%	3,19	2,86
3,0< <=5,5	35.037,52	0,58%	4,18	0,74%	0,00%	-2,26	0,04%	0,04%	0	3,19
>7	541,49	0,01%	0	1,57%	0,00%	0	0,00%	0,00%	2,85	0
Government Non Euro	**46.385,17**	**0,77%**	**2,5**	**0,26%**	**2,60%**	**-1,59**	**0,02%**	**0,02%**		
Tasso fisso	*46.385,17*	0,77%	*2,5*	0,26%	2,60%	*-1,59*	0,02%	0,02%		
0,0< <=1,5	22.433,38	0,37%	0,68	0,08%	2,41%	-0,59	0,01%	0,01%	1,27	2,94
1,5< <=3,0	13.691,70	0,23%	2,11	0,26%	2,91%	-1,72	0,02%	0,02%	4,58	5,3
3,0< <=5,5	6.427,39	0,11%	3,69	0,45%	2,36%	-2,03	0,04%	0,04%	2,14	2,96
>7	3.832,70	0,06%	13,04	1,04%	3,03%	-6,5	0,12%	0,12%	2,08	2,18
Corporate Non Euro	**29.527,02**	**0,49%**	**1,42**	**0,23%**	**2,19%**	**-0,85**	**0,01%**	**0,01%**		
Tasso variabile	*14.330,30*	0,24%	*0,11*	0,00%	2,71%	*-0,1*	0,00%	0,00%		
Tasso fisso	*15.196,72*	0,25%	*2,66*	0,44%	1,70%	*-1,55*	0,03%	0,03%		
0,0< <=1,5	1.452,50	0,02%	0,14	0,00%	2,05%	-0,13	0,00%	0,00%	5,06	5,27
1,5< <=3,0	6.650,46	0,11%	2,48	0,48%	1,25%	-1,33	0,02%	0,02%	0	3,14
3,0< <=5,5	6.928,59	0,12%	3,28	0,49%	2,06%	-2,06	0,03%	0,03%	5,03	4,3
5,5< <=7	165,18	0,00%	6,16	0,62%	1,25%	-1,69	0,06%	0,06%	2,03	1,77
Totale	**6.009.818,37**	**100,00%**	**4,27**	**0,49%**	**0,03%**	**-1,60**	**0,04%**	**0,04%**		

Columns
1 = Listed value
2 = % composition
3 = Duration
4 = VaR rate
5 = VaR exchange
6 = Rate sensitivity
7 = return
Row
8 = Euro bond funds

The Dur. Index is the Macaulay duration expressed in years
The Sensitivity shift + is calculated in reference to a parallel shift of 1 b.p.
The Sensitivity shift - is calculated in reference to a parallel shift of 1 b.p.
The Sensitivity index rate is the relative change in value for a variation of 100b.p. in the short-term rate.
The Value at Risk is calculated at a level of probability of 99%, with an unwinding period of 10 working days

Table A1 shows the consolidated bond portfolio "Available for sale" (AFS) broken down by maturity band, distinguishing between government and

corporate securities. Securities in foreign currency are aggregated in a “non Euro” segment.
As shown by the table, 85% of the bond portfolio is made up of government securities, mainly issued by the Italian government and marginally by other the OECD states.

The financial duration of the securities exposed, as well as the VaR (Value at Risk) is shown. The VaR shows the maximum loss to which the portfolio could be exposed, with a 10 day timeframe, with a 1% level of probability. For securities in foreign currency, the component of risk appertaining to exchange is shown in the Exchange VaR field.

The rate sensitivity measurement shows the price loss in percentage terms in the event of a rise in short-term rates of 100 base points. The variation right the way along the rates structure is calculated using a stochastic model and reduces when the maturity timescale increases. The risky nature of interest rate fluctuations is also represented by the percentage variation in bond quotes for a standard shift of one base point over the entire curve due to interest rate expiry. The variation is shown both in the event of a rise (*Shift* + , loss) , or in the event of a fall (*Shift* – , profit). The portfolio's potential yield is summarised by the immediate return calculated as the ratio between the coupon flow and the quotation, as is, on the processing date.

Table A2

	1	2	3	4	5	6	7	8	9		
	Tipologia	**Divisa**	**Valore carico secco**	**Valore quotato**	**Composizione %**	**VaR t./p.**	**VaR tasso prezzo %**	**VaR cambio**	**VaR Cambio %**	**VaR totale**	**VaR Totale %**
10	Azioni	Corona svedese	1.631,86	1.631,86	0,02%	168,33	10,32%	30,78	1,89%	199,11	12,20%
		Dollaro americano	3.529,80	3.529,80	0,05%	216,56	6,14%	140,42	3,98%	356,98	10,11%
		Euro	974.969,71	974.969,71	13,35%	45.877,01	4,71%	0	0,00%	45.877,01	4,71%
		Franco svizzero	128.784,98	130.357,03	1,78%	10.186,64	7,81%	1.623,78	1,25%	11.810,42	9,06%
		Sterlina inglese	13.030,08	13.030,08	0,18%	590,84	4,53%	329,39	2,53%	920,23	7,06%
		Yen giapponese	604,75	604,75	0,01%	42,29	6,99%	21,38	3,54%	63,66	10,53%
11	Derivati su azioni	Euro	0	-4.464,97	-0,06%	-5.513,37	123,48%	0	0,00%	-5.513,37	123,48%
12	**Totale Azioni quotate**		**1.122.551,18**	**1.119.658,26**	**15,33%**	**51.568,30**	**4,61%**	**2.145,75**	**0,19%**	**53.714,04**	**4,80%**
13	Fondi obbligazionari	Euro	55.720,06	55.720,06	0,76%	309,3	0,56%	0	0,00%	309,3	0,56%
14	Obbligazioni	Dollaro americano	32.537,86	32.537,86	0,45%	40,66	0,12%	1.319,94	4,06%	1.360,61	4,18%
	Euro	Euro	5.801.212,20	5.801.212,19	79,41%	29.129,57	0,50%	0	0,00%	29.129,57	0,50%
15	Franco svizzero	Franco svizzero	41.977,82	41.977,82	0,57%	128,54	0,31%	532,28	1,27%	660,83	1,57%
16	**Totale Titoli**		**5.931.447,94**	**5.931.447,93**	**81,20%**	**29.608,07**	**0,50%**	**1.852,23**	**0,03%**	**31.460,30**	**0,53%**
10	Azioni	Euro	253.292,58	253.909,95	3,48%	9.405,21	3,70%	0	0,00%	9.405,21	3,70%
17	**Totale Azioni non quotate**		**253.292,58**	**253.909,95**	3,48%	**9.405,21**	3,70%	**0**	0,00%	**9.405,21**	3,70%
	Totale generale		**7.307.291,70**	**7.305.016,14**	**100,00%**	**90.581,58**	**1,24%**	**3.997,98**	**0,05%**	**94.579,55**	**1,29%**

Columns

1 = Type
2 = Currency
3 = book value, flat rate
4 = Listed value
5 = % composition
6 = VaR r/p
7 = % VaR t/p
8 = VaR exchange
9 = % VaR exchange

Rows

10 = Shares
11= Derivatives on shares
12 = Total listed shares
13 = Bond funds
14 = Bonds
15 = Swiss Francs
16 = Total securities
17 = Total unlisted shares

Identification of all market data used: Market data as at 31/12/2005 - AFS.
Monetary amounts are represented in thousands of Euro at spot exchange rates on the valuation date.
The Value at Risk is calculated at a 99% level of probability, with a 10 working day unwinding period.
The flat book value is calculated on the nominal value, the listed value is calculated on the residual payable.
The total VaR percentage is calculated in accordance with the listed value as is.
The r/p VaR expresses the VaR rate for the bond segment and the VaR price for the share segment.
Book values and listed values are expressed at flat rate.

Table A2 analyses the portfolio AFS broken down by type of asset, shares, listed and unlisted bonds.

For the purposes of providing a measurement of the total exposure to bond and share risk, the portfolio’s VaR is calculated, using the same parameters used in table A. In this report the risk level of an Italian listed share index (Mibtel) was prudently attributed to unlisted shares.

Exchange risk

The Group has no significant exposure to exchange risk. In fact, most of the investments in financial instruments are denominated and/or redeemable in Euro which is both the functional currency and the currency of account. With regard to financial instruments denominated in currencies other than within the Euro zone, the Group mainly invests in dollars, Swiss francs and English sterling. In this respect, there is a good balance between assets denominated in foreign currency and related liabilities, in turn, denominated in the same currency, since for the most part these investments are intended to hedge commitments to life policyholders (relating, in particular, to segregated accounts in foreign currency).
In any event, the Group monitors exposure in foreign currency at least once a month in order to detect criticality or situations that require any corrective intervention in good time, including the stipulation of any hedge contracts.
What’s more, with the sale, which took place in January 2006, of the interest in Swiss Life Holding, denominated in Swiss francs, the Group’s exposure to exchange risk was considerably reduced.

Credit risk

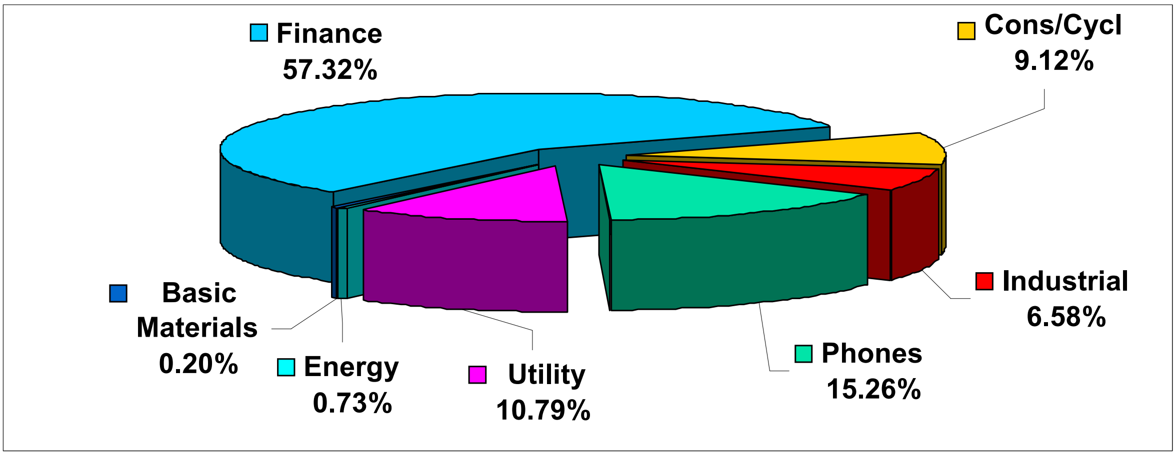
The credit risk, arising from holding bonds, was estimated on the basis of models for valuing the portfolio’s loss of value following fluctuations in bond quotes and possible failures of the issuers of said securities.
As shown by the table, 85% of the bond portfolio is made up of government securities, mainly issued by the Italian government and marginally by other the OECD states.

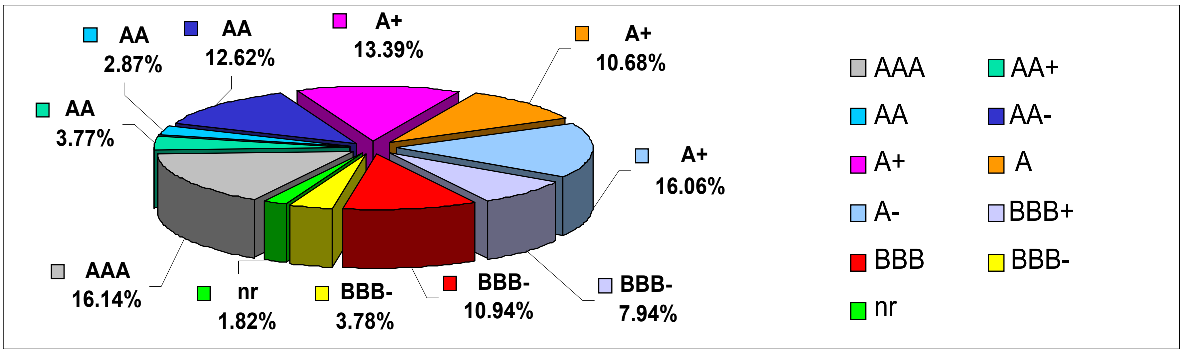
With reference to receivables from policyholders for premiums, receivables from agents and other intermediaries as well as insurance and reinsurance companies, the Group does not present significant concentrations of credit risk, its credit exposure being divided between a large number of counterparties and clients. What’s more, the balance of receivables is constantly monitored throughout the year so as to minimise the amount of exposure to losses.

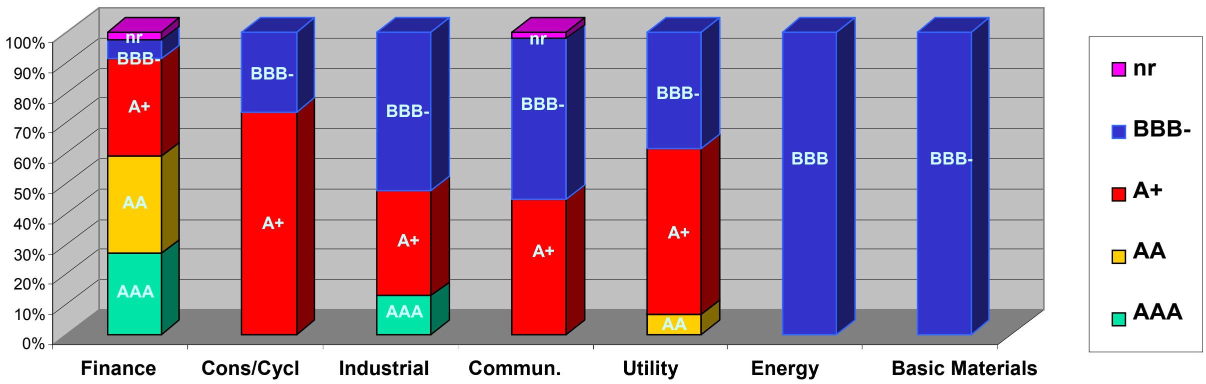
Finally, with reference to the property sector, following credit risk assessments, guarantees were requested from tenants or purchasers as sureties or deposits in property transactions.

Composition of the corporate portfolio

The graphs appearing below show the composition of the Available For Sale corporate portfolio of the Group's two main insurance companies.
Featured are both a breakdown by the commodity sector to which the issuing entity belongs and an analysis of the corporate portfolio by rating level of the issuing entity. Government securities, which represent about 85% of the portfolio, are excluded from the analysis.
A view of both portfolios analysed is given using graphs and histograms, in which the fundamental risks (in terms of exposure) are identified for major issuers in the largest sectors.
It should be remembered that exposure means the estimated loss in the event of insolvency of the issuer, taking into consideration the "recovery rate" quota estimated for each rating.







Liquidity risk

The liquidity risk is the risk that the Group may have difficulty finding the funds to meet its own financial commitments.
The Group's objective is to maintain a balance between keeping a monetary reserve that is capable of covering, in good time, any unforeseen liabilities in respect of policyholders and suppliers and the opportunity to set aside excess liquidity for more profitable investment operations.
Liquidity risk management is supported on an organisational level by centralised financial resource management using the Group Treasury model and by using cash pooling techniques and tools.
Given the nature of the business transacted by Group companies and in view of Treasury management procedures, the liquidity risk is controlled by means of scheduling financial flow management using what is essentially a decadal system, in an attempt to make the most significant outflows coincide with agency remittances and by making excess funds with regard to cash flow requirements available, on a daily basis, to the Finance Department.
Excess liquidity in respect of what is not used by the finance Department is used by the Treasury in 24 hours deposits (so-called "time deposits") and consequently liquidatable with 48 hours prior notice. As a further safeguard, in the event of particular emergencies due to unforeseen and urgent needs, requiring the liquidation of particularly large amounts of funds with less than 48 hours notice, the Treasury holds funds at the Group's Bank that are available to perform urgent operations.

Derivatives

The Group makes a limited use of derivatives. In fact, the characteristics and peculiarities of the insurance business mean that the use of derivatives is regulated in relevant operational framework decisions provided for by the Supervisory Authority with its own Directive No. 297/1996.
In particular, the Directive model lays down that operating in derivatives for the purpose of so-called effective management should be kept within a tolerable quota of the available solvency margin. In this context, it should be noted that the Groups' derivatives operations are mainly aimed at hedging the fair value of some significant holdings classed as available for sale.
In the light of the aforementioned hedging operations, the Group has arranged to write related hedge reports, from which the high level of efficiency of said hedging can be noted. These hedges amount to € 4,146K.

The Group does not stipulate foreign currency contracts to hedge future transactions and cash flows, since exposure to the exchange risk is, generally speaking, absolutely immaterial and is itself, already hedged via the mechanism of congruence between foreign currency assets and liabilities..

During the course of the financial year, the Group stipulated credit default swap contracts to protect itself from the risk of insolvency of a counterparty issuing financial instruments acquired by the Group itself. It should, however, be noted that, having also considered the limited cost of said cover, the issuer of the financial instrument subscribed for is a leading financial operator of international standard with a Standard & Poor's rating.

PART F – Amounts, timescales and level of uncertainty of financial flows relating to insurance contracts

With reference to what is laid down by paragraphs 38 and 39 of IFRS 4 the following information is given separately for non-Life and Life business.

NON-LIFE BUSINESS

The Group's objective, in line with the strategic plan, is to develop the portfolio in all classes of non-Life business in a balanced and technically cost-effective manner.

Procedures for underwriting risks differ from segment to segment, distinguishing between mass risks, corporate risks and special risks.
Mass risks, such as, for example, motor TPL, Land Vehicles and all those relating to the individual (Accident and Health), the family (Accommodation and Third Party Liability) and small companies (businesses, trades) are related, for our Group, to over 90% of the total number of premiums underwritten. These risks are covered with standard predetermined conditions which are set by central technical offices on the basis of existing standards, the experience of the Insurance market and the Group's specific experience.

In particular, in the Motor TPL segment, the sizeable mass of statistical data held makes it possible to draw up sophisticated customised tariffs which take account of a great number of subjective and objective risk factors.
What's more, a gradual convergence of Nuova MAA and Milano tariffs is under way via several harmonisation stages, thus minimising any effects on the portfolio. Tariffs are monitored on a monthly basis and reviewed periodically. The portfolio is also the subject of continual attention with the aim of identifying any anomalous situations, both at a geographical level and with regard to remaining risk factors so as to make corrective interventions possible. Similar attention has been paid to the best Clients whose loyalty is built up with incentivising initiatives not just in respect of existing contracts but also with initiatives such as the possibility of enhancing the driving records of mature clients on other types of vehicles, such as, fore example, the case of a client who is insured for a motor vehicle and wants cover for a new motorcycle.

In the Land Vehicles class, which traditionally represents a very significant area of business for the Group, tariffs were set, in the case of Fire and Theft, according to geographical area, the types of vehicles insured and the extent of the cover given. The price of comprehensive cover is, on the other hand, also set on the basis of No-claims bonus together with the age of the owner and vehicle insured. The Client can, in addition, choose between various exposures and minimums which permit him/her to modulate, even slightly, the prices of the various covers.

In addition, for mass risks with non-vehicle classes, underwriting and price setting principles are strictly correlated with the statistical experience of the Group's portfolio which is sufficiently broad and stable to make it possible to set cover and prices that are appropriate for various types of risk
In particular, in the Health class, risk assumption is accompanied by, and subject to, the evaluation of an anamnestic questionnaire to adjust the cover to the terms of the insuring party.

Generally speaking, with mass risks and, in any event, all those risks where there are predetermined standard conditions and tariffs, the risk is taken on using relevant IT procedures used by the various Agency networks set up for this purpose. Within predetermined parameters, sales networks can avail themselves of centrally monitored price flexibility. In cases where the requirements of a specific Client mean that changes have to be made to fixed terms, any exemptions allowed are assessed and authorised by the Company's Technical Departments.

With regard to corporate risks and special risks, which due, for one thing, to their size, cannot be covered using standard regulatory or price terms, the procedures used are more flexible i.e. the branch networks have limited autonomy in terms of value and typology, when it comes to taking on risk. In excess of these values or for different typologies, assistance is given by an appropriately trained network of Company Technicians who evaluate the risk and fix the terms on a case by case basis.

For more complex cases either in terms of size or the cover required, risks are only taken on by the Group's centralised specialist technical departments.

In some classes such as, for example, bonds, transport and aviation, the intervention of specialist departments is permanent or sometimes exclusive.

With particular reference to the Bonds class, risk analysis hinges on prior and accurate risk selection which is made by means of a dual examination:

- form an objective point of view, examination of the nature and specific characteristics of the initial report, which determined the request of the provision of the guarantee aims, in the first instance, to trace back the transactions being examined to the categories of risk covered by the Class on the basis of standards governing their operation. In the second instance, particular attention is reserved for checking the characteristics of the guarantee contract which must always respect the principle of accessoriness in respect of the principal obligation;

- from a subjective point of view, the examination relates to valuation of the extent of the assets as well as all those factors pertaining to morality, professional ability and solvency of the Contracting party/principal..

Both the objective and subjective aspects are closely evaluated via the acquisition of specific asset disclosure documentation (accounts, memorandum of association and articles, Chamber of Commerce registration certificates, Unique Shareholder model agreements etc.) forwarded by the Agencies to Technicians in the field or to Management.. This documentation is supplemented both with relevant information concerning commercial updates via specialist companies and with further investigations relating to the “historicity” of the relationship with the Client, compiled from Class databases for the purposes of checking total exposure in respect of the named parties. The aforementioned activity is aimed at quantifying an overall “underwriting limit” on said name, requested, within precise and contained limits, from individual Technicians; over these limits, practices are subject to a collective decision taken within the Class, represented by the “Comitato Fidi” [Guarantee committee].
The guarantee policies are then written by Agencies, using a computer program which checks overall exposure in advance, to see that the underwriting limits agreed are not exceeded.

All guarantee policies written by the class are appropriately protected by 50% placement in a “proportional” reinsurance treaty. In addition, further cover is planned via a “claims excess” treaty over € 2.5m, to protect individual policyholders.

Also, for the purposes of guaranteeing an appropriate distribution of risk, limiting points of exposure, the Group uses Coinsurance on a recurrent basis, making use of a system of reciprocal treatment solely with Companies adopting risk taking policies that are similarly marked by principles of caution and careful risk selection.

Within the scope of Risk Management activities it is necessary to show the processes adopted by the Group to optimise control over exposure to catastrophic risks.
Particular attention is paid to concentrations of risk peculiar to some classes, by using, in accordance with specific characteristics, appropriate methods of calculation.
The Fire class is the one which, due to the greater volumes involved, requires special and individual attention, above all, in relation to risks of earthquakes and floods. To this end, concentration is assessed on a geographical, seismic, and, although not in as much depth, hydrogeological basis.
Exposure concentrations by seismic zone are updated during the year and subsequently remodelled using two products universally adopted by the international market: RMS RiskLink DLM and EQECAT WorldCAT.

The results are then analysed with the help of international operators, to arrive at level of protection adjusted between the two benchmarks used.
In this case, a return time per catastrophic claim of approximately 250 years was adopted.

The flood risk is considered with greater reference to the existing portfolio, in so far as at the moment there are no suitable models capable of supplying an objective appraisal. As is known, the insurance and reinsurance industries are in the process of equipping themselves with a specific tool, known as Sigra, which will be available from 2007.

Land Vehicle business has lots of similarities with Fire business and because of this, benefits from the same reinsurance cover per event.
Technological Risks, because of the specific proportional programmes used, give no particular cause for concern, in so far as the risks are protected on the basis of the year of underwriting.
The potential concentration of risk following the failure of an individual policyholder/designated party in the Bonds Class is protected due to a claims excess programme which guarantees all the approvals given during all past underwriting years.

The importance of Motor business within the Group in determining future financial flows is clear.
We can, indeed, confirm that this is a stable portfolio not subject to significant fluctuations likely to impact on future forecasts.

Motor products were recently reviewed with a view to standardisation at Group level and are the most up-to-date that the Market has to offer.
The Motor TPL sector, due to its particular characteristics, does not present any particular concentrations of risk. Individual events of particular seriousness can occur but the dimensions of the portfolio, geographically distributed uniformly throughout the national territory are such that they can absorb these events without significant repercussions on results.

An any event, for events of extreme and unforeseen severity, the Group is protected by adequate reinsurance cover with leading Reinsurers.

As for the Land Vehicles portfolio, concentrations of risk are possible, mainly in the case of atmospheric events of extreme intensity or natural disasters (floods, earthquakes, storms or hailstorms). These concentrations are calculated on a geographical basis and are then covered by the same reinsurance cover as fire business.

The Group is active in all non-Motor non-Life classes with the sole exception of credit business which is only underwritten sporadically.

Coinsurance

As with the rest of the market, the Group uses the institution of coinsurance, i.e. sharing risks with other companies, both for commercial reasons at local level and to limit exposure in the event of major risks.
Over the last few years, the percentage of risks coinsured, especially by delegation to other companies, has dropped, in so far as preference has been given to having direct control of the risk with possible use of reinsurance.
One of the reasons for the gradual drop in coinsurance, in addition to the Group's greater underwriting capacity, is the unsatisfactory trend in information flows on claims delegated elsewhere which, in previous years, resulted in the need for sizeable adjustments to reserves..
With regard to delegated claims, in 2005, the percentage of premiums collected for non-Motor non-Life business, was 7%, whilst claims amounted to 14%.

Claims trends

The tables below are compiled from official data taken from the forms supplied to the Supervisory Authorities (forms 29 and annex 1 of module 29).
Each piece of data appearing on the "triangle" represents a snapshot of the cost of generation as at 31/12 of the observation year, represented summarily by the sum of the following components:

- Total amount paid from the event year to 31/12 of the observation year.
- Reserved for claims opened, reported as at 31/12 of the observation year.
- Late claims estimate for the event year recorded as at 31/12 of the observation year.

The "Estimated final cost", the "Payments made" and the "Amount in reserve" relate to the most recent observation year, i.e. to the largest diagonal of the triangle.
It was deemed appropriate to represent the claims trend solely for Third Party business (Motor and TPL) in so far as these are the classes that are most representative of the Group i.e. almost 80% of claims paid can be attributed to these two classes of business.
General TPL business, in particular, is characterised by slow dismantling and by a high number of late claims. These peculiarities cause objective difficulties in determining the cost of generation, above all, in the firsts year of observation. This phenomenon, whilst common to all classes, is particularly marked for General TPL.

CLASSES 10 + 12

(€K)	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**Total**
Estimated cost							
At the end of the event year	859,568	919,752	1.005,672	1,116,948	1,161,160	1,203,906	
After one year	963,425	1,038,412	1,129,766	1,219,405	1,263,682		
After two years	965,532	1,060,848	1,195,490	1,250,361			
After three years	979,525	1,070,726	1,195,066				
After four years	990,812	1,080,505					
After five years	1,011,477						
Estimated final cost	,011,477	1,080,505	1,195,066	1,250,361	1,263,682	1,203,906	7,004,997
Payments	915,276	958,926	1,020,206	1,002,025	882,769	442,921	5,222,123
Amount in reserve	96,201	121,579	174,860	248,336	380,913	760,985	1,782,874

CLASS 13

(€K)	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**Total**
Estimated cost							
At the end of the event year	66,915	72,681	1.005,672	79,064	88,926	87,887	
After one year	93,002	92,781	92,160	104,981	118,867		
After two years	88,071	92,567	100,003	112,664			
After three years	86,699	97,320	100,286				
After four years	88,504	100,331					
After five years	91,859						
Estimated final cost	91,859	100,331	100,286	112,664	118,867	87,887	611,894
Payments	53,553	52,549	52,444	53,037	48,036	19,622	279,241
Amount in reserve	38,306	47,782	47,842	59,627	70,831	68,265	332,653

PLEASE NOTE:

- Each amount in the triangle is made up of:
  total amount paid in the event year
  (from the event year to the observation year)
  + amount reserved relating to the event year for known claims
  in the observation year
  + amount reserved relating to the event year for late claims
  in the observation year
- "estimated final cost" is the cost of the final observation year
- "payments" is the total payments for the event year in the final observation year
- "amount in reserve" is the reserve relating to the event year in the final observation year

LIFE BUSINESS

In the corporate sector, risks typically insured are those relating to cover known conventionally as "assistential" and, therefore, with particular reference to the event of death and disability to which has recently been added the risk of loss of independence (LTC)

In consideration of the tariff structures used for this type of contract, the demand for insurance cover has to emerge from objective situations such as a legal obligation or corporate regulations involving, in a uniform manner, a whole group of subjects. All requests for insurance cover made on the basis of the requirements of individuals are, therefore, methodically excluded so as to eliminate, right from the start, any form of risk antiselection.

This basic rule governing risk assumption is supplemented by further restrictions consisting of the fact that the determination of the capital or amount insured must also be the result of an external rule so as to always prevent the individual from having any input when it comes to determining the amount.

The amount insured is taken on the basis of predetermined rules (insurance grid) which also vary according to the type of contracting party/policyholder and the numerosity of the group of individuals. In any event – over a specific threshold of capital/amount insured – a health assessment performed on the basis of predetermined medical documentation is always required.
It should, in addition, be pointed out that for amounts exceeding a certain threshold, the assumption of the risk is subject to explicit approval by a reinsurer.
Finally, it should be remembered that, following the medical assessment, the assumption of risk may involve additional premium loading on the grounds of health agreed beforehand with the reinsurer.
Particular attention is paid during risk assumption to accumulation risk (multiple events) normally regulated by means of the application of a clause limiting the amount payable by the insurer for death due to an event of a catastrophic nature.
The use by the company of specific tariff formats – determined not only on the basis of the experience of the generic mortality/disability of the Italian population, but specifically adjusted to the experience of the company's portfolio – involves recurrent monitoring of trend s both of the entire portfolio acquired and of individual policies deemed to be sensitive in terms of exposure either overall or per capita.
The technical trend borne out by the portfolio confirms – tendentially – the extent to which this has been applied historically in terms of customisation of the statistical database used compared to the generic ISTAT database.
To date, the risk of longevity has proved to be marginal – typically connected to portfolios relating to life annuities supplied – due to the almost total absence of this type of contract in the Company's portfolio.

This risk is, however, present in the company's portfolio – down the line and to quite a considerable extent – for deferred life annuities distributed to Pension Funds or to individual Companies that have implemented a specific in-house supplementary benefit scheme for employees.

On this front, the company has, for some time now, implemented a distribution policy which focuses on compiling tariff formats that use decreasing guaranteed financial returns and the most up-to-date statistical databases.
With regard to the overall portfolio trend, this was marked by a substantial number of policies dedicated to covering the risk of death/disability and by policies for corporate reserves regulated by law (staff-leaving indemnity etc.) and supplementary benefits (pension funds) due to advice given by our sales network, with an upward trend related to the upturn in salaries.

On the other hand, the portfolio relating to corporate liquidity management is made up of specific financial capitalisation policies relating to the premium paid by the contracting party under the system of guaranteed minimum return and annual performance consolidation and, what's more shows a sharp acceleration in line with the market trend.
On this front, particular attention is given to the concentration of commitments to individual contracting parties so as to avoid negative impacts on the company's account in the event of early redemption which, tendentially, could be the case under certain economic conditions with a consequently negative effect for the insurer.
This phenomenon is limited by internal regulations which involve, on the one hand, having no more than one percent of this type of contract determined by investments of segregated accounts to which said contracts are linked and, on the other, the application of penalties for early redemption and adequate notice periods for exercising said redemption..

Reserves with a guaranteed return

With reference to commitments made to policyholders, the disaggregation of Life reserves below shows that approximately 36% (€ 1,411.1m) relate to policies with a guaranteed rate of return of between 2% and 3%, whilst approximately 57% (€ 2,247.3m) relate to policies with a guaranteed rate of return of between 3% and 4% inclusive. Reserves relating to contracts with a guaranteed rate of interest to maturity amount to € 278.1m.

Life segment insurance reserves: guaranteed return (*)

(€m)	Gross direct business
Reserves with guaranteed annual rate of interest	3,658.4
Including:	
from 2% to 3%	1,411.1
from over 3% to 4%	2,247.3
Reserves with guaranteed interest rate to maturity	278.1
Total	**3,936.5**

(*) inclusive of technical reserves where the investment risk is borne by the policyholders

Adequacy checks on liabilities

For the purposes of evaluating the adequacy of the reserves posted to the accounts using GAAP criteria, Milano Assicurazioni used a model capable of determining the LAT (Liability Adequacy Test), which generates prospective annual flows.
Firstly, by subdividing the portfolio in question into standard groups according to the product's technical characteristics, such as capitalisation, risk, savings and welfare benefit contracts appropriate model points were subsequently created with regard to standardisation constraints relating to characteristic contractual parameters.
The aggregation was, therefore, by tariff, duration, residual duration, sex, contract progress and guaranteed minimum rate of return.

The table below quantifies the model points created using the aforementioned criteria:

Number of policies and model points created as at 31/12/2005

		Capitalisation	Risk products	Savings & soc. welfare	Total
Milano Ass.ni S.p.A.	Number of policies	17,275	119,797	90,931	228,003
	Mod.points constructed	6,873	37,820	27,719	72,412

The tariffs modelled for the purposes of calculating LAT covered practically the entire portfolio of traditional contracts governed by IFRS4 at the time of valuation. In particular, a reserve amounting to € 3,123,327K was set up in the light of a total reserve of € 3,532,799K (88,4%).

For index-linked policies classified as insurance policies (IFRS4), given the different characteristics compared with traditional products, it is not possible to use the same model. A simpler approach was, therefore, taken by comparing direct by tariffs the current value of prospective performance and counterperformance flows with the reserves posted to the balance sheet.

The results obtained in the portfolio under consideration, using the methodologies described, were then extended, on a proportional basis, to the entire portfolio.

For each model point, prospective performance and counterperformance flows are generated, which take into account demographical hypotheses, expiry and ancillary costs, for the purposes of evaluating, on an annual basis, the economic magnitudes that are useful for calculating the requirement, assuming that the corresponding capital is liquidated upon expiry or at the end of the deferral.
Performances and premiums were developed, where stated, in consideration of the guaranteed minimum rate of return and a risk-free market curve on the reference date was used for time-discounting.
In estimates of amounts liquidated following premature expiry of contracts, in addition to hypotheses linked to mortality and probability of redemptions, each tariff's specific penalties were taken into consideration.

In defining hypotheses for future commissions payable to networks for premiums collected, reference was made to the corresponding premium loading which mirrors current trade agreements.
Time-discounting of the prospective flows described above, has made it possible to determine the Company's commitments on the basis of a "best estimate" at the time of valuation. This amount is defined in the "LAT Reserve" tables below.
With regard to the hypotheses, reference was made, where possible, to company experience or to the context of the Italian insurance market as well as to financial and economic scenarios on the valuation date.

In particular:

- Write-up of performances: in line with guaranteed minimums. The minimum guaranteed rate of return represents the company's contractual financial commitment, including technical rate.
- Inflation 3.00 %. An inflation rate of 3% was used, this being deemed to be sufficiently prudent from a long-term point of view. The rate is used as part of the valuation, to raise costs year-on-year.
- Discount rate: EuroSwap Curve on the valuation date.
- Mortality: SIM 92 discounted by 40%.

- Operating expenses: annual expenditure attributable to contract management relates to personnel and services attributable to the management of the existing portfolio. The amounts were considered on the basis of what is shown in the table below:

	(amounts in € per yr)
Individuals with a single premium	18
Individuals with an annual/single recurrent premium	30
Collective	16

- Redemptions, Reductions, Rescissions: the frequency of elimination fluctuates according to the claim duration of policies, ranging between 1.15 % and 5.70 % as shown by the table below:

Claims duration	**Frequency of elimination % Milano Ass.ni S.p.A.**
0	3.20
1	5.70
2	3.25
3	2.50
4	2.35
5	5.50
6	5.70
7	4.60
8	4.25
9	3.50
10	3.75
11	3.60
12	3.20
13	2.70
14	2.20
15	2.25
16	2.15
17	1.75
18	1.45
19 or more	1.15

Results obtained: Traditional portfolio

Application of the Liability Adequacy Test model supplied the results given below. These results were compared with the reserves posted to the accounts and, in particular, with the mathematical reserves, reserves for operating expenses, additional reserves for guaranteed interest rates, net of commissions to be amortised, for the groupings described above.

Position as at 31/12/2005
(values in €K)

Company		Capitalisation	Risk product	Savings & soc. welfare	Total
Milano Ass.ni S.p.A.	LAT reserve	716,249	1,024,808	1,702,681	3,443,738
	Balance sheet total	737,263	1,104,147	1,756,292	3,597,703
	Balance sheet reserve	731,554	1,081,297	1,719,948	3,532,799
	Additional reserve	1,619	19,987	31,792	53,398
	Cost reserve	4,090	5,370	8,542	18,002
	DAC	-	2,508	3,989	6,497

Results obtained: Index-Linked policies

The valuation appearing below relates to policies classified as insurance policies (IFRS 4), for which it is necessary to check the adequacy of the balance sheet reserves in relation to the risks assumed and future costs.

Position as at 31/12/2005
(values in €K)

Company		
Milano Ass.ni S.p.A.	LAT reserve	274,785
	Balance sheet total .	281,781
	Balance sheet reserve	278,103
	Additional reserve	189
	Cost reserve	3,489
	DAC	

PART G – Information relating to business combinations

Acquisition of Campo Carlo Magno S.p.A.

In December 2005, Milano Assicurazioni acquired 100% of the share capital of Campo Carlo Magno S.p.A.
The purchase was made in cash for the sum of € 21.3m, inclusive of transaction costs.
The transaction was posted to the accounts using the acquisition method.

A summary of the transaction values is given below:

(€K)	**Book value**	**Fair value adjustment**	**Fair value**
Net assets acquired:			
Intangible fixed assets	39		39
Land and buildings	4,964	21.672	26,636
Other tangible fixed assets	2.103		2,103
Long-term loans and investments	327		327
Stocks and works in progress	365		365
Receivables/payables assets and liabilities	-3,819	-4,334	- 8,153
Total	3,979	17,338	21,317

The purchase prices was paid in cash before year end. The net cash flow deriving from the acquisition can be summarised as follows:

(€ K)

Payment in cash	-21.292
Cash in hand and bank acquired	392
	-20.900

Acquisition of Campo Carlo Magno Sport S.r.l.

In December 2005, Milano Assicurazioni acquired 100% of the share capital of Campo Carlo Magno Sport S.r.l.
The purchase was made in cash for the sum of € 1.4m, inclusive of transactions costs. The transaction was posted to the accounts using the acquisition method.

A summary of the transaction values is given below:

(€K)	**Book value**	**Fair value adjustment**	**Fair value**
Net assets acquired:			
Intangible fixed assets	357	395	752
Land and buildings	347		347
Other tangible fixed assets	600	719	1,319
Long-term loans and investments	2		2
Stocks and work in progress	-		-
Receivables/payables assets and liabilities	-1,027	-1,027	
Total	279	1,114	1,393

The purchase prices was paid in cash before year end. The net cash flow deriving from the acquisition can, therefore, be summarised as follows:

(€ K)

Payment in cash	-1.392
Cash in hand and bank acquired	16
	-1.376

Disposal of subsidiaries

Finitalia S.p.A.

As indicated in the Management Report dated 7/11/2005, Milano Assicurazioni sold Saifin-Saifinanziaria its entire holding in Finitalia (60% of the share capital) a company operating in the consumer credit industry.

Finitalia's net assets on 30 September 2005 are shown below:

(€ K)

Receivables from clients	128,305
Receivables from financial entities	2,942
Other assets	6,940
Payables to credit institutions	- 112,095
Funds for risks and charges	- 297
Other payables and other liabilities	- 5,116
Book net equity	**20,679**
Relevant net equity (60%)	12,407
Surpluses attributed	735
Capital gain on sale	5.630
Sale price	**18,772**

The sale price was paid in cash before year end. The net cash flow deriving from the sale can, therefore, be summarised as follows:

(€ K)

Receipts in cash	18,772
Cash in hand and bank ceded	-108
	18.664

PART H - Information regarding transactions with related parties

Transactions between the Parent company and its subsidiaries, which are entities related to said Parent company, were eliminated in the consolidated accounts and are not, therefore, shown in these notes.

Details of transactions between the Group and other related entities are shown below.

Transactions of a commercial and financial nature

(€K)	Income	Expenditure
	Year ending on 31/12/2005	Year ending on 31/12/2005
Parent company	26,753	25,166
Associated companies and joint ventures	333	13,.423
Affiliated companies	15,057	283
Other related parties	102	-

(€K)	Assets	Liabilities
	Year ending on 31/12/2005	Year ending on 31/12/2005
Parent company	200,820	176,942
Associated companies and joint ventures	24,293	-
Affiliated companies	58,797	32,179
Other related parties	7,433	1,198

It should be noted that the transactions shown above mainly relate to:

- operations relating to reinsurance activities, all transacted at market prices
- income, expenditure and credit/debit accounts resulting from the Fondiaria-SAI Group share of the cost of standardised services at group level.
- credit/debit account deriving from Milano Assicurazioni's participation in the fiscal consolidation of the FONDIARIA-SAI Group.

These were all concluded under normal market conditions. Credit amounts posted to the assets are not guaranteed and will be paid in cash. No amounts have been set aside over the year for any losses on receivables from related companies.

Below is a summary of significant relations with other related parties, as defined by International Accounting Standard 24 (Disclosure of related party transactions) to which art. 2, point h) of Consob decision 11971 of 14 May 1999, introduced by Consob decision 14990 of 14 April 2005 relates.

The item “land and buildings” comprises

- the advance payment of € 9,370K made by Milano Assicurazioni during the year to IM.CO. S.p.A. in relation to the land situated in Milan at Via Confalonieri-Via de Castillia (Lunetta dell’Isola). This transaction involved:
  - the sale by Milano Assicurazioni to IM.CO. of the aforementioned land, which is awaiting related planning permission;
  - the purchase from IM.CO., by Milano, upon issue of planning permission, of a property fit for service industry use which will be built on the land in question by said IM.CO., at a price of € 93,700K;
- advance payments of € 18,701K in total paid over the current year and in previous years by Milano Assicurazioni to IM.CO. S.p.A. in relation to the area in Milan at Via Lancetti. It should be remembered that this transaction, which took place in 2003, had determined the sale of the land to IM.CO S.p.A. and the purchase by said IM.CO. of the finished building complex which will be built by the latter on the land in question at a price of € 36,400K;
- advance payments of € 45,360K in total, paid over the current year and in previous years by Milano Assicurazioni, to Avvenimenti e Sviluppo Alberghiero s.r.l. in relation to the area in Roma at Via Fiorentini. It should be remembered that this transaction, which took place in 2003, had determined the sale of the land to Avvenimenti e Sviluppo Alberghiero s.r.l. and the purchase by said Avvenimenti e Sviluppo Alberghiero s.r.l. of the finished building complex which will be built by the latter on the land in question at a price of € 96,200K.

Considering that the shareholder composition of the counterparty companies in the aforementioned transactions makes these companies related parties of Milano Assicurazioni, as well as of the parent company Fondiaria-SAI, appropriate fairness and legal opinions were obtained from independent experts. The fairness opinions confirmed the adequacy both of the sale prices of the areas of land and the purchase prices of the properties.

With reference to the 2005 transaction relating to the land situated in Milan at Via Confalonieri-Via de Castillia, the fairness opinion was compiled by KPMG ADVISORY S.P.A. CORPORATE FINANCE and the legal opinion by the ASHURST law firm.

The fairness opinion confirmed the adequacy of the aforementioned prices for the sale of the land and the purchase of the property whilst the contracts signed specifically incorporated the suggestions contained in the legal opinion.

In approving the transaction, the Milano Assicurazioni Board of Directors, on 9 November 2005 stated:

- the strategic and industrial value of the transaction and the benefit to the Company of said transaction;
- that the nature of the mutual relationship and procedures for determining the economic terms of the transaction, as well as the legal and fiscal aspects, had been highlighted;
- that the transaction was not by nature atypical or unusual.

Wages for directors and chief executives

Wages paid during the year to directors and chief executives are as follows:

(€K)	**31/12/2005**	**31/12/2004**
Wages	1,201	1,002
Bonuses and other incentives	750	40
Non-cash benefits	-	-
Total	**1,951**	**1,042**

Wages paid to directors and chief executives are set according to average market wage levels, whilst bonuses and other incentives are, as a rule, determined ex-post in relation to results achieved by managing and/or completing particular and relevant operations.

PART I – Information relating to events occurring after the date the accounts are closed

These draft accounts were approved on 27/03/06 by the Milano Assicurazioni Board of Directors which, at the same time, authorised their publication on the Italian stock exchange. It should also be noted, for the purposes of IAS 10.17, that Shareholders are entitled to correct this draft prior to approval during shareholders' meetings.

The following significant events occurred after the accounts were closed:

Sale of shareholding in Swiss Life Holding

On 11 January 2006 the Company arranged to sell its entire holding in Swiss Life Holding, to an institutional investor (UBS).

Milano Assicurazioni sold 828,709 Swiss Life Holding shares at a price of CHF 234.75 each. The price was determined by applying a discount of 0.53% to the closing price of CHF 236 on 11 January 2006.
The proceeds of the transaction totalled approximately CHF 194.5m, against an overall book value of approximately CHF 193.2m. Taking into consideration the CHF/€ book exchange rate and the CHF/€ conversion exchange rate used to convert the sale payment, there is a capital gain of approximately € 336K.

With regard to the valuation of the holding in the 2005 accounts, the Company did not make any adjustment or write-up since the sale of Swiss Life Holding shares took place – as has been said – with a modest capita gain.
During the course of 2004, the FONDIARIA-SAI Group had already determined, together with the Swiss Life Group, that the preconditions required for a prospective joint venture in the Italian life sector did not exist.

In view of the opportunity provided by the stock market performance of Swiss Life Holding securities, it was deemed to be of interest to the Company and its parent company FONDIARIA-SAI and its affiliate FONDIARIA Nederland, to reach an agreement as soon as possible on the sale of the holding, contacting a number of institutional investors in this regard and inviting those interested to an auction market, with closed bids being placed by close of business on 11 January 2006, with the aim of seizing, in this market context, the most propitious moment for the disinvestment.
The transactions allows for increased asset allocation diversification and greater flexibility in the strategic investment sector.

Alliance and cooperation project with Banca Popolare di Milano in the Bancassurance sector

Subsequent to the agreement to grow the bancassurance business with the Banca Popolare di Milano Group, signed on 21 December 2005 by the parent company Fondiaria-Sai S.p.A., the latter, by agreement with Milano Assicurazioni, on 7 February 2006 appointed said Milano to purchase an interest in Bipiemme Vita S.p.A..
This agreement provides for the implementation of a wider industrial alliance and cooperation project with Banca Popolare di Milano (BPM) in the bancassurance sector, to be implemented essentially via life and non-Life business segment agreements and in banking and financial services.

The Board of Directors of BPM, having met on 29 November last year, had decided to approve the offer to expand bancassurance business, jointly and exclusively with the FONDIARIA- SAI Group in the Life business segment and, more generally speaking, to sign a Framework Agreement containing guidelines for the aforementioned wider project.

In accordance with the Framework Agreement cited above, and subject to obtaining authorisations from the relevant Supervisory Authorities, Milano will purchase, in the first instance, from BPM and from the subsidiary Banca di Legnano, a 46% shareholding in Bipiemme Vita S.p.A. with the option to transfer control of the latter from the BPM Group to Milano itself, by means of the sale of a further two shareholdings amounting to 4% and 1% respectively, on two later dates, by 31 December 2006 and 30 June 2007 respectively.
BPM and Milano will sign a shareholders' agreement containing Bipiemme Vita's rules of corporate governance, as well as industrial aspects of the partnership, specifying that said Bipiemme Vita should continue to have access to BPM Group distribution networks for a period of 5 years from the closing date, with the option to renew upon expiry for a further 5 years by mutual agreement between the parties.

The price for 46% of Bipiemme Vita was agreed at € 94.3m, corresponding to an overall valuation of the company of € 205m. This prices will be subject to an adjustment at the time of purchase – planned for the first half of 2006 – mainly in line with dividends relating to the 2005 financial year, still to be determined, which will be received by current shareholders.
Bipiemme Vita is the BPM Group's insurance company and operates via approximately 700 of said Group's branches, with a premium income in 2004 of € 518m. The company closed the 2004 financial year with a net profit of € 11.8m. As at 30 June 2005 net equity amounted to € 53.9m whilst total technical reserves amounted to € 2,904m.
Bipiemme Vita's business plan, on the basis of which the assessments were made to determine the price, forecasts a rise in new product premium income from € 481m at the end of 2004 to in excess of € 750m 2010 and an increase in net profit from € 11m in 2004 to € 25m in 2010.

The price given above should be taken as being a provisional price, arrived at on the basis of an “appraisal value” approach, the analysis taking into consideration all the value components relating to life business (e.g. embedded value as at 30 June 2005 and goodwill relating to the new products expected from 1 July 2005), to non-Life business (e.g. TCM and Accident and Health business), as well as to Bipiemme Vita’s overheads.
The final price on the closing date will be the provisional price redetermined between the date of signing and the date of closing at an agreed reference rate, net of 2005 dividends and plus any capital increases paid (both pro-rata).
The purchase price for the subsequent 4% and 1% shareholdings in Bipiemme Vita has been contractually set in accordance with the definitive price paid for the 46% redetermined up to the date on which the options exercised at the reference rate are settled, net of any dividends distributed and plus any capital increases paid – both pro-rata – from the date of closing to the respective settlement date of the aforementioned option strike prices.

Put and call options on 4% of Bipiemme Vita will be exercisable between September-December 2006. Milano’s call option is conditional upon performance of the contract relating to banking and financial services. Subsequent to exercise of these options, control and governance would be joint.
Put and call options on the remaining 1% of Bipiemme Vita, with resulting acquisition of control and full consolidation by Milano, will be exercisable between March and June 2007. BPM can only exercise the put option if it has previously exercised the put option on the 4% holding. Milano’s right to exercise the call option will be subject to approval by a joint committee comprising four members (two per party) called upon to assess the performance and results of the agreement at each stage.

In the current market, characterised by clients refocusing on traditional insurance products, the partnership will allow Bipiemme Vita to benefit from the technical and commercial know-how of a leading insurance operator, fostering the development of new products and improving penetration in respect of BPM clients, and will allow Milano Assicurazioni to benefit from the BPM Group’s expertise in commercial banking.
The agreement will make it possible for the BPM Group to obtain wider technical/managerial support in insurance services which is needed in order to pursue, via a product range which responds more effectively to the requirements of its own clients, significant objectives in terms of production volume growth. This support will also be needed in view of the role that banks and insurance companies can play for families and small to medium-sized companies in anticipation of future growth of supplementary welfare benefits.

The agreement is a further opportunity for the Company and for the FONDIARIA-SAI Group, to develop the Life sector. From an industrial perspective, the operation is perfectly in line with current Company and FONDIARIA-SAI Group bancassurance agreements which will continue to be strategic elements of the growth policies adopted by both the Company and the Group.
The transaction is subject to authorisation from the relevant Authorities.

PART L – Other Information

Exchange

The exchange rates for the main currencies used to convert balance sheet items are shown below:

	2005	2004
United States Dollar	1.1797	1.3621
British Sterling	0.6853	0.70505
Japanese Yen	138.9	139.65
Swiss Franc	1.5551	1.5429

Group solvency margin

It should be noted that, further to the introduction of IAS/IFRS standards for the preparation of consolidated accounts, it is no longer possible to apply criteria for determining the Group's solvency margin based on the Consolidated Accounting method.
In anticipation of the final announcement of the Directive concerning prudential filters, it should be noted, purely for information purposes, that the percentage excess of constituting items over requirements (both determined using traditional criteria) is over 180 %.

Milan, 27 March 2006

MILANO ASSICURAZIONI
S.p.A. Board of Directors

Subsidiaries and Affiliated Companies

Campo Carlo Magno

Head office in Trento - Via Brennero 260/h
Share capital as at 31-12-2005: € 1,312,500 in 2,625,000 € 0.50 shares
Our stake in the capital:
direct: 100%

Balance sheet Financial year 2005

ASSETS

A. RECEIVABLES FROM SHAREHOLDERS FOR SHARES SUBSCRIBED BUT NOT PAID UP		
B. FIXED ASSETS		
I) Intangible fixed assets	39,176	
II) Tangible fixed assets	7,067,798	
III) Financial fixed assets	327,310	
TOTAL FIXED ASSETS (B)		**1,939,231**
C. OPERATING ASSETS		
I) Stocks	365,284	
II) Receivables	1,181,755	
III) Financial assets other than fixed assets		
IV) Cash at bank and in hand	392,192	
TOTAL OPERATING ASSETS (C)		**1,939,231**
D. PREPAYMENTS AND DEFERRED INCOME		41,169
TOTAL ASSETS		**9,414,684**

LIABILITIES

A. EQUITY		
I) Capital	1,312,500	
II) Issue premium reserve	7,810	
III) Revaluation reserve	96,673	
IV) Legal reserve	44,868	
V) Reserve for own shares in portfolio		
VI) Statutory reserves		
VII) Other reserves	2,842,325	
VIII) Profits (Losses) carried forward	132,006	
IX) Profit (Loss) for the financial year	(457,040)	
TOTAL EQUITY (A)		**3,979,142**
B. Provisions for risks and charges		75,386
C. PROVISION FOR STAFF-LEAVING INDEMNITY		63,450
D. PAYABLES		5,287,925
E. PREPAID EXPENSES AND ACCRUED LIABILITIES		8,781
TOTAL LIABILITIES		**5,435,542**
TOTAL EQUITY and LIABILITIES		**9,414,684**
Memorandum accounts:		
Guarantees provided		4,136,65

Profit and Loss account Financial year 2005

A. VALUE OF PRODUCTION			
1. Revenue from sales and services		1,145,149	
2. Change in stocks, work in progress, semi-finished and finished products		(5,802)	
4. Increases in fixed assets due to internal works		88,369	
5. Other revenue and income showing revenue grants separately		104,851	
TOTAL VALUE OF THE PRODUCTION (A)			**1,332,567**
B. PRODUCTION COSTS			
6. Raw materials, supplies and merchandise		70,207	
7. Services		427,344	
8. Leases and rentals		1,631	
9. Staff		653,050	
10. Amortisation and write-downs			
a) amortisation of intangible fixed assets	5,142		
b) amortisation of tangible fixed assets	320,188		
d) write-downs of receivables included in operating assets	5,551	380,881	
11. Change in raw materials, supplies and merchandise		78,194	
13. Other provisions			
14. Sundry operating expenses		41,332	
TOTAL PRODUCTION COSTS (B)			**1,952,639**
DIFFERENCE BETWEEN THE VALUE OF PRODUCTION AND PRODUCTION COSTS (A - B)			**(620,072)**
C. INVESTMENT INCOME AND EXPENSES			
15. Income from shareholdings		2,047	
16. Other investment income		928	
17. Interest and other investment expenses		(46,285)	
TOTAL Investment income and expenses (C)			**(43,310)**
D. VALUE ADJUSTMENTS ON FINANCIAL ASSETS			
TOTAL VALUE ADJUSTMENTS ON FINANCIAL ASSETS (D)			
E. EXTRAORDINARY INCOME AND EXPENDITURE			
20. Income			
- capital gains on transfers other than number 14	41,232		
- other income	3,842	45,074	
21. Expenditure			
- losses on transfers other than number 14			
- other charges	(3,797)	(3,797)	
TOTAL EXTRAORDINARY INCOME AND EXPENDITURE (E)			**41,278**
PRE-TAX PROFIT (A - B + - C + - D + - E)			**(622,104)**
22. Corporation tax for the financial year			165,064
23. Profit/loss for the financial year			(457,040)

C. Carlo Magno Sport

Head office in Pinzolo (TN) – P.zza Mercato 10
Share capital as at 31-12-2005: € 87,000 in 87,000 € 1 shares
Our stake in the capital:
direct: 100%

Balance sheet Financial year 2005

ASSETS

A.	RECEIVABLES FROM SHAREHOLDERS FOR SHARES SUBSCRIBED BUT NOT PAID UP		
B.	FIXED ASSETS		
I)	Intangible fixed assets	356,737	
II)	Tangible fixed assets	947,453	
III)	Financial fixed assets	2,065	
TOTAL FIXED ASSETS (B)			**1,306,255**
C.	OPERATING ASSETS		
I)	Stocks		
II)	Receivables	246,714	
III)	Financial assets other than fixed assets		
IV)	Cash at bank and in hand	16,142	
TOTAL OPERATING ASSETS (C)			**262,856**
D.	PREPAYMENTS AND DEFERRED INCOME		1,575
TOTAL ASSETS			**1,570,686**

LIABILITIES

A.	EQUITY		
I)	Capital	87,000	
II)	Issue premium reserve	2,880	
III)	Revaluation reserve		
IV)	Legal reserve	4,913	
V)	Reserve for own shares in portfolio		
VI)	Statutory reserves		
VII)	Other reserves	200,073	
VIII)	Profits (Losses) carried forward	5,542	
IX)	Profit (Loss) for the financial year	(21,423)	
TOTAL EQUITY (A)			**278,985**
B.	Provisions for risks and charges		31,901
C.	PROVISION FOR STAFF-LEAVING INDEMNITY		3,339
D.	PAYABLES		1,246,436
E.	PREPAID EXPENSES AND ACCRUED LIABILITIES		10,025
TOTAL LIABILITIES			**1,291,701**
TOTAL EQUITY and LIABILITIES			**1,570,686**
Memorandum accounts:			
	Guarantees provided		41,317

Profit and Loss account Financial year 2005

A. VALUE OF PRODUCTION			
1. Revenue from sales and services		79,490	
4. Increases in fixed assets due to internal works		1,512	
5. Other revenue and income showing revenue grants separately		49,113	
TOTAL VALUE OF THE PRODUCTION (A)			**130,115**
B. PRODUCTION COSTS			
6. Raw materials, supplies and merchandise		(72)	
7. Services		(51,212)	
8. Leases and rentals		(6,151)	
9. Staff		(26,650)	
10. Amortisation and write-downs			
a) amortisation of intangible fixed assets	(17,603)		
b) amortisation of tangible fixed assets	(55,921)	(73,524)	
11. Change in raw materials, supplies and merchandise		(7,986)	
14. Sundry operating expenses		(2,645)	
TOTAL PRODUCTION COSTS (B)			**(168,240)**
DIFFERENCE BETWEEN THE VALUE OF PRODUCTION AND PRODUCTION COSTS (A - B)			**(38,125)**
C. INVESTMENT INCOME AND EXPENSES			
16. Other investment income		28	
17. Interest and other investment expenses		(13,210)	
TOTAL Investment income and expenses (C)			**(13,182)**
D. VALUE ADJUSTMENTS ON FINANCIAL ASSETS			
TOTAL VALUE ADJUSTMENTS ON FINANCIAL ASSETS (D)			
E. EXTRAORDINARY INCOME AND EXPENDITURE			
20. Income			
- capital gains on transfers other than number 14			
- extraordinary income and rounding up	20,485	20,485	
21. Expenditure			
- losses on transfers other than number 14			
- extraordinary losses and rounding down		0	
TOTAL EXTRAORDINARY INCOME AND EXPENDITURE (E)			**20,485**
PRE-TAX PROFIT (A - B + - C + - D + - E)			**(30,822)**
22. Corporation tax for the financial year			9,399
23. Profit/loss for the financial year			(21,423)

DIALOGO ASSICURAZIONI S.p.A.

Head office in Milan Via Senigallia 18/2
Share capital as at 31.12.2005 € 8,831,774 divided into 8,831,774 € 1.00 shares
Our stake in the capital:
direct: 99.85%

Balance sheet Financial year 2005

ASSETS

A.	AMOUNT DUE FROM SHAREHOLDERS FOR SUBSCRIBED SHARE CAPITAL NOT PAID UP	
B.	INTANGIBLE ASSETS	
C.	INVESTMENTS	34,100,831
D.	INVESTMENTS FOR THE BENEFIT OF LIFE BUSINESS POLICYHOLDERS WHO BEAR THE RISK AND INVESTMENTS DERIVING FROM PENSION FUND MANAGEMENT	
D.bis	REINSURERS ' TECHNICAL RESERVES	
E.	RECEIVABLES	747,589
F.	OTHER ASSETS	1,918,117
G.	PREPAYMENTS AND DEFERRED INCOME	273,092
TOTAL ASSETS		**37,039,629**

Liabilities and equity

A.	EQUITY	7,681,462
B.	SUBORDINATED LIABILITIES	
C.	TECHNICAL RESERVES	26,961,426
D.	TECHNICAL PROVISIONS WHEN THE INVESTMENT RISK IS BORNE BY POLICYHOLDERS AND PROVISIONS DERIVING FROM PENSION FUND MANAGEMENT	
E.	PROVISIONS FOR RISKS AND CHARGES	10,294
F.	DEPOSITS RECEIVED FROM REINSURERS	
G.	PAYABLES AND OTHER LIABILITIES	2,386,447
H.	PREPAID EXPENSES AND ACCRUED LIABILITIES	
-		
TOTAL LIABILITIES AND EQUITY		**37,039,629**
GUARANTEES, COMMITMENTS and OTHER MEMORANDUM ACCOUNTS		29,226,290

Profit and Loss account Financial year 2005

I		**TECHNICAL ACCOUNT NON-LIFE BUSINESS**	
	1.	PREMIUMS EARNED, NET OF REINSURANCE CESSIONS	19,415,559
	2.	SHARE OF THE RETURN ON INVESTMENTS TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT	632,044
	3.	OTHER TECHNICAL INCOME, NET OF REINSURANCE CESSIONS	192,615
	4.	CHARGES FOR OUTSTANDING CLAIMS, NET OF RECOVERIES AND REINSURANCE CESSIONS	17,207,223
	5.	CHANGE IN OTHER TECHNICAL RESERVES, NET OF REINSURANCE CESSIONS	
	6.	BONUSES AND REBATES NET OF REINSURANCE CESSIONS	
	7.	OPERATING EXPENSES	2,466,535
	8.	OTHER TECHNICAL CHARGES, NET OF REINSURANCE CESSIONS	18,000
	9.	CHANGE IN EQUALISATION RESERVES	800
	10.	PROFIT/LOSS NON-LIFE BUSINESS TECHNICAL ACCOUNT	547,660
II		**TECHNICAL ACCOUNT LIFE BUSINESS**	
	1.	PREMIUMS EARNED, NET OF REINSURANCE CESSIONS	
	2.	INCOME FROM INVESTMENTS	
	3.	INCOME AND UNREALISED CAPITAL GAINS ON INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR THE RISK AND INVESTMENTS DERIVING FROM PENSION FUND MANAGEMENT	
	4.	OTHER TECHNICAL INCOME, NET OF REINSURANCE CESSIONS	
	5.	CHARGES FOR OUTSTANDING CLAIMS, NET OF RECOVERIES AND REINSURANCE CESSIONS	
	6.	CHANGE IN ACTUARIAL AND OTHER TECHNICAL RESERVES, NET OF REINSURANCE CESSIONS	
	7.	BONUSES AND REBATES NET OF REINSURANCE CESSIONS	
	8.	OPERATING EXPENSES	
	9.	INVESTMENT CHARGES	
	10.	INVESTMENT CHARGES AND UNREALISED LOSSES ON INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR THE RISK AND INVESTMENTS DERIVING FROM PENSION FUND MANAGEMENT	
	11.	OTHER TECHNICAL CHARGES, NET OF REINSURANCE CESSIONS	
	12.	SHARE OF THE RETURN ON INVESTMENTS TRANSFERRED TO THE NON-TECHNICAL ACCOUNT	
	13.	PROFIT/LOSS LIFE BUSINESS TECHNICAL ACCOUNT	-
III		**NON-TECHNICAL ACCOUNT**	
	1.	PROFIT/LOSS LIFE BUSINESS TECHNICAL ACCOUNT	547,660
	2.	PROFIT/LOSS LIFE BUSINESS TECHNICAL ACCOUNT	
	3.	INCOME FROM NON-LIFE BUSINESS INVESTMENTS	956,003
	4.	SHARE OF THE RETURN ON INVESTMENTS TRANSFERRED FROM THE LIFE BUSINESS TECHNICAL ACCOUNT	
	5.	INVESTMENT CHARGES FOR NON-LIFE BUSINESS	147,596
	6.	SHARE OF THE RETURN ON INVESTMENTS TRANSFERRED TO THE NON-LIFE BUSINESS TECHNICAL ACCOUNT	632,044
	7.	OTHER INCOME	157,733
	8.	OTHER CHARGES	110,535
	9.	PROFIT/LOSS ON ORDINARY ACTIVITIES	771,221
	10.	EXTRAORDINARY INCOME	290,588
	11.	EXTRAORDINARY CHARGES	194,325
	12.	PROFIT/LOSS ON EXTRAORDINARY ACTIVITIES	96,263
	13.	PRE-TAX PROFIT/LOSS	867,484
	14.	TAXES FOR THE FINANCIAL YEAR	106,750
	15.	**PROFIT (LOSS) FOR THE FINANCIAL YEAR**	**760,734**

FONDIPREV S.p.A.

Head office in Florence Via L. il Magnifico 1
Share capital as at 31.12.2005 € 6,240,000 divided into 12,000,000 € 0.52 shares
Our stake in the capital:
direct: 60.00%

Balance sheet Financial year 2005

ASSETS

A.	AMOUNT DUE FROM SHAREHOLDERS FOR SUBSCRIBED SHARE CAPITAL NOT PAID UP	
B.	INTANGIBLE ASSETS	
C.	INVESTMENTS	11,576,005
D.	INVESTMENTS FOR THE BENEFIT OF LIFE BUSINESS POLICYHOLDERS WHO BEAR THE RISK AND INVESTMENTS DERIVING FROM PENSION FUND MANAGEMENT	1,085
D.bis	REINSURERS ‘ TECHNICAL RESERVES	1,977,232
E.	RECEIVABLES	416,331
F.	OTHER ASSETS	2,225,812
G.	PREPAYMENTS AND DEFERRED INCOME	138,268
TOTAL ASSETS		**16,334,733**

Liabilities and equity

A.	EQUITY	8,885,541
B.	SUBORDINATED LIABILITIES	
C.	TECHNICAL RESERVES	5,240,730
D.	TECHNICAL PROVISIONS WHEN THE INVESTMENT RISK IS BORNE BY POLICYHOLDERS AND PROVISIONS DERIVING FROM PENSION FUND MANAGEMENT	1,085
E.	PROVISIONS FOR RISKS AND CHARGES	
F.	DEPOSITS RECEIVED FROM REINSURERS	1,977,232
G.	PAYABLES AND OTHER LIABILITIES	230,145
H.	PREPAID EXPENSES AND ACCRUED LIABILITIES	
-		
TOTAL LIABILITIES AND EQUITY		**16,334,733**
GUARANTEES, COMMITMENTS and OTHER MEMORANDUM ACCOUNTS		11,550,942

Profit and Loss account Financial year 2005

I		**TECHNICAL ACCOUNT NON-LIFE BUSINESS**	
	1.	PREMIUMS EARNED, NET OF REINSURANCE CESSIONS	
	2.	SHARE OF THE RETURN ON INVESTMENTS TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT	
	3.	OTHER TECHNICAL INCOME, NET OF REINSURANCE CESSIONS	
	4.	CHARGES FOR OUTSTANDING CLAIMS, NET OF RECOVERIES AND REINSURANCE CESSIONS	
	5.	CHANGE IN OTHER TECHNICAL RESERVES, NET OF REINSURANCE CESSIONS	
	6.	BONUSES AND REBATES NET OF REINSURANCE CESSIONS	
	7.	OPERATING EXPENSES	
	8.	OTHER TECHNICAL CHARGES, NET OF REINSURANCE CESSIONS	
	9.	CHANGE IN EQUALISATION RESERVES	
	10.	PROFIT/LOSS LIFE BUSINESS TECHNICAL ACCOUNT	
II		**TECHNICAL ACCOUNT LIFE BUSINESS**	
	1.	PREMIUMS EARNED, NET OF REINSURANCE CESSIONS	252,183
	2.	INCOME FROM INVESTMENTS	486,184
	3.	INCOME AND UNREALISED CAPITAL GAINS ON INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR THE RISK AND INVESTMENTS DERIVING FROM PENSION FUND MANAGEMENT	83
	4.	OTHER TECHNICAL INCOME, NET OF REINSURANCE CESSIONS	
	5.	CHARGES FOR OUTSTANDING CLAIMS, NET OF RECOVERIES AND REINSURANCE CESSIONS	235,416
	6.	CHANGE IN ACTUARIAL AND OTHER TECHNICAL RESERVES, NET OF REINSURANCE CESSIONS	51,887
	7.	BONUSES AND REBATES NET OF REINSURANCE CESSIONS	
	8.	OPERATING EXPENSES	122,168
	9.	INVESTMENT CHARGES	131,663
	10.	INVESTMENT CHARGES AND UNREALISED LOSSES ON INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR THE RISK AND INVESTMENTS DERIVING FROM PENSION FUND MANAGEMENT	
	11.	OTHER TECHNICAL CHARGES, NET OF REINSURANCE CESSIONS	163
	12.	SHARE OF THE RETURN ON INVESTMENTS TRANSFERRED TO THE NON-TECHNICAL ACCOUNT	226,104
	13.	PROFIT/LOSS LIFE BUSINESS TECHNICAL ACCOUNT	28,951
III		**NON-TECHNICAL ACCOUNT**	
	1.	PROFIT/LOSS LIFE BUSINESS TECHNICAL ACCOUNT	28,951
	2.	PROFIT/LOSS LIFE BUSINESS TECHNICAL ACCOUNT	
	3.	INCOME FROM NON-LIFE BUSINESS INVESTMENTS	226,104
	4.	SHARE OF THE RETURN ON INVESTMENTS TRANSFERRED FROM THE LIFE BUSINESS TECHNICAL ACCOUNT	
	5.	INVESTMENT CHARGES FOR NON-LIFE BUSINESS	
	6.	SHARE OF THE RETURN ON INVESTMENTS TRANSFERRED TO THE NON-LIFE BUSINESS TECHNICAL ACCOUNT	
	7.	OTHER INCOME	24,232
	8.	OTHER CHARGES	15,8823
	9.	PROFIT/LOSS ON ORDINARY ACTIVITIES	205,563
	10.	EXTRAORDINARY INCOME	316,863
	11.	EXTRAORDINARY CHARGES	1,122
	12.	PROFIT/LOSS ON EXTRAORDINARY ACTIVITIES	315,741
	13.	PRE-TAX PROFIT/LOSS	521,304
	14.	TAXES FOR THE FINANCIAL YEAR	87,094
	-		
	15.	**PROFIT (LOSS) FOR THE FINANCIAL YEAR**	**434,210**

Garibaldi S.C.S.

Head office in Luxemburg – L 5365 Munsbach – 5, Parc d'Activité Syrdall
Share capital as at 31-12-2005: € 1,001 in 1,001 € 1.00 shares
Our stake in the capital:
direct: 47.95%

Balance sheet Financial year 2005

ASSETS

A. RECEIVABLES FROM SHAREHOLDERS FOR SHARES SUBSCRIBED BUT NOT PAID UP		
B. FIXED ASSETS		
I) Intangible fixed assets		
II) Tangible fixed assets		
III) Financial fixed assets	3,753,749	
TOTAL FIXED ASSETS (B)		**3,753,749**
C. OPERATING ASSETS		
I) Stocks		
II) Receivables	47,542,319	
III) Financial assets other than fixed assets		
IV) Cash at bank and in hand	45,018	
TOTAL OPERATING ASSETS (C)		**47,587,337**
D. PREPAYMENTS AND DEFERRED INCOME		
TOTAL ASSETS		**51,341,086**

LIABILITIES

A. EQUITY		
I) Capital	1,001	
II) Issue premium reserve		
III) Revaluation reserve		
IV) Legal reserve		
V) Reserve for own shares in portfolio		
VI) Statutory reserves		
VII) Other reserves		
VIII) Profits (Losses) carried forward	(2,187)	
IX) Profit (Loss) for the financial year	(280,366)	
TOTAL EQUITY (A)		**(281,552)**
B. Provisions for risks and charges		0
C. PROVISION FOR STAFF-LEAVING INDEMNITY		0
D. PAYABLES		51,622,638
E. PREPAID EXPENSES AND ACCRUED LIABILITIES		0
TOTAL LIABILITIES		**51,622,638**
TOTAL EQUITY and LIABILITIES		**51,341,086**
Memorandum accounts:		
Guarantees provided		0

Profit and Loss account Financial year 2005

A. VALUE OF PRODUCTION		
1. Revenue from sales and services		
5. Other revenue and income showing revenue grants separately		
TOTAL VALUE OF THE PRODUCTION (A)		**0**
B. PRODUCTION COSTS		
6. Raw materials, supplies and merchandise		
7. Services		
8. Leases and rentals		
9. Staff		
10. Amortisation and write-downs		
a) amortisation of intangible fixed assets		
b) amortisation of tangible fixed assets	0	
13. Other provisions		
14. Sundry operating expenses	(225,080)	
TOTAL PRODUCTION COSTS (B)		**(225,080)**
DIFFERENCE BETWEEN THE VALUE OF PRODUCTION AND PRODUCTION COSTS (A - B)		**(225,080)**
C. INVESTMENT INCOME AND EXPENSES		
16. Other investment income	1,092,571	
17. Interest and other investment expenses	(1,147,857)	
TOTAL Investment income and expenses (C)		**(55,286)**
D. VALUE ADJUSTMENTS ON FINANCIAL ASSETS		
TOTAL VALUE ADJUSTMENTS ON FINANCIAL ASSETS (D)		
E. EXTRAORDINARY INCOME AND EXPENDITURE		
20. Income		
- capital gains on transfers other than number 14		
- extraordinary income and rounding up		
21. Expenditure		
- losses on transfers other than number 14		
- extraordinary losses and rounding down		
TOTAL EXTRAORDINARY INCOME AND EXPENDITURE (E)		
PRE-TAX PROFIT/LOSS (A - B + - C + - D + - E)		**(280,366)**
22. Corporation tax for the financial year		
23. Profit/loss for the financial year		(280,366)

Maa Finanziaria

Head office in Milan - Via Senigallia, 18/2
Share capital al 31-12-2005 € 774,000 divided into 150,000 € 5.16 shares
Our stake in the capital:
direct: 100.00%

Balance sheet Financial year 2005

ASSETS

CASH AND CASH AT BANK AND IN HAND	48
RECEIVABLES FROM FINANCIAL INSTITUTIONS	16,583
RECEUVABLES FROM CUSTOMERS	275,733
SHARES AND OTHER VARIABLE INCOME SECURITIES	0
INVESTMENTS IN GROUP COMPANIES	0
BONDS AND OTHER FIXED INCOME SECURITIES	731,876
INTANGIBLE FIXED ASSETS	0
TANGIBLE FIXED ASSETS	0
OTHER ASSETS	48,727
PREPAYMENTS AND DEFERRED INCOME	4,056
TOTAL ASSETS	**1,077,023**

LIABILITIES

AYABLES TO CREDIT INSTITUTIONS	0
PAYABLES TO FINANCIAL INSTITUTIONS	0
PAYABLES TO OTHER COMPANIES	0
PAYABLES TO CUSTOMERS	0
OTHER LIABILITIES	17,868
PREPAID EXPENSES AND ACCRUED LIABILITIES	0
PROVISION FOR STAFF-LEAVING INDEMNITIES	0
PROVISIONS FOR RISKS AND CHARGES	138,224
CAPITAL	774,000
ISSUE PREMIUM RESERVE	0
RESERVES	13,481
PROFITS CARRIED FORWARD	151,785
OPERATING INCOME	(18,335)
TOTAL LIABILITIES	**1,077,023**

Profit and Loss account Financial year 2005

COSTS

INTEREST PAID AND SIMILAR CHARGES	349
COMMISSION PAID	0
ADMINISTRATIVE EXPENSES	48,023
A) STAFF EXPENSES	0
INCLUDING: WAGES AND SALARIES	0
SOCIAL SECURITY CHARGES	0
STAFF-LEAVING INDEMNITY	0
REDUNDANCY BENEFITS AND SIMILAR	0
OTHER STAFF COSTS	0
B) OTHER ADMINISTRATIVE EXPENSES	48,023
VALUE ADJUSTMENTS ON INTANGIBLE AND TANGIBLE FIXED ASSETS	0
OTHER OPERATING EXPENSES	0
- INCLUDING: CHARGES FOR INSURANCE AND DEBT RECOVERY	0
PROVISIONS FOR RISKS AND CHARGES	
VALUE ADJUSTMENTS ON LOANS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS	0
VALUE ADJUSTMENTS ON FINANCIAL FIXED ASSETS	0
EXTRAORDINARY CHARGES	0
CORPORATION TAX FOR THE FINANCIAL YEAR	(7,377)
OPERATING INCOME	(18,335)
TOTAL COSTS	**22,660**

REVENUE

INTEREST CHARGED AND SIMILAR INCOME	17,415
COMMISSION RECEIVED	0
VALUE READJUSTMENTS ON PROVISIONS FOR GUARANTEES AND COMMITMENTS	0
OTHER OPERATING INCOME	0
EXTRAORDINARY INCOME	5,245
TOTAL REVENUE	**22,660**

Meridiano Eur

Head office in Milano - Via Senigallia 18/2
Share capital al 31-12-2005: € 10,000 in 10,000 € 1.00 shares
Our stake in the capital:
direct: 100.00%

Balance sheet Financial year 2005

ASSETS

A.	RECEIVABLES FROM SHAREHOLDERS FOR SHARES SUBSCRIBED BUT NOT PAID UP		
B.	FIXED ASSETS		
I)	Intangible fixed assets	1,721	
II)	Tangible fixed assets	34,180,606	
III)	Financial fixed assets		
TOTAL FIXED ASSETS (B)			**34,182,327**
C.	OPERATING ASSETS		
I)	Stocks		
II)	Receivables	18,392,312	
III)	Financial assets other than fixed assets	76,505,881	
IV)	Cash at bank and in hand	495,344	
TOTAL OPERATING ASSETS (C)		**95,393,537**	
D.	PREPAYMENTS AND DEFERRED INCOME		0
TOTAL ASSETS			**129,575,864**

LIABILITIES

A.	EQUITY		
I)	Capital	10,000	
II)	Issue premium reserve		
III)	Revaluation reserve		
IV)	Legal reserve	2,000	
V)	Reserve for own shares in portfolio		
VI)	Statutory reserves		
VII)	Other reserves	129,005,533	
VIII)	Profits (Losses) carried forward		
IX)	Profit (Loss) for the financial year	315,189	
TOTAL EQUITY (A)			**129,332,722**
B.	Provisions for risks and charges	190,984	
C.	PROVISION FOR STAFF-LEAVING INDEMNITY		
D.	PAYABLES		52,158
E.	PREPAID EXPENSES AND ACCRUED LIABILITIES		0
TOTAL LIABILITIES			**243,142**
TOTAL EQUITY and LIABILITIES			**129,575,864**
Memorandum accounts:			
	Guarantees provided		

Profit and Loss account Financial year 2005

A. VALUE OF PRODUCTION			
1. Revenue from sales and services		0	
5. Other revenue and income showing revenue grants separately		0	
TOTAL VALUE OF THE PRODUCTION (A)			**0**
B. PRODUCTION COSTS			
6. Raw materials, supplies and merchandise		(150,593)	
7. Services		(9,121)	
8. Leases and rentals		0	
9. Staff			
10. Amortisation and write-downs			
a) amortisation of intangible fixed assets	(861)		
b) amortisation of tangible fixed assets	0	(861)	
13. Other provisions			
14. Sundry operating expenses		(40,732)	
TOTAL PRODUCTION COSTS (B)			**(201,308)**
DIFFERENCE BETWEEN THE VALUE OF PRODUCTION AND PRODUCTION COSTS (A - B)			**(201,308)**
C. INVESTMENT INCOME AND EXPENSES			
16. Other investment income		777,275	
17. Interest and other investment expenses		(339)	
TOTAL Investment income and expenses (C)			**776,936**
D. VALUE ADJUSTMENTS ON FINANCIAL ASSETS			
TOTAL VALUE ADJUSTMENTS ON FINANCIAL ASSETS (D)			
E. EXTRAORDINARY INCOME AND EXPENDITURE			
20. Income			
- capital gains on transfers other than number 14			
- extraordinary income and rounding up	573	573	
21. Expenditure			
- losses on transfers other than number 14	0		
- extraordinary losses and rounding down	(53,645)	(53,645)	
TOTAL EXTRAORDINARY INCOME AND EXPENDITURE (E)			**53,072)**
PRE-TAX PROFIT (A - B + - C + - D + - E)			**(522,556)**
22. Corporation tax for the financial year			(207,367)
23. Profit/loss for the financial year			(315,189)

Meridiano Orizzonti

Head office in Milan - Via Senigallia 18/2
Share capital as at 31-12-2005: € 10,000 in 10,000 € 1.00 shares
Our stake in the capital:
direct: 100.00%

Balance sheet Financial year 2005

ASSETS

A.	RECEIVABLES FROM SHAREHOLDERS FOR SHARES SUBSCRIBED BUT NOT PAID UP		
B.	FIXED ASSETS		
I)	Intangible fixed assets	1,721	
II)	Tangible fixed assets	55,207,780	
III)	Financial fixed assets		
TOTAL FIXED ASSETS (B)			**55,209,501**
C.	OPERATING ASSETS		
I)	Stocks		
II)	Receivables	9,293,012	
III)	Financial assets other than fixed assets		
IV)	Cash at bank and in hand	271,234	
TOTAL OPERATING ASSETS (C)		**9,564,246**	
D.	PREPAYMENTS AND DEFERRED INCOME		
TOTAL ASSETS			**64,773,747**

LIABILITIES

A.	EQUITY		
I)	Capital	10,000	
II)	Issue premium reserve		
III)	Revaluation reserve		
IV)	Legal reserve		
V)	Reserve for own shares in portfolio		
VI)	Statutory reserves		
VII)	Other reserves	62,500,000	
VIII)	Profits (Losses) carried forward	(15,658)	
IX)	Profit (Loss) for the financial year	952,114	
TOTAL EQUITY (A)			**63,446,456**
B.	Provisions for risks and charges		925,420
C.	PROVISION FOR STAFF-LEAVING INDEMNITY		1,382
D.	PAYABLES		400,489
E.	PREPAID EXPENSES AND ACCRUED LIABILITIES		0
TOTAL LIABILITIES			**1,327,291**
TOTAL EQUITY and LIABILITIES			**64,773,747**
Memorandum accounts:			
	Guarantees provided		-

Profit and Loss account Financial year 2005

A. VALUE OF PRODUCTION			
1. Revenue from sales and services		2,112,252	
5. Other revenue and income showing revenue grants separately		0	
TOTAL VALUE OF THE PRODUCTION (A)			**2,112,252**
B. PRODUCTION COSTS			
6. Raw materials, supplies and merchandise		(191,701)	
7. Services		(160,217)	
8. Leases and rentals		0	
9. Staff		(27,833)	
10. Amortisation and write-downs			
a) amortisation of intangible fixed assets	(861)		
b) amortisation of tangible fixed assets	0	(861)	
13. Other provisions			
14. Sundry operating expenses		(138,791)	
TOTAL PRODUCTION COSTS (B)			**(519,403)**
DIFFERENCE BETWEEN THE VALUE OF PRODUCTION AND PRODUCTION COSTS (A - B)			**1,592,849**
C. INVESTMENT INCOME AND EXPENSES			
16. Other investment income		17,012	
17. Interest and other investment expenses		(9,443)	
TOTAL Investment income and expenses (C)			**7,569**
D. VALUE ADJUSTMENTS ON FINANCIAL ASSETS			
TOTAL VALUE ADJUSTMENTS ON FINANCIAL ASSETS (D)			
E. EXTRAORDINARY INCOME AND EXPENDITURE			
20. Income			
- capital gains on transfers other than number 14			
- extraordinary income and rounding up	64	64	
21. Expenditure			
- losses on transfers other than number 14			
- extraordinary losses and rounding down	(93)		
TOTAL EXTRAORDINARY INCOME AND EXPENDITURE (E)			
(29)			
PRE-TAX PROFIT (A - B + - C + - D + - E)			**1,600,389**
22. Corporation tax for the financial year			(648,275)
23. Profit/loss for the financial year			952,114

NOVARA ASSICURA S.p.A.

Head office in Turin Via Negroni 12
Share capital as at 31.12.2005 € 13,000,000 divided into 13,000,000 € 1.00 shares
Our stake in the capital:
direct: 100.00%

Balance sheet Financial year 2005

ASSETS

A.	AMOUNT DUE FROM SHAREHOLDERS FOR SUBSCRIBED SHARE CAPITAL NOT PAID UP	
B.	INTANGIBLE ASSETS	
C.	INVESTMENTS	199,361
D.	INVESTMENTS FOR THE BENEFIT OF LIFE BUSINESS POLICYHOLDERS WHO BEAR THE RISK AND INVESTMENTS DERIVING FROM PENSION FUND MANAGEMENT	14,897,955
D.bis	REINSURERS ‘ TECHNICAL RESERVES	
E.	RECEIVABLES	15,929
F.	OTHER ASSETS	270,013
G.	PREPAYMENTS AND DEFERRED INCOME	97,166
TOTAL ASSETS		**15,480,424**

Liabilities and equity

A.	EQUITY	15,168,839
B.	SUBORDINATED LIABILITIES	
C.	TECHNICAL RESERVES	
D.	TECHNICAL PROVISIONS WHEN THE INVESTMENT RISK IS BORNE BY POLICYHOLDERS AND PROVISIONS DERIVING FROM PENSION FUND MANAGEMENT	
E.	PROVISIONS FOR RISKS AND CHARGES	39,557
F.	DEPOSITS RECEIVED FROM REINSURERS	
G.	PAYABLES AND OTHER LIABILITIES	272,028
H.	PREPAID EXPENSES AND ACCRUED LIABILITIES	-
TOTAL LIABILITIES AND EQUITY		**15,480,424**
GUARANTEES, COMMITMENTS and OTHER MEMORANDUM ACCOUNTS		

Profit and Loss account Financial year 2005

I		**TECHNICAL ACCOUNT NON-LIFE BUSINESS**	
	1.	PREMIUMS EARNED, NET OF REINSURANCE CESSIONS	
	2.	SHARE OF THE RETURN ON INVESTMENTS TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT	
	3.	OTHER TECHNICAL INCOME, NET OF REINSURANCE CESSIONS	
	4.	CHARGES FOR OUTSTANDING CLAIMS, NET OF RECOVERIES AND REINSURANCE CESSIONS	
	5.	CHANGE IN OTHER TECHNICAL RESERVES, NET OF REINSURANCE CESSIONS	
	6.	BONUSES AND REBATES NET OF REINSURANCE CESSIONS	
	7.	OPERATING EXPENSES	84,153
	8.	OTHER TECHNICAL CHARGES, NET OF REINSURANCE CESSIONS	
	9.	CHANGE IN EQUALISATION RESERVES	
	10.	PROFIT/LOSS LIFE BUSINESS TECHNICAL ACCOUNT	84,153
II		**TECHNICAL ACCOUNT LIFE BUSINESS**	
	1.	PREMIUMS EARNED, NET OF REINSURANCE CESSIONS	
	2.	INCOME FROM INVESTMENTS	
	3.	INCOME AND UNREALISED CAPITAL GAINS ON INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR THE RISK AND INVESTMENTS DERIVING FROM PENSION FUND MANAGEMENT	
	4.	OTHER TECHNICAL INCOME, NET OF REINSURANCE CESSIONS	
	5.	CHARGES FOR OUTSTANDING CLAIMS, NET OF RECOVERIES AND REINSURANCE CESSIONS	
	6.	CHANGE IN ACTUARIAL AND OTHER TECHNICAL RESERVES, NET OF REINSURANCE CESSIONS	
	7.	BONUSES AND REBATES NET OF REINSURANCE CESSIONS	
	8.	OPERATING EXPENSES	
	9.	INVESTMENT CHARGES	
	10.	INVESTMENT CHARGES AND UNREALISED LOSSES ON INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR THE RISK AND INVESTMENTS DERIVING FROM PENSION FUND MANAGEMENT	
	11.	OTHER TECHNICAL CHARGES, NET OF REINSURANCE CESSIONS	
	12.	SHARE OF THE RETURN ON INVESTMENTS TRANSFERRED TO THE NON-TECHNICAL ACCOUNT	
	13.	PROFIT/LOSS LIFE BUSINESS TECHNICAL ACCOUNT	
III		**NON-TECHNICAL ACCOUNT**	
	1.	PROFIT/LOSS LIFE BUSINESS TECHNICAL ACCOUNT	84,153
	2.	PROFIT/LOSS LIFE BUSINESS TECHNICAL ACCOUNT	
	3.	INCOME FROM NON-LIFE BUSINESS INVESTMENTS	344,775
	4.	SHARE OF THE RETURN ON INVESTMENTS TRANSFERRED FROM THE LIFE BUSINESS TECHNICAL ACCOUNT	
	5.	INVESTMENT CHARGES FOR NON-LIFE BUSINESS	73,601
	6.	SHARE OF THE RETURN ON INVESTMENTS TRANSFERRED TO THE NON-LIFE BUSINESS TECHNICAL ACCOUNT	
	7.	OTHER INCOME	27,130
	8.	OTHER CHARGES	5,429
	9.	PROFIT/LOSS ON ORDINARY ACTIVITIES	108,722
	10.	EXTRAORDINARY INCOME	15
	11.	EXTRAORDINARY CHARGES	341
	12.	PROFIT/LOSS ON EXTRAORDINARY ACTIVITIES	326
	13.	PRE-TAX PROFIT/LOSS	108,396
	14.	TAXES FOR THE FINANCIAL YEAR	39,557
	-		
	15.	**PROFIT (LOSS) FOR THE FINANCIAL YEAR**	**68,839**

SAI Investimenti SGR

Head office in Turin - Via Carlo Marenco, 25
Share capital as at 31-12-2005 € 3,913,588 divided into 3,913,588 € 1.00 shares
Our stake in the capital:
direct: 40.00%

Balance sheet Financial year 2005

ASSETS	
CASH AND CASH AT BANK AND IN HAND	2,518
BORROWINGS FROM FINANCIAL INSTITUTIONS	206,041
RECEUVABLES FROM CUSTOMERS	14,920
SHARES AND OTHER VARIABLE INCOME SECURITIES	0
INVESTMENTS IN GROUP COMPANIES	0
BONDS AND OTHER FIXED INCOME SECURITIES	6,327,006
SHAREHOLDINGS	1,668
INTANGIBLE FIXED ASSETS	19,142
TANGIBLE FIXED ASSETS	5,694
OTHER ASSETS	30,821,056
PREPAYMENTS AND DEFERRED INCOME	45,331
TOTAL ASSETS	**37,443,376**

LIABILITIES	
PAYABLES TO CREDIT INSTITUTIONS	0
PAYABLES TO FINANCIAL INSTITUTIONS	0
PAYABLES TO OTHER COMPANIES	0
PAYABLES TO CUSTOMERS	0
OTHER LIABILITIES	32,683,032
PREPAID EXPENSES AND ACCRUED LIABILITIES	0
PROVISION FOR STAFF-LEAVING INDEMNITIES	0
PROVISIONS FOR RISKS AND CHARGES	74,879
CAPITAL	3,913,588
ISSUE PREMIUM RESERVE	0
RESERVES	234,200
PROFITS CARRIED FORWARD	10,710
OPERATING INCOME	526,968
TOTAL LIABILITIES	**37,443,376**

Profit and Loss account Financial year 2005

COSTS

INTEREST PAID AND SIMILAR CHARGES	15,212
COMMISSION PAID	993,240
LOSSES FROM FINANCIAL OPERATIONS	38,868
ADMINISTRATIVE EXPENSES	1,446,718
A) STAFF EXPENSES	0
INCLUDING: WAGES AND SALARIES	0
SOCIAL SECURITY CHARGES	0
STAFF-LEAVING INDEMNITY	0
REDUNDANCY BENEFITS AND SIMILAR	0
OTHER STAFF COSTS	0
B) OTHER ADMINISTRATIVE EXPENSES	1,446,718
VALUE ADJUSTMENTS ON INTANGIBLE AND TANGIBLE FIXED ASSETS	4,584
OTHER OPERATING EXPENSES	261
- INCLUDING: CHARGES FOR INSURANCE AND DEBT RECOVERY	0
PROVISIONS FOR RISKS AND CHARGES	
VALUE ADJUSTMENTS ON LOANS AND PROVISIONS FOR GUARANTEES AND COMMITMENTS	0
VALUE ADJUSTMENTS ON FINANCIAL FIXED ASSETS	0
EXTRAORDINARY CHARGES	88,761
CORPORATION TAX FOR THE FINANCIAL YEAR	414,942
OPERATING INCOME	526,968
TOTAL COSTS	**3,529,553**

REVENUE

INTEREST CHARGED AND SIMILAR INCOME	163,444
COMMISSION RECEIVED	3,320,847
VALUE READJUSTMENTS ON PROVISIONS FOR GUARANTEES AND COMMITMENTS	0
OTHER OPERATING INCOME	0
EXTRAORDINARY INCOME	45,262
TOTAL REVENUE	**3,529,553**

Service GFS

Head office in Florence - Via L. il Magnifico 1
Share capital as at 31-12-2005: € 104,000 in 200,000 € 0.52 shares
Our stake in the capital:
direct: 30.00%

Balance sheet Financial year 2005

ASSETS

A.	RECEIVABLES FROM SHAREHOLDERS FOR SHARES SUBSCRIBED BUT NOT PAID UP		
B.	FIXED ASSETS		
I)	Intangible fixed assets	5,497	
II)	Tangible fixed assets	1,093	
III)	Financial fixed assets	1,668	
TOTAL FIXED ASSETS (B)			**8,258**
C.	OPERATING ASSETS		
I)	Stocks		
II)	Receivables	44,161	
III)	Financial assets other than fixed assets	789,165	
IV)	Cash at bank and in hand	22,937	
TOTAL OPERATING ASSETS (C			**856,263**
D.	PREPAYMENTS AND DEFERRED INCOME	5,729	
TOTAL ASSETS			**870,250**

LIABILITIES

A.	EQUITY		
I)	Capital	104,000	
II)	Issue premium reserve		
III)	Revaluation reserve		
IV)	Legal reserve	472	
V)	Reserve for own shares in portfolio		
VI)	Statutory reserves		
VII)	Other reserves	663,743	
VIII)	Profits (Losses) carried forward	0	
IX)	Profit (Loss) for the financial year	(11,300)	
TOTAL EQUITY (A)			**756,915**
B.	Provisions for risks and charges		0
C.	PROVISION FOR STAFF-LEAVING INDEMNITY		0
D.	PAYABLES		113,335
E.	PREPAID EXPENSES AND ACCRUED LIABILITIES		0
TOTAL LIABILITIES			**113,335**
TOTAL EQUITY and LIABILITIES			**870,250**
Memorandum accounts:			
	Guarantees provided		0

Profit and Loss account Financial year 2005

A. VALUE OF PRODUCTION			
1. Revenue from sales and services		163,506	
5. Other revenue and income showing revenue grants separately		190	
TOTAL VALUE OF THE PRODUCTION (A)			**163,696**
B. PRODUCTION COSTS			
6. Raw materials, supplies and merchandise		0	
7. Services		(185,682)	
8. Leases and rentals			
9. Staff			
10. Amortisation and write-downs			
a) amortisation of intangible fixed assets	(3,167)		
b) amortisation of tangible fixed assets	(314)	(3,481)	
13. Other provisions			
14. Sundry operating expenses		(6,932)	
TOTAL PRODUCTION COSTS (B)			**(196,095)**
DIFFERENCE BETWEEN THE VALUE OF PRODUCTION AND PRODUCTION COSTS (A - B)			**(32,399)**
C. INVESTMENT INCOME AND EXPENSES			
16. Other investment income		23,228	
17. Interest and other investment expenses		(521)	
TOTAL Investment income and expenses (C)			**22,707**
D. VALUE ADJUSTMENTS ON FINANCIAL ASSETS			
TOTAL VALUE ADJUSTMENTS ON FINANCIAL ASSETS (D)			(250)
E. EXTRAORDINARY INCOME AND EXPENDITURE			
20. Income			
- capital gains on transfers other than number 14			
- extraordinary income and rounding up	32	32	
21. Expenditure			
- losses on transfers other than number 14			
- extraordinary losses and rounding down	0	0	
TOTAL EXTRAORDINARY INCOME AND EXPENDITURE (E)			**32**
PRE-TAX PROFIT (A - B + - C + - D + - E)			**(9,910)**
22. Corporation tax for the financial year			(1,390)
23. Profit/loss for the financial year			(11,300)

Sistemi Sanitari

Head office in Milan - Viale Monza 257
Share capital as at 31.12.2005: € 1,872,000 in 3,600,000 € 0.52 shares
Our stake in the capital:
direct: 25.71%

Balance sheet Financial year 2005

ASSETS

A.	RECEIVABLES FROM SHAREHOLDERS FOR SHARES SUBSCRIBED BUT NOT PAID UP		
B.	FIXED ASSETS		
I)	Intangible fixed assets	0	
II)	Tangible fixed assets	70,149	
III)	Financial fixed assets	83,421	
TOTAL FIXED ASSETS (B)			**153,570**
C.	OPERATING ASSETS		
I)	Stocks		
II)	Receivables	4,383,545	
III)	Financial assets other than fixed assets		
IV)	Cash at bank and in hand	1,014,775	
TOTAL OPERATING ASSETS (C)			**5,398,320**
D.	PREPAYMENTS AND DEFERRED INCOME		3,174
TOTAL ASSETS			**5,555,064**

LIABILITIES

A.	EQUITY		
I)	Capital	1,872,000	
II)	Issue premium reserve		
III)	Revaluation reserve		
IV)	Legal reserve	95,917	
V)	Reserve for own shares in portfolio		
VI)	Statutory reserves		
VII)	Other reserves	481,102	
VIII)	Profits (Losses) carried forward	0	
IX)	Profit (Loss) for the financial year	863,623	
TOTAL EQUITY (A)			**3,312,642**
B.	Provisions for risks and charges		
C.	PROVISION FOR STAFF-LEAVING INDEMNITY		271,383
D.	PAYABLES		1,971,039
E.	PREPAID EXPENSES AND ACCRUED LIABILITIES		0
TOTAL LIABILITIES			**2,242,422**
TOTAL EQUITY and LIABILITIES			**5,555,064**

Profit and Loss account Financial year 2005

A. VALUE OF PRODUCTION			
1. Revenue from sales and services		4,578,220	
5. Other revenue and income showing revenue grants separately		809,000	
TOTAL VALUE OF THE PRODUCTION (A)			**5,387,220**
B. PRODUCTION COSTS			
6. Raw materials, supplies and merchandise		(6,294)	
7. Services		(2,745,254)	
8. Leases and rentals		(203,212)	
9. Staff		(1,214,874)	
10. Amortisation and write-downs			
a) amortisation of intangible fixed assets	0		
b) amortisation of tangible fixed assets	(38,054)	(38,054)	
13. Other provisions			
14. Sundry operating expenses		(22,393)	
TOTAL PRODUCTION COSTS (B)			**(4,230,081)**
DIFFERENCE BETWEEN THE VALUE OF PRODUCTION AND PRODUCTION COSTS (A - B)			**1,157,139**
C. INVESTMENT INCOME AND EXPENSES			
16. Other investment income		87,255	
17. Interest and other investment expenses		(1,009)	
TOTAL Investment income and expenses (C)			**86,246**
D. VALUE ADJUSTMENTS ON FINANCIAL ASSETS			
TOTAL VALUE ADJUSTMENTS ON FINANCIAL ASSETS (D)			(1,807)
E. EXTRAORDINARY INCOME AND EXPENDITURE			
20. Income			
- capital gains on transfers other than number 14			
- extraordinary income and rounding up	28,535	28,535	
21. Expenditure			
- losses on transfers other than number 14			
- extraordinary losses and rounding down		0	
TOTAL EXTRAORDINARY INCOME AND EXPENDITURE (E)			**28,535**
PRE-TAX PROFIT (A - B + - C + - D + - E)			**1,270,113**
22. Corporation tax for the financial year			(406,490)
23. Profit/loss for the financial year			863,623

Sogeint S.r.l.

Head office in Milan - Via Senigallia 18/2
Share capital as at 31-12-2005: € 100,000 in one € 100,000 share
Our stake in the capital:
direct: 100.00%

Balance sheet Financial year 2005

ASSETS

A.	RECEIVABLES FROM SHAREHOLDERS FOR SHARES SUBSCRIBED BUT NOT PAID UP		
B.	FIXED ASSETS		
I)	Intangible fixed assets	4,960	
II)	Tangible fixed assets	11,861	
III)	Financial fixed assets		
TOTAL FIXED ASSETS (B)			**16,821**
C.	OPERATING ASSETS		
I)	Stocks		
II)	Receivables	232,919	
III)	Financial assets other than fixed assets		
IV)	Cash at bank and in hand	1,371,778	
TOTAL OPERATING ASSETS (C)			**1,604,697**
D.	PREPAYMENTS AND DEFERRED INCOME		2,519
TOTAL ASSETS			**1,624,037**

LIABILITIES

A.	EQUITY		
I)	Capital	100,000	
II)	Issue premium reserve		
III)	Revaluation reserve		
IV)	Legal reserve		
V)	Reserve for own shares in portfolio		
VI)	Statutory reserves		
VII)	Other reserves	(1)	
VIII)	Profits (Losses) carried forward	0	
IX)	Profit (Loss) for the financial year	(189,353)	
TOTAL EQUITY (A)			(89,354)
B.	Provisions for risks and charges		
C.	PROVISION FOR STAFF-LEAVING INDEMNITY		10,787
D.	PAYABLES		1,690,942
E.	PREPAID EXPENSES AND ACCRUED LIABILITIES		11,662
TOTAL LIABILITIES			**1,713,391**
TOTAL EQUITY and LIABILITIES			**1,624,037**

Profit and Loss account Financial year 2005

A. VALUE OF PRODUCTION			
1. Revenue from sales and services		1,374,184	
5. Other revenue and income showing revenue grants separately		51,203	
TOTAL VALUE OF THE PRODUCTION (A)			**1,425,387**
B. PRODUCTION COSTS			
6. Raw materials, supplies and merchandise		(17,484)	
7. Services		(1,131,755)	
8. Leases and rentals		(121,298)	
9. Staff		(247,660)	
10. Amortisation and write-downs			
a) amortisation of intangible fixed assets	(1,489)		
b) amortisation of tangible fixed assets	(1,142)	(2,631)	
13. Other provisions			
14. Sundry operating expenses		(78,173)	
TOTAL PRODUCTION COSTS (B)			**(1,599,001)**
DIFFERENCE BETWEEN THE VALUE OF PRODUCTION AND PRODUCTION COSTS (A - B)			**(173,614)**
C. INVESTMENT INCOME AND EXPENSES			
16. Other investment income		29	
17. Interest and other investment expenses		(145)	
TOTAL Investment income and expenses (C)			**(116)**
D. VALUE ADJUSTMENTS ON FINANCIAL ASSETS			
TOTAL VALUE ADJUSTMENTS ON FINANCIAL ASSETS (D)			
E. EXTRAORDINARY INCOME AND EXPENDITURE			
20. Income			
- capital gains on transfers other than number 14			
- extraordinary income and rounding up			
21. Expenditure			
- losses on transfers other than number 14			
- extraordinary losses and rounding down		(61,852)	
TOTAL EXTRAORDINARY INCOME AND EXPENDITURE (E)			**(61,852)**
PRE-TAX PROFIT (A - B + - C + - D + - E)			**(235,582)**
22. Corporation tax for the financial year			46,229
23. Profit/loss for the financial year			(189,353)

SYSTEMA COMPAGNIA DI ASS.NI S.p.A.

Head office in Milan Via Senigallia 18/2
Share capital as at 31.12.2005 € 5,164,600 divided into 10,000 € 516.46 shares
Our share of the capital:
direct: 100.00%

Balance sheet Financial year 2005

ASSETS

A.	AMOUNT DUE FROM SHAREHOLDERS FOR SUBSCRIBED SHARE CAPITAL NOT PAID UP	
B.	INTANGIBLE ASSETS	
C.	INVESTMENTS	27,774,490
D.	INVESTMENTS FOR THE BENEFIT OF LIFE BUSINESS POLICYHOLDERS WHO BEAR THE RISK AND INVESTMENTS DERIVING FROM PENSION FUND MANAGEMENT	
D.bis	REINSURERS ' TECHNICAL RESERVES	300,198
E.	RECEIVABLES	4,372,677
F.	OTHER ASSETS	2,564,361
G.	PREPAYMENTS AND DEFERRED INCOME	188,419
TOTAL ASSETS		**35,200,145**

Liabilities and equity

A.	EQUITY	9,740,061
B.	SUBORDINATED LIABILITIES	
C.	TECHNICAL RESERVES	22,357,054
D.	TECHNICAL PROVISIONS WHEN THE INVESTMENT RISK IS BORNE BY POLICYHOLDERS AND PROVISIONS DERIVING FROM PENSION FUND MANAGEMENT	
E.	PROVISIONS FOR RISKS AND CHARGES	10,476
F.	DEPOSITS RECEIVED FROM REINSURERS	
G.	PAYABLES AND OTHER LIABILITIES	3,092,554
H.	PREPAID EXPENSES AND ACCRUED LIABILITIES	-
TOTAL LIABILITIES AND EQUITY		**35,200,145**
GUARANTEES, COMMITMENTS and OTHER MEMORANDUM ACCOUNTS		28,759,747

Profit and Loss account Financial year 2005

I		**TECHNICAL ACCOUNT NON-LIFE BUSINESS**	
	1.	PREMIUMS EARNED, NET OF REINSURANCE CESSIONS	12,748,911
	2.	SHARE OF THE RETURN ON INVESTMENTS TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT	629,312
	3.	OTHER TECHNICAL INCOME, NET OF REINSURANCE CESSIONS	43,882
	4.	CHARGES FOR OUTSTANDING CLAIMS, NET OF RECOVERIES AND REINSURANCE CESSIONS	7,812,893
	5.	CHANGE IN OTHER TECHNICAL RESERVES, NET OF REINSURANCE CESSIONS	
	6.	BONUSES AND REBATES NET OF REINSURANCE CESSIONS	
	7.	OPERATING EXPENSES	2,164,310
	8.	OTHER TECHNICAL CHARGES, NET OF REINSURANCE CESSIONS	629,119
	9.	CHANGE IN EQUALISATION RESERVES	1,980
	10.	PROFIT/LOSS LIFE BUSINESS TECHNICAL ACCOUNT	2,813,803
II		**TECHNICAL ACCOUNT LIFE BUSINESS**	
	1.	PREMIUMS EARNED, NET OF REINSURANCE CESSIONS	
	2.	INCOME FROM INVESTMENTS	
	3.	INCOME AND UNREALISED CAPITAL GAINS ON INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR THE RISK AND INVESTMENTS DERIVING FROM PENSION FUND MANAGEMENT	
	4.	OTHER TECHNICAL INCOME, NET OF REINSURANCE CESSIONS	
	5.	CHARGES FOR OUTSTANDING CLAIMS, NET OF RECOVERIES AND REINSURANCE CESSIONS	
	6.	CHANGE IN ACTUARIAL AND OTHER TECHNICAL RESERVES, NET OF REINSURANCE CESSIONS	
	7.	BONUSES AND REBATES NET OF REINSURANCE CESSIONS	
	8.	OPERATING EXPENSES	
	9.	INVESTMENT CHARGES	
	10.	INVESTMENT CHARGES AND UNREALISED LOSSES ON INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR THE RISK AND INVESTMENTS DERIVING FROM PENSION FUND MANAGEMENT	
	11.	OTHER TECHNICAL CHARGES, NET OF REINSURANCE CESSIONS	
	12.	SHARE OF THE RETURN ON INVESTMENTS TRANSFERRED TO THE NON-TECHNICAL ACCOUNT	
	13.	PROFIT/LOSS LIFE BUSINESS TECHNICAL ACCOUNT	
III		**NON-TECHNICAL ACCOUNT**	
	1.	PROFIT/LOSS LIFE BUSINESS TECHNICAL ACCOUNT	2,813,803
	2.	PROFIT/LOSS LIFE BUSINESS TECHNICAL ACCOUNT	
	3.	INCOME FROM NON-LIFE BUSINESS INVESTMENTS	1,045,612
	4.	SHARE OF THE RETURN ON INVESTMENTS TRANSFERRED FROM THE LIFE BUSINESS TECHNICAL ACCOUNT	
	5.	INVESTMENT CHARGES FOR NON-LIFE BUSINESS	152,412
	6.	SHARE OF THE RETURN ON INVESTMENTS TRANSFERRED TO THE NON-LIFE BUSINESS TECHNICAL ACCOUNT	629,312
	7.	OTHER INCOME	127,967
	8.	OTHER CHARGES	221,237
	9.	PROFIT/LOSS ON ORDINARY ACTIVITIES	2,984,421
	10.	EXTRAORDINARY INCOME	310,395
	11.	EXTRAORDINARY CHARGES	66,679
	12.	PROFIT/LOSS ON EXTRAORDINARY ACTIVITIES	244,716
	13.	PRE-TAX PROFIT/LOSS	3,229,137
	14.	TAXES FOR THE FINANCIAL YEAR	1,152,171
	15.	**PROFIT (LOSS) FOR THE FINANCIAL YEAR**	**2,076,966**

Uniservizi S.c.r.l.

Head office in Milan, Via Senigallia, 18/2
Share capital as at 31-12-2005: € 5,200,000 in 10,000,000 € 0.52 shares
Our stake in the capital:
direct: 28.00%
indirect: 0.40%

Balance sheet Financial year 2005

ASSETS

A. RECEIVABLES FROM SHAREHOLDERS FOR SHARES SUBSCRIBED BUT NOT PAID UP			
B. FIXED ASSETS			
I) Intangible fixed assets	18,088,820		
II) Tangible fixed assets	6,785,284		
III) Financial fixed assets			
TOTAL FIXED ASSETS (B)			**24,874,104**
C. OPERATING ASSETS			
I) Stocks			
II) Receivables	58,357,152		
III) Financial assets other than fixed assets			
IV) Cash at bank and in hand	3,429,001		
TOTAL OPERATING ASSETS (C)			**61,786,153**
D. PREPAYMENTS AND DEFERRED INCOME		2,868,148	
TOTAL ASSETS			**89,528,405**

LIABILITIES

A. EQUITY		
I) Capital	5,200,000	
II) Issue premium reserve		
III) Revaluation reserve		
IV) Legal reserve		
V) Reserve for own shares in portfolio		
VI) Statutory reserves		
VII) Other reserves	3,142,117	
VIII) Profits (Losses) carried forward		
IX) Profit (Loss) for the financial year	(9,255)	
TOTAL EQUITY (A)		**8,332,862**
B. Provisions for risks and charges		
C. PROVISION FOR STAFF-LEAVING INDEMNITY		
D. PAYABLES		81,195,543
E. PREPAID EXPENSES AND ACCRUED LIABILITIES		

TOTAL LIABILITIES	**81,195,543**
TOTAL EQUITY and LIABILITIES	**89,528,405**
Memorandum accounts:	
Guarantees provided	315,051

Profit and Loss account Financial year 2005

A. VALUE OF PRODUCTION			
1. Revenue from sales and services		153,488,301	
5. Other revenue and income showing revenue grants separately		80,0053	
TOTAL VALUE OF THE PRODUCTION (A)			**153,568,306**
B. PRODUCTION COSTS			
6. Raw materials, supplies and merchandise			
7. Services		(130,389,740)	
8. Leases and rentals		(14,567,454)	
9. Staff			
10. Amortisation and write-downs			
a) amortisation of intangible fixed assets	(6,010,708)		
b) amortisation of tangible fixed assets	(2,766,227)	(8,766,935)	
13. Other provisions			
14. Sundry operating expenses		(5,621)	
TOTAL PRODUCTION COSTS (B)			**(153,739,750)**
DIFFERENCE BETWEEN THE VALUE OF PRODUCTION AND PRODUCTION COSTS (A - B)			**(171,444)**
C. INVESTMENT INCOME AND EXPENSES			
16. Other investment income		218,196	
17. Interest and other investment expenses		(254,794)	
TOTAL Investment income and expenses (C)			**(36,598)**
D. VALUE ADJUSTMENTS ON FINANCIAL ASSETS			
TOTAL VALUE ADJUSTMENTS ON FINANCIAL ASSETS (D)			
E. EXTRAORDINARY INCOME AND EXPENDITURE			
20. Income			
- capital gains on transfers other than number 14			
- extraordinary income and rounding up	208,411	208,411	
21. Expenditure			
- losses on transfers other than number 14			
- extraordinary losses and rounding down	(369)	(369)	
TOTAL EXTRAORDINARY INCOME AND EXPENDITURE (E)			**208,042**
PRE-TAX PROFIT (A - B + - C + - D + - E)			0
22. Corporation tax for the financial year			(9,255)
23. Profit/loss for the financial **year**			**(9,255)**

Graphical representation of the Group

GRAPHICAL REPRESENTATION OF THE GROUP