
REPORT AND ACCOUNTS

2006 FINANCIAL YEAR

FONDIARIA-SAI S.p.A

FONDIARIA-SAI S.P.A. - REGISTERED OFFICE IN FLORENCE - P.ZA DELLA LIBERTA' 6 -
REGISTERED OFFICE IN TURIN - CORSO G. GALILEI, 12 - SHARE CAPITAL € 168,482,219 FULLY PAID
UP - TAX CODE, VAT REGISTRATION AND ENTRY NUMBER IN THE FLORENCE REGISTER OF
COMPANIES 00818570012 - AUTHORISED TO OPERATE AS AN INSURANCE COMPANY BY ARTICLE 65
OF ROYAL DECREE-LAW NO. 966 OF 29 APRIL 1923, CONVERTED INTO LAW NO. 473 OF 17 APRIL 1925.



REPORT AND ACCOUNTS

2006 FINANCIAL YEAR

STATUTORY AND MANAGERIAL BODIES 4

NOTICE OF ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETINGS 5

MANAGEMENT REPORT AS AT 31 DECEMBER 2006

- Macroeconomic scenario and insurance market in 2006.....	9
- Accounts for the financial year 2006	26
- Premium income.....	29
- NON-LIFE INSURANCE BUSINESS.....	30
- The non-life insurance market.....	31
- Premium income.....	34
- Claims paid and reported.....	35
- Claims handling expenses	35
- Motor Third Party Liability – Land vehicles and Marine Third Party Liability.....	36
- Land vehicles and Marine – hull.....	41
- Non-marine branches	41
- Non-life reinsurance.....	45
- Litigation - non-life insurance	46
- LIFE INSURANCE BUSINESS, PENSION FUNDS AND MANAGED SAVINGS.....	48
- The life insurance market.....	49
- Premium income.....	56
- Sums paid and related charges	57
- Claims handling expenses	58
- Technical performance	58
- Pension funds	59
- Life reinsurance	60
- ASSET AND FINANCIAL MANAGEMENT	61
- Investments	62
- Class D investments	62
- Investment income.....	63
- Financial management.....	63
- Significant financial transactions	67
- Debts	71
- Own shares, shares in the parent company and its subsidiaries.....	72
- Notice of shareholders' meeting and consequent reduction in share capital	73
- Property management	74
- OTHER INFORMATION.....	79
- Structure of the sales organisation	80
- Management and development of human resources	80
- Stock option plans.....	82
- Steps taken in the cultural, social and cultural arena to maintain the Company's image	85
- Computer system integration	89

- Discharge of obligations concerning matters of privacy.....	90
- Ratings, relations with the market and with Institutional investors.....	90
- Management and coordination – dealings with Group companies and related parties	90
- National fiscal consolidation	93
- Information on shareholdings held by Directors, statutory auditors and general managers	94
- Current disputes.....	96
- Significant events occurring after year-end.....	97
- Business outlook	99

PROPOSALS TO THE ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETINGS . 101

CORPORATE GOVERNANCE REPORT 107

- Section 1 – The Company's governance Structure: general principle	108
- Section 2 – Information on the implementation of the provisions contained in the Code of Self-discipline.....	110

2006 ACCOUNTS

BALANCE SHEET	128
PROFIT AND LOSS ACCOUNT	141

NOTES TO THE ACCOUNTS

- PART A - Valuation criteria for balance sheet items .	152
- PART B – Information on the balance sheet and profit and loss account.....	161
- Balance sheet - Assets	162
- Balance sheet - Liabilities	184
- Profit and loss account.....	201
- PART C - Other information.....	223

REPORTS FROM INDEPENDENT BODIES

- AUDITORS' REPORT	228
- AUDITORS' REPORT	233

These accounts have been translated into English from the original Italian which was issued in accordance with Italian practice. The Italian remains the definitive version and the correctness of the English version was not checked by the Fondiaria Group.

Translated by SEL, the translation company owned by the University of Salford, Manchester, UK

STATUTORY and MANAGEMENT BODIES of FONDIARIA-SAI S.p.A.

BOARD OF DIRECTORS

Salvatore Ligresti

Honorary Chairman

Jonella Ligresti*

Chairman

Giulia Maria Ligresti*

Vice Chairman

Massimo Pini*

Vice Chairman

Antonio Talarico*

Vice Chairman

Fausto Marchionni*

Managing Director – Chief Executive Officer

Andrea Broggin

Mariella Cerutti Marocco

Maurizio Comoli

Francesco Corsi

Carlo d'Urso

Vincenzo La Russa*

Gioacchino Paolo Ligresti*

Lia Lo Vecchio

Enzo Mei

Giuseppe Morbidelli

Cosimo Rucellai

Salvatore Spiniello

Ezio Toselli

Oscar Zannoni

Alberto Marras

Secretary to the Board and to the Executive Committee

BOARD OF AUDITORS

Benito Giovanni Marino

Chairman

Giancarlo Mantovani

Auditor

Marco Spadacini

Auditor

Maria Luisa Mosconi

Alternate auditor

Pierino Rosati

Alternate auditor

Alessandro Malerba

Alternate auditor

INDEPENDENT AUDITORS

DELOITTE & TOUCHE S.p.A.

COMMON REPRESENTATIVE OF THE SAVINGS SHAREHOLDERS

Sandro Quagliotti

GENERAL MANAGEMENT

Fausto Marchionni

*Members of the Executive Committee

The Chairman, Signora Jonella Ligresti, and the Managing Director, Prof. Fausto Marchionni in addition to representing the company as stated in article 21 of the Company's Bye-laws, shall be vested with all the powers of ordinary and extraordinary administration, to be used with a single signature and with the possibility of conferring terms of office and powers of attorney, with the exception of the following exclusively:

- transfer and/or purchase of immovables with a value greater than € 15m for each transaction;
- transfer and/or purchase of shareholdings with a value greater than € 30m for each transaction and controlling shareholdings;
- taking on financing at a sum greater than € 50m for each transaction;
- issue of non-insurance guarantees in favour of third parties.

The Chairman and Managing Director are obliged to refer to the Executive Committee or to the Board of Directors at any meeting about the exercise of powers as vested above, specifically with regard to atypical, unusual transactions or transactions with related parties (where not reserved for the competence of the Board) and, more generally to significant transactions.

All powers not already vested in the Chairman and Managing Director are conferred upon the Executive Committee, with the exception of those expressly reserved to the said Board by law or by statute and without prejudice are the exclusive competence of the Board of Directors, without prejudice furthermore to the principles of behaviour on transactions with related parties approved by the Board of Directors at the meeting on 16 February 2005 - the reservation of the exclusive competence of the latter for each decision about transactions with related parties which due to the object, payment, realisation procedures or times may have effects on the safeguard of the company's assets or on the completeness and correctness of the information, including accounting information, relating to the issues, with the exclusion of existing transactions between subsidiaries and between subsidiaries and related companies. the Committee refers to the Board of Directors, at each meeting, on the exercise of its powers.

The Board of Directors was appointed by the meeting on 28 April 2006.

The Board's term will end at the same time as that of the Statutory Board of Auditors, with the meeting to approve the accounts for the financial year 2008.

NOTICE OF
ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETINGS

Dear Shareholders,

You are invited to attend an Ordinary and an Extraordinary Shareholders' Meeting at 11.00 hours on 27 April 2007, on the first call, at the offices of Fondiaria-SAI in Florence, via Lorenzo the Magnifico no. 1, and again on 30 April 2007, at the same time, on the second call, at the Palazzo dei Congressi in Florence, Piazza Adua no. 1, to discuss and decide on the following.

AGENDA

Ordinary part

- Accounts as at 31 December 2006. Board of Directors' Management Report. Report of the Statutory Board of Auditors pursuant to art. 153 of Legislative Decree no. 58/1998 and the Report by the external firm of auditors. Related and consequent resolutions.
- Resolutions about own shares pursuant to articles 2357 and 2357-ter of the Civil Code.
- Resolutions about the shares in the holding company Premafin Financial Società per Azioni - Holding di Partecipazioni pursuant to art. 2359-bis of the Civil Code.

Extraordinary part

- Proposals to amend the Company's Bye-laws in order, inter alia, to bring them into line with Law no. 262 of 28 December 2005 and Legislative Decree no. 303 of 29 December 2006. Related and consequent resolutions.

In accordance with art 8 of the Company's Bye-laws, shareholders holding ordinary shares and in possession of a certificate issued by an intermediary adhering to the centralised management system of Monte Titoli S.p.A., under the dematerialisation system may attend the meeting. Holders of FONDIARIA-SAI S.p.A. shares not centralised with Monte Titoli S.p.A. are reminded that the rights relating to said securities may be exercised only after the securities have been delivered to an intermediary for admission onto the centralised management system.

The documentation relating to the agenda will be made available to the public on the terms and in accordance with the procedures laid down in the regulations in force. Members are entitled to obtain a copy of this.

Management Report as at 31 December 2006

Dear Shareholders,

The year just ended was very satisfactory and enabled us to achieve the first objectives set for the three year period 2006-2008 of harmonising production processes and operating strategies, combining growth and profitability with diversification in order to reduce risk: an ambitious three-dimensional target which will guide the Group's business in the years ahead.

As a business operating on the market together with national and foreign competitors, we experience the challenges of "doing business" on a daily basis. In that context, we consider we have made significant progress in recent years, which has enabled us to consolidate our leadership of the Italian retail sector for the Non-Life classes, maintaining excellent levels of profitability, with an eye on other ambitious targets of the industrial plan, such as: rebalancing the portfolio for the life classes, targeted investments in property, increasing our presence in the bancassurance sector, seizing new opportunities for development in Italy and abroad, in order to offer an attractive risk-return profile for shareholders.

In 2006, the Fondiaria-SAI Group also paid special attention to social matters. The Group is proposing to continue to be a reference point for all stakeholders, confirming the traditional attention paid to human resources, customers and the entire community, evolving hand in hand with the social context in which it operates. An industrial Group's growth strategies and the development of Corporate Social Responsibility in fact follows a parallel logic: the process of creating social value must be planned over a longer period of time and it is a long route.

On 29 November 2006, at the headquarters of the Italian Stock Exchange in Milan, Prof. Angelo Provasoli, Rector of Bocconi University, awarded the parent company the 2006 Oscar for Accounts in the "Insurance companies" category. An acknowledgement arranged by FERPI (Federazione Relazioni Pubbliche Italiane – Italian Public Relations Federation), to reward companies which produce their own year-end accounts in a transparent and exhaustive way and with particular attention on communication. It is an acknowledgement that transparency is the most important element, confirming the actions of recent years and is therefore the reason why the whole Group is very satisfied. For an insurance company like Fondiaria-SAI, receiving this important prize means increasing the value of its role in the Italian economic fabric, offering a dynamic and transparent image of itself and showing that it has placed financial communication at the centre of its actions.

The results of the 2006 Accounts confirm that the Fondiaria-SAI Group has succeeded in creating economic value for its stakeholders: a result possible thanks to the commitment of its shareholders, management, employees and agents, who have worked with team spirit in that management.

Obviously, we have not yet reached the end of the road, however, knowing that we belong to a large insurance group will be a further reason for re-sealing a commitment which has never been broken. We are therefore ready to face new challenges, starting from a solid base, which will give us confidence and credibility for the future.

Finally, we would like to take this occasion to recall that, in 2006, our Managing Director and Chief Executive Officer Prof. Dr. Fausto Marchionni celebrated 40 years within the Group. He has held positions in all parts of the company, from his first post to his managerial responsibilities, alongside our Chairman Jonella Ligresti, as director of one of the largest insurance companies on the market.

MACROECONOMIC SCENARIO AND INSURANCE MARKET IN 2006

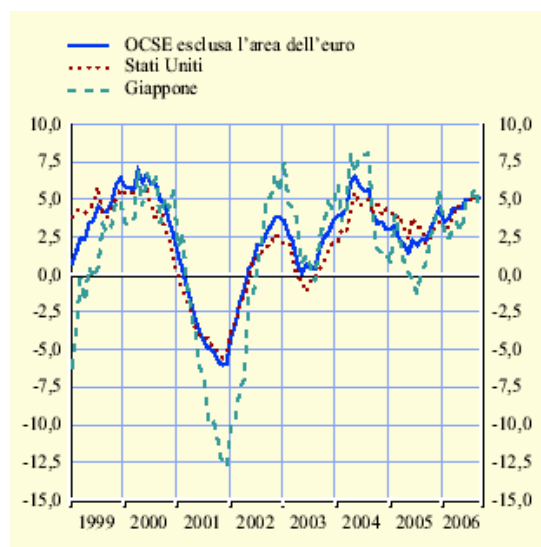
International macroeconomic scenario

2006 closed with a solid increase in GDP worldwide (at around 5%) and of trading thanks, above all, to the performance of some of the emerging economies which, in recent years, grew at particularly sustained rates.

Of the emerging countries, in fact, the driving force of China, India, Russia and Brazil contributed significantly to the development of the world economy: in particular, China and India grew at rates close to 10%, thanks to the commercial and financial links developed with the other world economies.

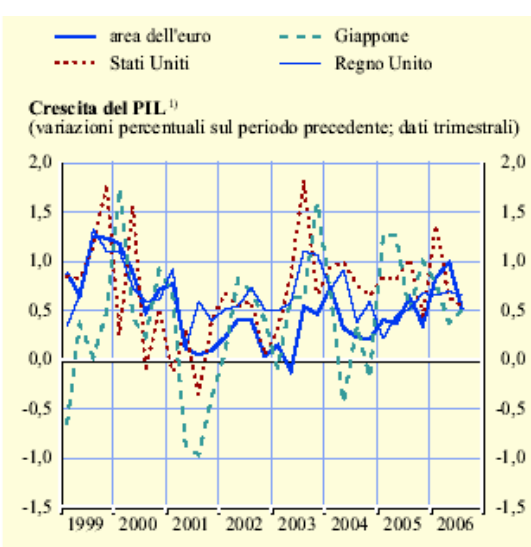
In the last part of the year, however, there have been the first signs of weakness in the positive cycle of economic growth. The slowing down, led by the US economy through the effect of the correction of property prices and the fall in value of the dollar (which until now translated into lower activity in the residential construction sector), according to International Monetary Fund estimates, should mean a low probability of a sudden slowing down of global growth which, without showing signs of recession, will in any case remain well supported during 2007 (+4.9% growth forecast).

Fig. 1 - Industrial production



[blue line] OECD excluding the Euro area
[red dotted] United States
[green dashed] Japan

Fig. 2 - Trend of GDP



[blue line] Euro area
[red dotted] United States
[green dashed] Japan
[blue thin] United Kingdom

Growth in GDP

(percentage variations on the previous period; quarterly data).

Source: processing by the European Central Bank based on OECD data.

Note: the latest observations relate to September 2006 (% variations over 12 months, monthly data).

Source: produced by the European Central Bank based on Eurostat data for the Euro Area and the United Kingdom and on data from national sources for the United States and Japan.

In Japan, the recovery in manufacturing output was consolidated in 2006, favouring the gradual passing of the long phase of deflation. In particular, in the first nine months, GDP increased to 3% from the 2.2% recorded in the corresponding period in 2005 and it is forecast that it will reach 2.7% at the end of the year. The contribution to the increase in private investment was also strengthened, whereas growth in consumption remained unchanged: the 1.6% expansion in consumption by families in the first nine months of the year was sustained by the increase of employment. On the basis of more recent indications from international organisations, the slight slowing down of manufacturing activity, the deceleration of exports and the fiscal adjustment cause it to be considered that Japan's GDP could grow 2.1% in 2007, a deceleration compared with the current year.

In 2006, the rate of development of the Chinese GDP remained at a very high level, above expectations, recording 10.7%, on average in the first nine months of the year, compared with 9% recorded in the corresponding period in 2005. The acceleration of manufacturing activity was driven above all by fixed capital investments, whereas growth in consumption remained virtually unchanged compared with the previous year. The trend in consumer prices, still to a large extent managed, was quite contained, at 1.3% on average in the first nine months of the year.

In India, GDP has been expanding rapidly since the summer of 2003 and, in the first half of 2006, GDP increased 9.1% in the corresponding period, from the 8.5% recorded in the first half of 2005.

The expansion of manufacturing activity continued to be driven by the expansion of the tertiary sector (10.7%) in the same period in 2005. The acceleration of the product reflected that of the manufacturing and agricultural sectors (respectively 10% and 4.5%, from 9.4% and 2.1% in the same period in 2005). A generalised consolidation of growth is forecast at slightly less sustained levels, in 2007 and in subsequent periods, with an even greater increase of the product in China and in India.

Finally, in Latin America since 2004, GDP started to grow at sustained rates in all the main economies on the continent and accelerated during 2006 to 4.8% (4.4% in 2005), thanks above all to the strengthening of business in Brazil (from 2.3% to 3.2%) and in Mexico (from 3% to 4.4%). The rate of development in Argentina remained very high, at 8% (9.2% in 2005). The acceleration of the product of area was driven above all by internal demand, which was strengthened by more expansive economic policies.

Estimates for growth in the different countries are summarised in the table of international economies below.

Table 1 - The international economic situation

	2005	2006	2007	2008	2009	2010	2011
GDP							
Industrialised countries	2.7	3.1	2.7	2.8	2.8	2.8	2.8
United States	3.5	3.4	2.9	3.1	3.0	3.0	3.0
Japan	2.7	2.7	2.1	2.0	1.8	1.6	1.6
EMU (12 countries)	1.3	2.3	2.1	2.3	2.2	2.1	2.1
France	1.4	2.4	2.3	2.5	2.1	2.0	2.0
Germany	0.9	2.0	1.3	1.8	2.1	2.0	2.0
United Kingdom	1.8	2.7	2.7	2.7	2.5	2.5	2.5
Spain	3.4	3.4	3.0	2.8	2.7	2.5	2.5
World excluding EU	5.5	5.6	5.4	4.7	4.6	4.6	4.6
World	4.7	5.0	4.8	4.2	4.2	4.2	4.2
World trade	7.3	8.9	7.6	8.0	7.5	7.5	7.5

Source: produced by the Ministry for the Economy and Finance from data from the IMF, OECD, EU

Although the scenario for the world economy in the medium term remains favourable, recent developments confirm the critical nature of some factors, including:

- the recent strong correction of the US property sector, which will presumably have repercussions for growth in North America with a consequent reduction in the demand and expenditure of American families and will also have effects on the performance of the whole world economy.
- The considerable risks from the prices of raw materials and, in particular, oil. Prices experienced an appreciable slowing down during the second half of the year, but remain at levels which are still high compared with historical levels, as shown in the table below.

Table 2 – International prices in Dollars

	2005	2006	2007	2008	2009	2010	2011
Oil CIF (dollars/barrel)	54.7	70.0	69.0	69.0	69.0	69.0	69.0
Non-energy raw materials	1.6	10.0	2.8	1.4	1.4	1.3	1.3
Manufactured products	3.5	1.3	2.6	2.1	1.6	1.6	1.6

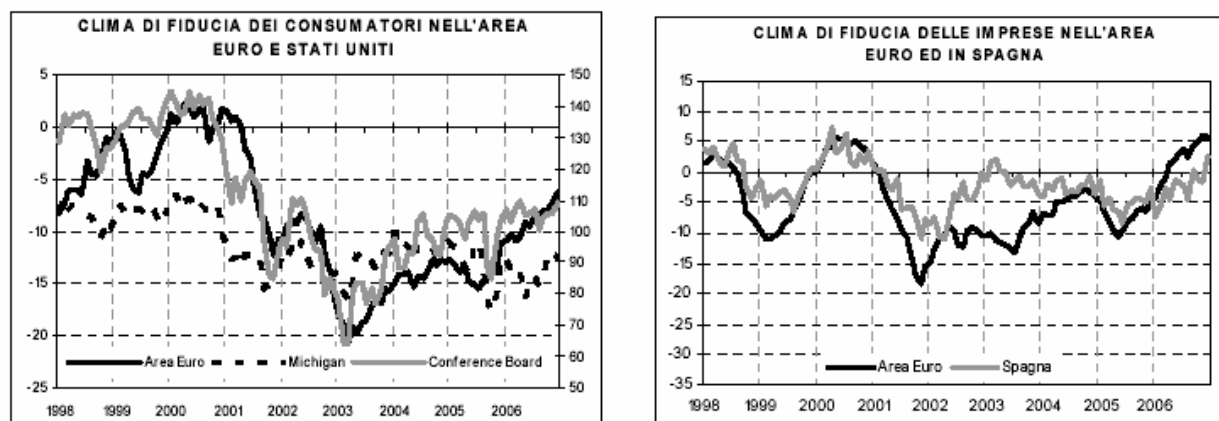
Source: produced by the Ministry for the Economy and Finance from data from the IMF, OECD, EU

Euro area

In the Euro area, the economic indicators are showing the possibility of a further consolidation of growth, despite the difficult situation in the US economy. Tensions remain, however, in internal demand because of the effects of the recent interest rate rises and the restrictive fiscal policy forecast above all in Italy and in Germany during the next year.

More recent information shows there are still confident expectations for the future performance of economic activity in Europe, which allow for positive development in the manufacturing industry, in retail sales and the performance of internal demand, to enable Europe to consolidate the economic improvement already recorded during the first half of 2006.

Fig. 3 - Climate of confidence



CLIMATE OF TRUST AMONG CONSUMERS IN THE EURO AREA AND THE UNITED STATES
CLIMATE OF TRUST AMONG COMPANIES IN THE EURO AREA AND SPAIN

Source: ISAE - Institute of Economic Analysis and Studies

Growth of GDP in the Euro zone slowed slightly in the last quarter, after the robust performance recorded in the first half of 2006. During the year, European GDP grew 2.7%, maintaining positive expectations in the short term.

Industrial production in the second and third quarters of 2006 respectively of 1.2% and 0.8%, should continue to expand even if at more contained rates than in the recent past, thanks to the main support of European GDP which should come from internal demand.

The manufacturing sector recorded high rates of development increasing in the leading economies, confirming signs of expansion from surveys about the climate of confidence in the business community: in the first six months of the year, the added value of industry increased at the annual rate of 2.5% in Germany, 2.1% in France, 1.3% in Spain, remaining stationary, however, in Italy. Furthermore, the favourable development of opinion indicators about families suggests favourable prospects compared with the past for the general economic situation about future possibilities for saving and the performance of the employment market which, since the start of the year, reports a moderate fall in the rate of unemployment of 7.8% at the end of July 2006.

In the first half of 2006, spending by families in the Euro area increased 1.8% a year, as in the previous period.

In particular, it is estimated that, during the last quarter of 2006, consumption increased 0.6%: the continuation of financing conditions at relatively suitable levels continue to sustain that process during 2007, although with differentiations in the individual economies of countries, as a natural reflection of the different economic phases in different countries.

The European market for registrations of motor vehicles recorded a substantial alignment of sales during the month of December, with 1,068,553 units sold compared with 1,071,423 units sold in the same month in 2005 (-0.3%).

Overall, in 2006, the figures recorded show a slight growth of the market, with 15,364,997 units sold, compared with 15,254,593 units sold as at 31/12/2005 (+0.7%). In the main countries of the European Union, Germany achieved annual growth of 3.8%, Italy +3.7%, whereas Great Britain is recording a negative growth (-3.9%), like France (-3.3%) and Spain (-2.0%).

For further details, please refer to the table below.

Table 3 - Car registrations in Europe

CAR REGISTRATIONS IN EUROPE						
	December 2006	December 2005	% change 2006/2005	Jan.-Dec. 2006	Jan.-Dec. 2005	% change 2006/2005
FRANCE	150,749	169,369	(11.0)	2,000,549	2,067,789	(3.3)
GERMANY	303,416	257,761	17.7	3,467,961	3,342,122	3.8
ITALY	139,172	142,819	(2.6)	2,321,099	2,237,444	3.7
SPAIN	122,697	129,770	(5.5)	1,499,032	1,528,877	(2.0)
UNITED KINGDOM	133,810	156,866	(14.7)	2,344,864	2,439,717	(3.9)
OTHER COUNTRIES	123,457	121,746	1.4	2,595,523	2,520,906	3.0
EUROPEAN UNION (EU15)	973,301	978,331	(0.5)	14,229,028	14,136,855	0.7
EFTA*	33,814	32,338	4.6	395,187	392,908	0.6
EU (New Members)**	61,439	60,754	1.1	740,782	724,830	2.2
TOTAL EUROPE (EU+EFTA)***	1,068,554	1,071,423	(0.3)	15,364,997	15,254,593	0.7

(*) European Free Trade Association: Iceland, Norway, Switzerland

(**) Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, Slovenia

(***) EU23 – Data for Malta and Cyprus not currently available

Source: reproduced from estimates from ACEA – Association des Constructeurs Européens d'Automobiles

In 2006, the inflationary pressures which emerged last year at the same time as approaching a situation of full employment were accentuated in the main industrial areas and with the rise in the price of oil and of raw materials.

According to Eurostat estimates, in December 2006, consumer prices in the Euro area remained stable compared with month of November, recording an annual increase of 1.9%. Fluctuations in oil products are reflected in the retail prices: fuels and energy products are the most volatile components. Italy is positioned above the European average with an increase of 2.1%.

At the time of writing, the European Central Bank raised interest rates to 3.75%, a further increase which followed the recent increases of 25 base points made in October and December. Signs of a new squeeze on rates is not ruled out for the months ahead because of abundant liquidity which normally occurs in periods of economic recovery and confidence levels of companies and consumers are close to their highest levels. The reason for the central banks' prudence was the rapid fall of the price of oil and uncertainties about the possible slowing down of economic growth. The European Central Bank's monetary policy would still remain accommodating, although taking account of the effects of inflation determined by the increase of VAT in Germany (with effect from January 2007), and the probable acceleration of salary trends, on the wave of next salary reviews. In addition to the increase which took place in March, operators are, moreover, expecting further restrictions in subsequent months.

The Italian market

The Italian recovery, in progress since 2005, was reconfirmed in 2006, thanks to the contribution of net exports and internal demand.

Industrial production is showing a tendency to increase over the last 12 months. The expansion affected both products intended for the internal market and sectors more directed towards export, which had a particularly negative trend in recent years. The index of industrial production corrected for working days showed, in comparison with December 2005, positive variations for groups of capital goods (+9.3%), intermediate goods (+7.0%) and consumer goods (+5.6% for non-durable goods, +4.7% for durable goods). The reorganisation of energy on the other hand recorded a negative variation of 5.1%.

Fig. 4 - Industrial production



Seasonally-adjusted index

The shaded area represents the figures produced by CSC for the months of November and December.

Source: Istat and rapid economic survey by the Confindustria Studies Centre.

Sustained growth in 2006 also due to the sales and orders for the production of motor vehicles.

The sector, which includes the segment of motor and commercial vehicles, recorded a 24.5% increase in sales (+20.7% on the national market and +31.6% on the foreign market) and a 13.8% increase in orders (+8.7% on the internal market and +23.4% on the international market). A car is always one of the main items of expenditure of Italian families and has an enormous impact on the national economic system: it is sufficient to know that 79.5% of families own at least one car.

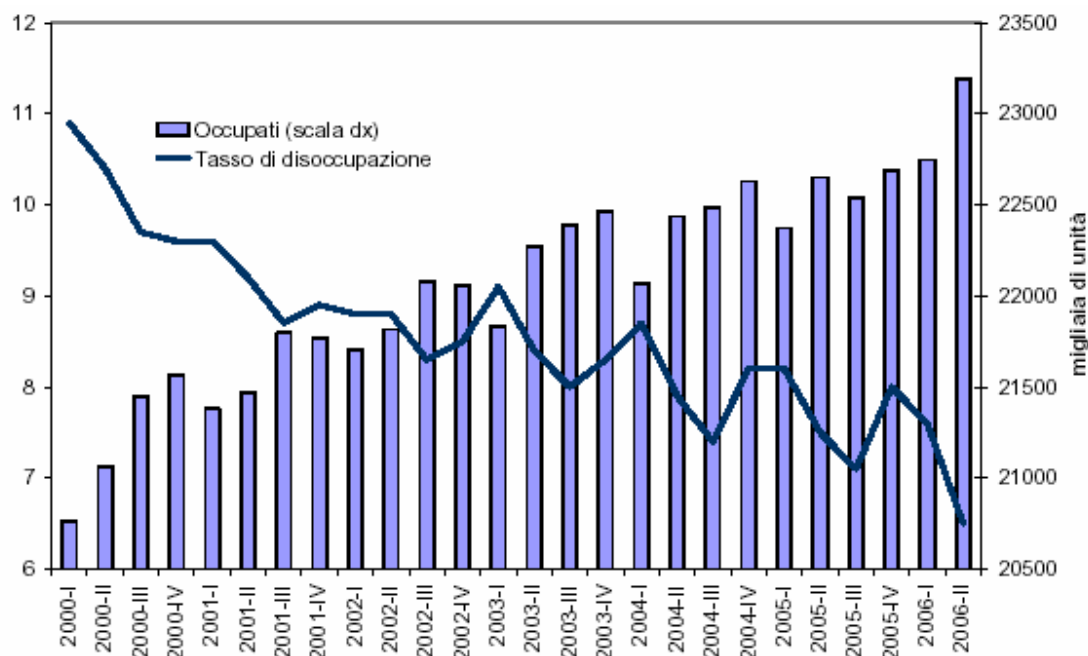
The first valuations available show that, in 2006, Italians spent overall slightly less than € 41bn on purchasing new cars, an increase of 7.3% compared with approximately € 38bn in 2005. In 2006, therefore, the automotive sector drove national consumption, absorbing 24% of the total spending of Italian families, in the classification of investments made, only property comes before investments in motor vehicles.

In the first half of 2006, at the same time as the recovery of economic activity, employment in Italy began to grow at sustained rates.

According to the latest ISTAT data on the workforce, in June 2006 the number of people in work exceeded 23,180,000, an increase compared with the same period in 2005 of 536,000 (2.4%), a net acceleration compared with the first quarter (1.7%).

That growth is moreover correlated with particular phenomena, such as the adjustment for the number of immigrant workers (+ 162,000), longer working lives and, for young people, greater recourse to temporary contracts.

Fig. 5 – Employment and unemployment rate



[top legend] employment

[bottom legend] unemployment rate

[rt. column] thousands

Source: produced by the Ministry for the Economy and Finance from ISTAT data

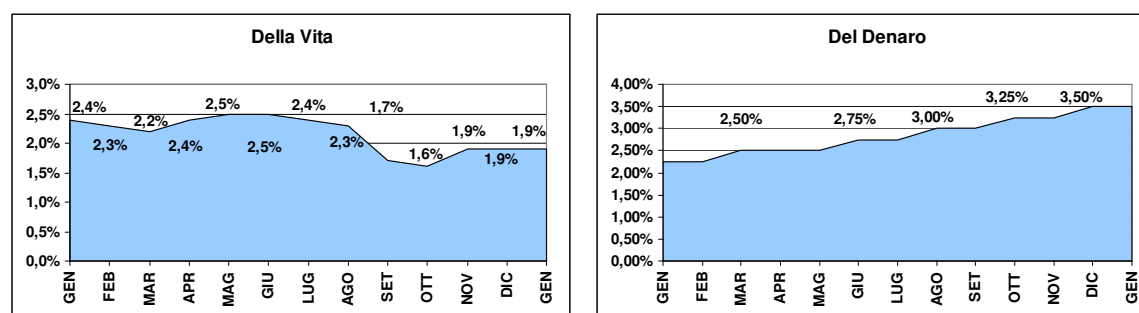
One further element of interest is the recovery of the increase in female employment. In fact, after the reversal of the trend recorded in 2005, the rise in employment in the second quarter 2006 affected the female component more (2.9% on an annual basis) than the male (2.0%), in line with past performance, above all in Southern Italy (4% compared with 2.2%).

At sectorial level, there was a large increase in the number of people employed in the tertiary sector (3.5%), whereas the increase was limited in the industrial sector (0.3%). Furthermore, the number of people employed in the construction sector fell for the first time in the first quarter of 1999 (-2.4% on an annual basis).

With regard to private consumption, expenditure by families in the first six months of the year increased by approximately 2%: especially on the consumption of semi-durable goods and of services. After the slight fluctuation recorded at the end of 2005, expenditure rose strongly in the first quarter of this year and then slowed down during the Spring.

The annual average increase in prices for 2006, calculated by ISTAT, was 2.1%, a contained rise compared with 1.9% in 2005. "The effect of oil" continues to weigh on Italian inflation also because of the delay (and the gradual way) in which changes in prices at source are passed on to the final goods. For 2007, a probable and gradual settlement of values below the annual trend of 2% is estimated, favoured by the lasting weakness of consumption of Italian families. The inflationary prospects for the months ahead, however, show a framework which is still uncertain, since it is necessary to reckon with the unknown oil factor.

Fig. 6 - Costs in Italy



Cost of living

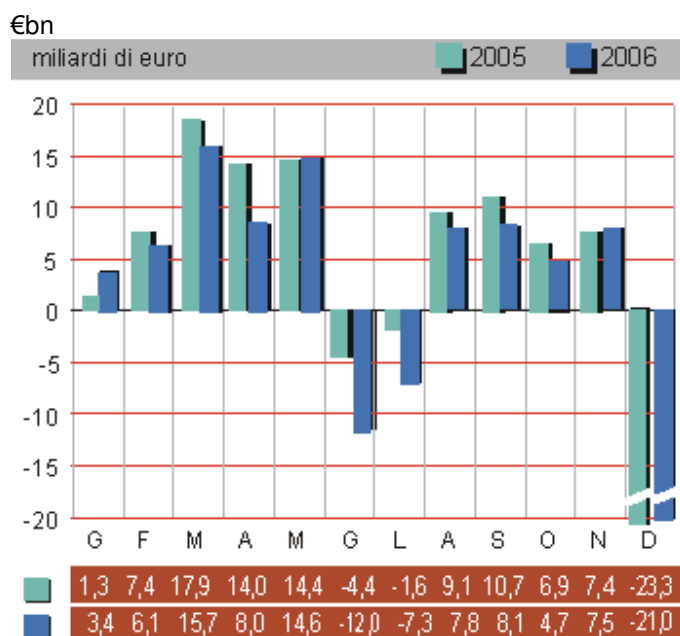
Cost of money

Source: Eurostat and European Central Bank

The partial data for 2006 on the net debts of public authorities (that is, the balance on the quarterly profit and loss account) recorded by ISTAT in the first nine months, are showing an improvement of the balances of public finances, from 4.3% in the first nine months of 2005 to 4.1% in the corresponding period in 2006. Positive signs on the primary balance (that is, of debts net of interest paid), increased from 0.4% in the first nine months of 2005 to 2% in the same period analysed. The interpretation of the data will moreover take account of seasonal and erratic components with strong variability over the year, and the links intervening with individual measures of economic policy and with the different accounting movements.

The structural containment of current expenditure and the good performance of tax revenue furthermore enabled the government requirement for cash to be reduced, as shown in the table below:

Fig. 7 – Government cash requirements



NN: the minus sign indicates a surplus of revenue over expenditure in the cash accounts of the state sector

Source: Ministry for the Economy and Finance

With a modest interruption, Prometeia estimates that during 2007 the rate of expansion will be contained because of the slowing down of the international economic cycle, with which a weakening of the dollar is associated and this will not favour our exports. The Italian economy started to grow at average rates of 1.5%, in line with growth of potential income.

It is a scenario which is considered to be positive, when compared with the experience of past years, although still remaining unsatisfactory, if the need to overcome the structural constraints which emerge is considered. The process of restructuring the industrial system which, although already started, has not yet reached a stage to allow potential growth prospects for the Italian economy to be raised.

Table 4 – Summary macro table 2007-2011

	2006	2007	2008	2009	2010	2011
MACRO ITALY (VOLUMES)						
GDP	1.6	1.3	1.5	1.6	1.7	1.7
Imports	5.0	3.5	3.4	3.5	3.4	3.3
Consumption by families	1.6	1.2	1.5	1.6	1.7	1.6
Investments	2.8	2.3	2.8	3.0	3.1	3.0
Exports	5.3	4.2	3.5	3.4	3.4	3.5
Balance current accounts paid in % GDP.	(2.4)	(2.1)	(2.0)	(2.0)	(2.0)	(1.9)

Source: Ministry for the Economy and Finance

The insurance sector

The European insurance market is going through a period of profound change, both with regard to demand and supply. As to demand, the most obvious sign was the development of the customer/product/channel relationship which, in all European countries, led to a process of diversification of the channels of distribution. From the point of view of supply, the economic and financial trends, the opening up of the European markets and the globalisation of the world economy, are reflected in new challenges in terms of efficiency and productivity.

The insurance sector - in all its non-life and life components - is now an integral part of a nation's welfare system contributing towards reconciling three different typical requirements of public authorities which in the long term are combined but which, in the short term, are difficult to harmonise: economic development, balancing public accounts, adequate level of fairness and safety for citizens, in particular in those sectors (for example health) in which there is increasing demand from taxpayers. If, on the one hand, the companies in the business insure their own customers with appropriate and customised levels of protection against risk, on the other hand, by collecting financial resources (insurance premiums), they make specific financial investments in order to be able to carry out their insurance tasks adequately.

Therefore, the insurance sector allows the vulnerability of society and the national production system to be reduced, enabling families and companies to make more effective use of resources which, in the absence of an efficient allocation of the risk amongst the different economies, would remain tied up otherwise.

Faced with this multiplicity of roles and functions, the weight of insurance in the economic system is growing strongly everywhere, in particular in the emerging economies.

Despite the probable persistence in the short-term of uncertainties arising out of the trend in interest rates worldwide and the geopolitical tensions, prospects for growth in the insurance sector for 2006 and 2007 remain solid.

In particular, in 2006, the investment bank Citigroup raised its rating on the European insurance sector, increasing it to "positive". According to the merchant banks, the market would tend to undervalue the capital available to companies in the business. On the basis of the estimates made by Citigroup, the sector should in fact record profits of approximately € 94bn during the next two year period, including approximately € 23bn to be used for investments. In the last 6 months, shares in Italian, English and German insurance companies rose approximately 20%, for the French the rise was even close to 30%, thanks above all to the strong acceleration recorded at the start of this year. The progression of US shares was slower and, after growth in the second half of 2006, from December they stabilised at values approximately 15% higher than those of last July.

Nevertheless, there remains a significant divide in the development of insurance in our country and the larger European countries: the Italian insurance market continues to be underinsured.

The United Kingdom, France and Germany are ahead of Italy in the ratio of premiums to gross domestic product and in the contribution to total European premium income. These are in fact markets which are more mature for economic and historical reasons, above all the lower presence of State cover.

One further consideration is the number of British, French and German companies which is far greater than the number of Italian companies. The latter, however, are reporting productivity per employee which is four times that recorded in Germany and double that in France. The index of concentration by groups in the life sector is particularly high in the United Kingdom and sufficiently homogeneous in other countries, including Italy, whereas for the non-life sector, in a context of lesser development of that sector, Italy holds the record. According to a study carried out by ANIA, companies and families take out less insurance in Italy than in other European countries.

Excluding Motor TPL from the comparison, as it is compulsory everywhere, the incidence of non-life premiums on GDP is slightly more than 1.3%, a lower value than that for Spain (2.0%), France (2.6%), Germany (4.3%) and the United Kingdom (5.3%).

It should be pointed out that, according to data from ISVAP, in the period from 2000 to 2005, the number of insurance companies active in the Motor TPL class fell from 85 to 70, a significant reduction which will have an effect in the future on freedom of competition, without even considering the superconcentration of the market. At the end of 2005, the first 10 groups held a cumulated share of 88.9%, 66.2% of which was concentrated in the first five.

Ania also stipulated that growth in premium income in the Italian direct business for 2006 should be lower than that recorded in 2005: around 3%, compared with 8.7%. In the Non-Life classes, growth is estimated to be in line with that of 2005 (2.5%). Growth is influenced by the Motor TPL class which, also for 2006, should increase to a limited extent (1.0% approximately), due to the effect of tariff increases which should be contained, thanks to the improvement of the sector's technical results recorded in past years.

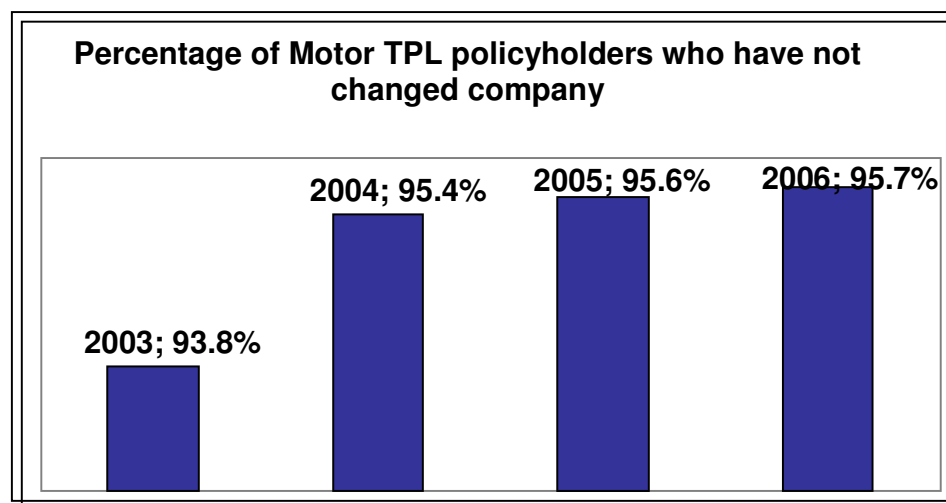
Growth in the life classes should be around 3.5%, with premium income of more than € 76bn. Growth could, on the one hand, benefit from the modest increase in the available income and, on the other, felt the effects of any increase in inflation and interest rates. In any case, forecast growth is consistent with substantial stability in the share of premiums collected by bank branches.

It should be pointed out that, according to information gathered by Databank in the Motor TPL business, in the last three years, more than 95% of policyholders remain loyal to their company (for further details, please refer to the table below): only 2.9% of customers state that they will not renew their policy on expiry, compared with 4.5% in 2002.

The level of loyalty is particularly strong for the largest companies present on the market and in past years this increased despite an increase in the activity carried out at the same time by operators to win new market shares and new customers.

The Motor TPL market is confirmed, therefore, at rather static levels; according to what was stated by Databank, the share of the direct distribution channels and more generally of the alternatives to the traditional agency recorded a slowing down if not a real contraction.

Fig. 8 - Loyalty index



Source: Sole24Ore, Databank, Bicsi – Motor TPL

According to a recent study by Accenture of 30 of the top 100 European companies, 92% consider industrialisation to be an absolute priority: the adoption of industrial type operating models within the scope of a services sector such as the insurance sector would firstly provide a reduction of costs, an increase in the quality of the services, and better risk management. Operators in the European insurance sector are in fact making a considerable commitment to transforming, simplifying and maximising the automation of back-office processes, such as the financial and accounting processes and front-office processes, such as the underwriting policy and claims handling.

The analysis of mature insurance markets, carried out by the rating agency, Moody's, shows that one of the main challenges which European insurance companies will have to face in the near future will be understanding what consumers want, adapting products to their new requirements. In particular, it will above all be the life sector which will have to change its product range, in the light of increasing longevity, increasing competition from other financial services according to welfare changes in individual countries.

Moody's also shows potential risks for the non-life sector because of competition on tariffs, legislative amendments, climate change and natural catastrophes, within a framework of a continual reduction of margins.

According to the preliminary estimates gathered by the Insurance Information Institute, 2006 was a particularly positive year for the US industry for the Non-Life classes, thanks to the absence of large-scale disasters and good performance in all classes in the business. The combined ratio should be slightly above 94%, the best result since 1955.

Analysts in the sector forecast that, in the absence of significant catastrophic events or attacks, the profitability of the sector (with a ROE close to 15% at the end of 2006, clearly growing compared with 10.4% in 2005) should also remain high in 2007.

The Life business continued to expand massively in the emerging markets, corroborated by the improvement in economic fundamentals and increases in the income of families. Nevertheless, some markets felt the negative effects of changes which have taken place in the regulations. In Russia, premiums experienced a fluctuation because of the abolition of tax relief whereas, in the life classes in Chile, Colombia and Mexico, the changes introduced into the accounting regulations on pension funds were a burden.

In the Non-Life classes, all the emerging regions recorded further growth, even if lower than in the previous year. The case of Mexico is significant, as it suffered 1.8 billion dollars of damage as result of hurricane Wilma, further stresses the importance of adequate insurance cover against natural disasters. In the emerging markets, there was also further liberalisation in the sector exemplified by the plan presented in India for the abolition of compulsory tariffs in force with effect from January 2007.

With a population of more than one billion 300 million people and a dawning private insurance industry, China in fact represents a market with strong prospects, so much so that it is forecast that premium income will increase from 60 billion dollars in 2005 to 100 billion in 2009.

In 2006, the Chinese insurance market grew at a rate of 14.4%, recording 564.1 billion yuan (approximately 73 billion dollars), whereas the activity of the companies of the sector increased 29% to 1,970 billion yuan. According to official figures communicated by the China Insurance Regulator and Commission, the insurance sector supervisory body, insurance premiums paid in the Non-Life classes increased 22.6% (to 150.9 billion yuan), whereas premiums in the life classes increased by 10.7% in 2006 (to 359.3 billion yuan).

Currently, approximately 30 national and as many foreign companies operate in the country: for the current year, total growth in the sector is forecast to be 20%, driven by the economic boom in the country and the profound restructuring of the welfare system in progress by the Chinese Government.

Developments in the regulations

Recent intense regulatory activity is profoundly changing the context in which the Italian insurance companies have to operate.

In order to sustain growth in the insurance market, stability and competitiveness, it is essential to be able to rely on a regulatory framework capable of supporting the development of the business contexts internally, within the European Union and internationally.

The objective of creating a single, integrated, competitive and efficient market, with low costs, high stability and protection for consumers is important and can be shared. Achieving this will, however, involve a significant effort on adjustment by companies, above all considering that the development in the regulations in addition to other new provisions derived not only from the European context but also from the national context.

The main changes in the regulations in the last few months concerning the Italian insurance market, which will inevitably have repercussions for the insurance business in the years ahead, are set out below.

Insurance Code

The new Code (Decree-Law no. 209 of 7 September 2005), in force from 01/01/2006, simplifies and reorganises the insurance regulations governing, in particular, access to the insurance business and its operation, policies, transparency of operations and supervision of companies, compensation and penalty systems, the provisions on insurance companies' accounts, accounting books and records.

A "Regulation on insurance broking" was drawn up to implement the provisions of the Code, which governs the insurance and reinsurance broking carried out by anyone. In particular, the regulation brings order to the people in different roles who run the brokerage business, proposing in the first place protection for the consumer, identifying intermediaries and governing aspects such as:

- the requirements for entry onto the Single Register of Insurance and Reinsurance Intermediaries (RUI);
- rules of behaviour, based on correctness and transparency, with which the intermediaries will have to comply in their relationships with their customers;
- professional public liability policy for professional risks in the operation of the business;
- professional training to guarantee constant up-dating of operators.

Since 1 February 2007, the Register set up to implement Directives 2002/92/CE on insurance broking will become operational and governed by ISVAP Regulation no. 5 of 16/10/2006. On the basis of these regulations, the operation of the brokerage business is reserved solely for those registered on the Register. Therefore, in order to protect consumers, the RUI is providing a complete set of photographs of the people operating in the field of insurance and reinsurance broking.

The Register is sub-divided into 5 sections:

- section A: agents;
- section B: brokers;
- section C: direct producers of insurance companies;
- section D: banks, financial advisers pursuant to art. 107 of the Consolidated Banking Law, Sim and the Italian post offices with banking services division

- section E: colleagues of advisers registered in sections A, B and D, which operate outside the premises of those intermediaries.

It is specified that the same broker is not permitted to register in several sections of the Register at the same time, with the exception of intermediaries registered in sections A and E, solely for distribution positions in the Motor TPL class.

ISVAP Regulation no. 5, published in “Gazzetta Ufficiale” no. 247 of 23/10/2006, also issued an instruction which, with reference to art. 183 of the Private Insurance Code, defines specific provisions on the rules of behaviour of companies and their employees relating to the adequacy of the insurance products sold, according to the customer’s risk profile.

Direct settlement

Direct settlement introduced by the reform of the Insurance Code is the new procedure for insurance settlements which, by 1 February 2007, in the case of a road accident, will allow the injured parties not liable, or only partly liable, to be compensated directly by their own insurer. This will apply in the case of an accident between two motor vehicles, both with Italian number plates identified and properly insured. This will be activated by submitting the claim, filled in using the “Modulo Blu” (Blue Form) for the agreed statement, and the claim for compensation to its own company which, once total or partial proof of the policyholder has been established, an offer of compensation of the damages suffered will be communicated.

If the claim for compensation has all the information required to assess the damage, the insurance company is obliged to respond:

- within 30 days for damages to the vehicle and to property if the Modulo Blu was signed by everyone and both drivers or policyholders of the vehicles involved;
- within 60 days for damages to the vehicle and to property if there is no Modulo Blu with two signatures;
- within 90 days for personal injuries to the driver making the offer of compensation or explaining the reasons why he/she is not obliged to compensate the damage.

After the total offer is notified, the company has to arrange payment within the following 15 days.

The following will be compensated:

- damages to the vehicle and any damages related to its use (e.g. technical breakdown, towing, etc.);
- any minor injuries suffered by the driver (up to 9% disability);
- any damages to the items transported belong to the owner or to the driver.

This revolution may be the basis for the containment of Motor TPL tariffs, as predicted in the legislator’s intentions in the belief that a closer relationship between the policyholder and their company could lead to a reduction of fraud and, consequently, to a reduction of the cost of Motor TPL, but a lowering of tariffs is not considered to be ruled out in the short term.

In fact, in the case of an accident, each company shall be free to compensate their own customers who are injured parties with the amount they shall consider most appropriate but will then be reimbursed (by a body just set up to regulate debt and credit ratios between the companies, called the “clearing house”) only for a pre-established figure, the value of which, respectively of € 1,800, € 2,000 and € 2,300, (and € 3,250 for minor personal injuries with a maximum of 9 disability points) is related to the three territorial bands into which the Italian provinces are sub-divided.

Therefore, the rigidity of the regulations which stipulates the determination of fixed amounts with which the companies will compensate the respective positions presents a new constraint for the insurance companies and could generate management inefficiencies.

If, on the one hand, the possibility of having full control of the cycle of the compensation will push the companies to compete amongst themselves (about the choice of repair workshops, spare parts and the customisation of policies), on the other hand, the companies which mainly insure cars with larger sized engines (usually more expensive to repair) could tend to select customers at a later date, in such a way as to rebalance costs.

In order to inform policyholders about the new direct settlement management methods, facilitating the usefulness of reaching a potential agreement between customers making claims, the National Association of Insurance Companies is carrying out a national advertising campaign.

Highway Code

On 14 July last year, the new system for registering and issuing the registration certificate for mopeds came into force (Decree of the President of the Republic no. 153/06). The system of rules represents the implementation of what was formally stipulated by the Highway Code (ref. Articles 97 and 170), but not yet operational. The new system relates to mopeds brought into circulation with effect from 14 July 2006: for vehicles registered before that date the rules are, with the exception of some cases, purely optional. If the owner of an "old" moped considers it appropriate, they can join the new system, applying to the Road Traffic Offices or to private schools of motoring. For policyholders, the advantages of coming into line with the new provisions are reflected essentially in two practical reasons: the possibility of carrying a passenger is allowed only if the suitability of the vehicle is certified by the new registration certificate and, for the future, the activation of the procedure for the direct settlement of damages (stipulated by the new Insurance Code) will be possible only for a moped unambiguously identified, that is, with the registration plate and not the so-called "targhino" (smaller plate), now in use on old vehicles.

Additional pensions

The 2007 Financial Law stipulated bringing Legislative Decree 252/2005 into force one year in advance and the consequent possibility for workers in companies (with more than 50 employees) of appropriating the TFR (employees' severance indemnities) accruing as at 1 January 2007 to the additional pensions systems.

From 1 January 2007 onwards, all employees will therefore have six months to decide where to arrange its settlement: based on the rule of "silence-assent", anyone who does not make a specific choice will see their own TFR (employee's severance indemnities) converge into the contractual funds in the sector (or company, if they exist), or into an alternative additional fund managed by INPS.

The reform represents a step forwards in the development of integrated pensions but, as shown several times also by the sectorial association (ANIA), the critical aspects of bringing that in force early are represented by the fact that:

- the period of time available to operators for coming into line with the requirements is too short;
- workers might lose the possibility of being able to compare the alternatives available to them thanks to equal rules on supervision and transparency for everyone. Therefore, an acceleration of the times for starting the reform would mean favouring, in the first instance, only products which are ready and have been used for a long time (such as, for example the contractual funds);
- from the general point of view of additional pensions, the Government does not have any particular interest in promoting pension funds. In fact, the aspect which is often overlooked when the Italian pensions system is analysed which the reform stipulates does not favour the changeover from the current "pay as you go" system in which anyone who works pays for the pension of those who have already retired from the employment market with their own contributions, to the "fully funded" system, in which workers pay into a fund with direct deductions from their salary, a fund which can be used at the time of the retirement from the workforce. Any compulsory transfer of the TFR (employees' severance indemnities) to the INPS does not favour

the take-off of supplementary pensions, since by doing so, precious funds are deducted to create a first pillar to continue with the development into a "fully-funded" system.

The new liberalisations (Legislative Decree 223 of 4/7/2006 converted with Law 248 dated 11/8/2006)

The insurance products distribution system which, with more than 200.000 employees in the sector, is a definitive component for the development of our industry, is going through an intense period of changes in the regulations. In fact, in order to meet their requirements for insurance protection, consumers may today choose between many alternatives: single agent agents, agents with several brands, brokers, branches of banks and post offices, financial advisers, direct sales, by telephone and via the internet. The diversification of the distribution channels, already strong in the life classes, is starting to be confirmed also in non-life insurance.

The regulatory structure, recently introduced by the Insurance Code which assimilated the specific EU Directives, defined this pluralist model. The distinction of several types of intermediary is a guarantee of transparency, since the consumer has to know whether the person proposing an insurance policy is an agent operating in the name and on behalf of insurance companies or rather a broker, that is, an adviser who does not represent any company and proposes to its customers the product he/she considers most suitable out of those available on the market.

The new liberalisations stipulated by the Decree in fact introduce the person of a multi-agent agent. The Decree removes the constraint of exclusivity in the policy between companies and agents for all the Non-Life classes, as was already stipulated solely for the Motor TPL business by the "Bersani Decree" of July, with the objective of guaranteeing the consumer a wider range of products thanks to greater differentiation between services and prices. According to the organisations in the sector, this new form of organisation involves on the other hand rigidity which only risks weakening the consumer, removing that unambiguous identification between the seller and the product sold, guaranteed by the single agent agente, which allows for a more effective gathering of information on the reliability of the services. It should be stressed how, in all other European countries, the choice of the preferred distribution channel is left to free market trend.

Furthermore, again by Decree, there is the possibility for people taking out a new Motor TPL policy (or for anyone who buys a second car or has had a period of interruption of cover) to maintain the bonus/malus category which was stated on the last risk assessment and following the occurrence of a claim, the insurance companies will no longer be able to withdraw the policyholder from the classe before having ascertained the liability of the contracting party. In fact, a "principle of retaining" their last category.

Finally, in the case of multi-year policies with the constraint of the ten year term as stipulated by the Civil Code, again by Decree, the policyholder is given the possibility of withdrawing from the policy, year by year and without charges, for any more advantageous policies, simply by giving 60 days' notice. To that end, it is stipulated that the Ministry for Economic Development produces an information service on the prices of policies present on the market, which can also be consulted via the internet.

Decree-Law no. 7 of the 31/01/2007 published in the "Gazzetta Ufficiale" dated 01/02/2007, the so-called "Bersani bis" Decree, on the proposal of the Ministry for Economic Development introduce a new thread to the "package of liberalisations", for the purposes of opening up the markets for the benefit and protection of the consumer.

Of the multiple new stipulations, the measure adopted on competition and consumer protection in insurance services is pointed out in particular (ref. art. 5):

- In the non-life business, the abolition of single agent contracts between insurance companies and selling agents. With effect from 2008, the agent may, therefore, propose policies from

several companies (as already stipulated for Motor TPL). Furthermore, in the case of a multi-year policy, the policyholder may withdraw annually from the policy without charges and by giving sixty days' notice. The Chamber's Commission on Production Activity in fact approved, at the time of writing, an amendment which postpones from 04/07/2006 to 01/01/2008 the extension of the prohibition initially imposed only on Motor TPL with the Decree-Law of last July.

- In the Motor TPL segment, the transparency of tariffs available on the market and the obligation for the insurance company to keep customers who take out a new policy for their second car, or following an interruption of insurance cover, the category indicated in the last risk statement.

Internal control and risk management

From 2006 onwards, the Private Insurance Supervisory Authority, by an instruction dated 30/12/2005, revolutionised the system of internal controls and of risk management of the companies. The insurance companies concerned must in fact adopt an ad hoc technological system integrated with other company processes, in order to report the actual situation of the risks to ISVAP, moving from deterministic management to stochastic recording of these phenomena. The purpose is also to estimate correctly the assets of the company absorbed by the theoretical future distribution of the commitments in the accounts.

Solvency II

Of the most significant new features of the regulations which are planned for the sector, it is recalled, for example, the new framework on solvency, known as "Solvency II".

The current system of company accounting in fact has the limit of not reflecting the risk profile of the company subject to the calculations. The new solvency system should on the other hand allow the supervisors to have available the appropriate instruments for assessing the total solvency of an insurance company since it would take into consideration not only a series of numerical quantitative information (ratios and indicators), but also those qualitative aspects which influence the company's operations and which are often overlooked. For example: management quality, internal risk control methodologies, competitive market situation, etc.

Just as the "Basilea 2" project indicated risk assessment objectives within the scope of the banking system, similarly "Solvency II" should operate within the scope of our business, in order to allow harmonisation of the calculations at sectorial level (and, in particular, banking/financial/insurance), and harmonisation at European level.

The European Commission, in order to introduce a new system of prudential supervision, called Solvency II, entrusted the *Committee of European Insurance and Occupational Pension Supervisors* (CEIOPS) with the task of providing advice for the introduction of the new prudential standards. The new system will have as its main objectives, that of establishing a capital requirement for supervision commensurate with the risks taken on.

To that end, CEIOPS decided to use a series of studies aimed at analysing the impact of the new standard on European companies. The first Quantitative Impact Study (QIS1) was carried out at the end of 2005 and concentrated on analysing the technical provisions.

The QIS2, completed in July 2006, in a much better structured way looked at all the most significant areas of risk for the insurance company, starting to prefigure the future system of solvency capital (SCR) requirements, by determining the valuation principles, models, formulas and coefficients. Fondiaria-SAI was one of the first companies to be actively involved in QIS2, working actively with ANIA and ISVAP with the intention of bringing even greater attention to the specific nature of Italian insurance in Europe. The direct involvement in the study furthermore allowed the Fondiaria-SAI Group to check how the internal model, under development, was consistent with the criteria and the requirements which are being defined at European level in terms of determining the new solvency margin.

On 22 January 2007, CEIOPS published its programme of work for 2007, confirming the primary role the Solvency II project will play in its activity.

With regard to the first pillar, this was confirmed and QIS3 will shortly be carried out, with which it is intended to test the design to the base of formulae for the capital requirements: Solvency Capital Requirement (SCR), and Minimum Capital Required, (MCR), and to calibrate the related parameters and assumptions (implementing measures), making many aspects of the new European supervisory system intended to come into force in 2010 much better defined.

In the Autumn, a Consultation Paper will follow QIS3 on capital requirements in which CEIOPS will present a draft advice on the design of the parameters and formulae relating to SCR and MCR and then proceed with the publication of the final advice in the Spring of 2008.

In the course of the preparatory work, the organisation in question stressed the preference for a single set of principles which can be utilised for the purposes of supervision, and for accounting purposes with small adjustments, and the need for consistency between the information stipulated by the accounting principles and that required a level of 3° pillar in Solvency II.

ACCOUNTS FOR FINANCIAL YEAR 2006

The Company's 85th financial year shows a net profit of € 272,074K, which can be broken down as follows:

	2006	2005	Change
Result of the non-life technical account	411,944	443,607	(31,663)
Result of the Life technical account	20,913	16,703	4,210
TOTAL	432,857	460,310	(27,453)
Net investment income non-life business (less shares transferred to the technical account)	234,054 (170,661)	197,147 (148,186)	36,907 (22,475)
Shares transferred from the Life technical account	10,297	24,626	(14,329)
Sundry income and charges balance	(146,614)	(171,221)	24,607
RESULT OF ORDINARY BUSINESS	359,933	362,676	(2,743)
Extraordinary income and charges balance	15,151	30,082	(14,931)
Pre-tax profit	375,084	392,758	(17,674)
Corporation tax for the financial year	(103,010)	(92,155)	(10,855)
NET PROFIT FOR THE YEAR	272,074	300,603	(28,529)
Of which non-life	270,037	289,759	(19,722)
Of which Life	2,037	10,844	(8,807)

The profit for the financial year totalled € 272m (€ 301m in 2005). It is recorded first of all that the profit in the last financial year had influenced, as an extraordinary heading, the sum of € 19m, due to the effect of the ending of the transitional system referred to in art. 4 of Legislative Decree 344/03 which allowed provisions for deferred tax paid to be released, in time made for write-downs of shareholdings which met the requirements for the partial exemption referred to in art. 87 of the Tuir and which were deducted in the financial year 2003.

In homogeneous terms, the final result is substantially in line with that for last year, although in a context characterised by a larger number of value adjustments on certificates of indebtedness recorded at the end of the financial year. As it is well-known, the generalised rise in interest rates, which took place in the first part of the year, produced tensions in the price of the financial instruments represented by certificates of indebtedness, also with significant repercussions on their price.

That phenomenon involved write-downs of fixed income securities of approximately € 67m compared with € 37m recorded as at 31/12/2005.

Despite the tensions shown on the financial markets, however counterbalanced by a good performance of share prices, management activity allowed satisfactory results to be achieved due to the good performance of insurance management, and good financial results.

Performance in the non-life business is again satisfactory with a performance at the top of the market again in 2006: the technical result exceeds € 411m, although negatively influenced by the above-mentioned write-downs of fixed income securities. The result achieved is the expression of the competitive advantage of the leadership dimension of the parent company, involving the construction of highly customised tariffs, vast knowledge of the market and the achievement of synergies on cost and improvements in internal efficiency in the settlement processes. In particular the Motor TPL class is always characterised by a further reduction of claims reported, substantial stability of claims frequency, although in a context characterised by increasingly significant increases in the external costs of the settlement processes and the average costs at increasingly higher levels compared with Europe, essentially due to problems linked to the settlement of personal injuries. Moreover, the internal reorganisation processes involve a higher number of cancellations of policies in the portfolio on which several claims have been made in order to improve its quality further.

The result of the Land vehicles - own damage class, although fluctuating compared with the last financial year, due to the effect of an increase of the claims reported, due to some cover, such as collision and own damage, and in a context which affected the claims linked to atmospheric events.

The technical performance of the non-marine branches, on the other hand, is showing signs of a fluctuation compared with last year's results.

In particular the health class is showing negative performance caused by the reduction of premiums and the increase of the claims: that phenomenon can be correlated to the shares of re-organisation of the class now taking place since that financial year in which the oldest portfolio continues to erode the margins expressed by the new policies.

Similarly, the results of the General Public Liability class are below expectations due to the effect of the greater impact of the large claims made during the second half of the year. However, other classes are still being affected by the estimate of some large claims in the banking sector and within the scope of technological risks, even though these are virtually all reinsured.

Finally, in the non-marine branches, the strategy aimed at selective growth with a consequent reform of the portfolio and cancellation of unprofitable policies, together with the launch of a development policy aimed at the retail sector with commercial campaigns and targeted training interventions for the sales network.

In reinsurance, the programme to revise the treaties started after the merger can be considered to be completed: in particular the current cover is showing such capacity that the requirement for further facultative cessions can be reduced. The negative balance on the reinsurance programme is achieved by the overall satisfactory performance of the direct business and to the particular structure of the reinsurance which prioritises levels of protection for particularly serious events, the worsening compared with the last financial year is essentially due to the ending of some cessions on facultative claims.

The result of acceptances is clearly improving, now restricted to a few risks outside the Group.

Although the life classes are showing substantial resistance in traditional type premium income, they are making the change from the point of view of profitability due to the effect of significant value adjustments on fixed income securities. However, the phenomenon is penalising beyond measure the technical account of the traditional products in the sector due to it being impossible to represent those write-downs in the commitments to policyholders in accordance with Italian accounting principles.

Despite that, the technical result is approximately 21 compared with € 16m recorded at the end of 2005, in a context characterised by a strict containment of general expenditure.

During this current financial year, however, an increase of management costs was recorded, it was contained at 3.6%: the overall claims handling costs, gross of quotas ceded to reinsurers increased from € 886m to € 918m. Consequently, the incidence on gross premiums increased from 16.9% in the last financial year to 17.4% in the current period. Within this scope, the life classes, on the other hand, showed a marked fluctuation (from 6.1% in 2005 to 5.2%), reabsorbed by the Non-Life classes, to which the holding costs are charged which are allocated to other administration expenses.

Overall, the technical provisions total € 14,760m (€ 14,538m as at 31/12/2005), an increase of 1.5% approximately: of these € 6,332m relate to the Non-Life classes (€ 6,454m as at 31/12/2005) and € 8,428m to the life classes (€ 8,084m as at 31/12/2005).

Ordinary investment income is showing significant growth compared with the previous year, in a context characterised by the generalised rise in interest rates and by the greater contribution of dividends from participating interests outside the Group. Overall, net ordinary income reached € 599m (€ 515m as at 31/12/2005), whereas the net trading profits exceeded € 38m (€ 64m as at 31/12/2005). As stated in the introduction, the net impact on the profit and loss account of valuations of financial instruments including holdings in subsidiaries, is negative by € 79m (as at 31/12/2005 the amount was negative by € 36m).

The balance of other ordinary headings, negative by € 146m, includes € 81m of depreciation allowance on intangible assets (of these € 48m approximately attributable to goodwill). Consequently, the result of ordinary business is very close to € 360m, in line with what was recorded in the last financial year.

The balance of the other extraordinary headings, with the exclusion of net realisations on financial instruments, is positive at € 9K essentially due to the occurrence in the year of some extraordinary unrepeatable phenomena.

Compared with the previous financial year, the tax burden increased, collocandosi at a very standardised level compared with the nominal rate, in quanto, as stated in the introduction, the tax burden of the last financial year benefitted from the extraordinary drawing from the provisions for deferred tax paid.

During this current financial year, furthermore the greater amount of dividends recorded, the incidence of some income components which, following the IRES reform, are fiscally irrelevant, (such as, for example, those linked to capital gains and capital losses on the valuation and realisation of exempt holdings), and the positive effects of being included in the national fiscal consolidation, partly reabsorbed by the recent fiscal movements which took place in the year, of which we would highlight the increase in taxation on buildings and the irrelevance of capital losses on the realisation on shares not capitalised against the pre-existing detachment of dividends.

PREMIUM INCOME

In accordance with Consob Communication no. DEM/6064293 of 28/7/06 and the CESR recommendation referred to on alternative performance indicators (CESR/05-178b), it is reported that the main indicators utilised in this report are in line with market practices and the main academic theories on the subject and also with practices in financial analysis; in this case, indicators are stated which do not comply with the requirements set out above, the necessary information for understanding the basis of the calculations used is provided.

Overall, premiums written total € 5,261,964K, compared with the figure for 2005 of € 5,252,014K, an increase of 0.19%.

Premium income from the direct business amounted to € 5,231,108m, an increase of 0.13%.

Premiums produced in 2006, within the various sectors, are summarised in the table below:

	31/12/2006	31/12/2005	Change %
<u>DIRECT BUSINESS</u>			
Motor vehicle business	2,688,332	2,674,544	0.52
Other non-life business	1,198,783	1,196,840	0.16
Total non-life business	3,887,115	3,871,384	0.41
Total life business	1,343,993	1,353,127	(0.68)
TOTAL DIRECT BUSINESS	5,231,108	5,224,511	0.13
<u>INWARD REINSURANCE</u>	30,856	27,503	12.19
OVERALL TOTAL	5,261,964	5,252,014	0.19
of which:			
Non-life business	3,896,352	3,881,421	0.38
Life business	1,365,612	1,370,593	(0.36)

Non-life insurance business

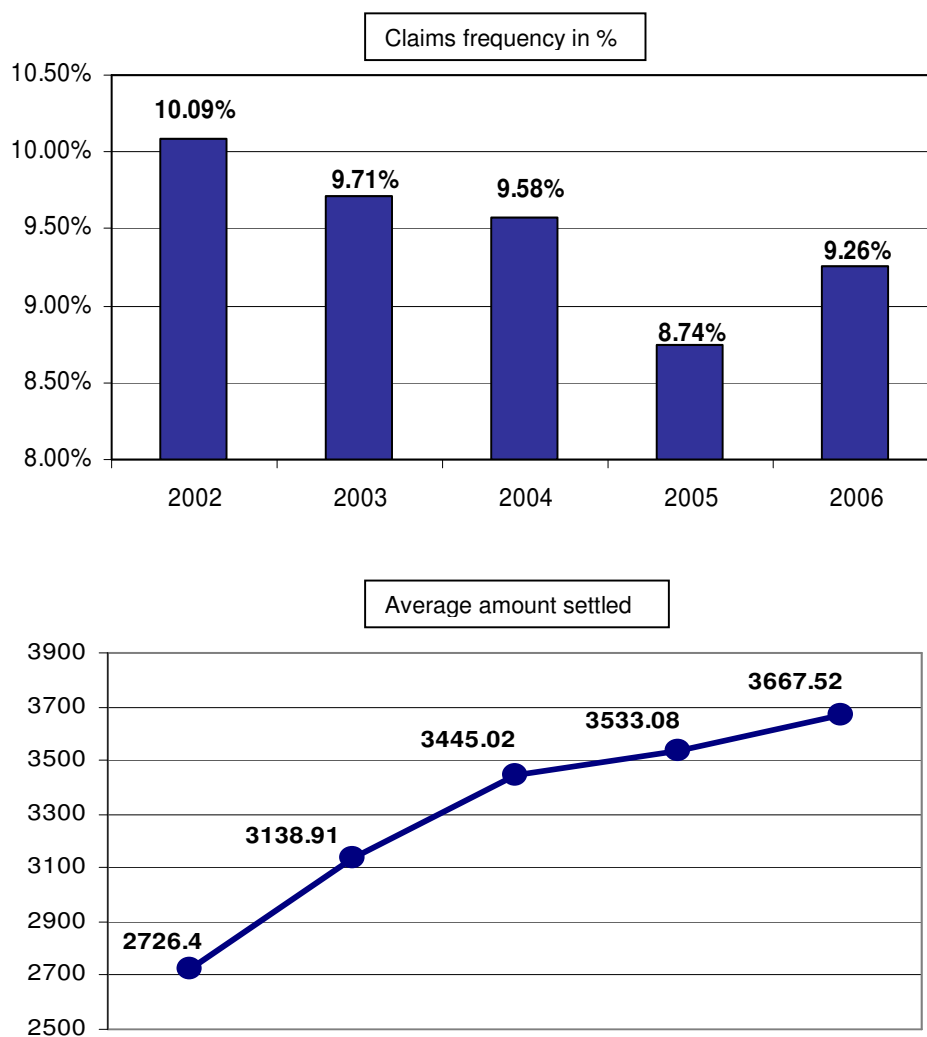
THE NON-LIFE INSURANCE MARKET

ISTAT data show that, in the last three years, from June 2003 to May 2006, Motor TPL tariffs increased overall by 4.4%, whereas consumer prices in general increased 6.5%. The findings reported do not, however, take into account the fact that more than 90% of policyholders each year do not have accidents and, therefore, enjoy a “bonus” and also discounts which insurance companies often apply to the published tariffs. Expenditure actually borne by Italians on compulsory Motor TPL cover, measured through premium income in relation to the number of vehicles on the road, therefore, recorded only 2% overall in the three year period 2003-2005; during 2005, average expenditure per vehicle even fell (-1.5%) for the first time.

In Italy, the frequency of Motor TPL claims, a fundamental component for determining the insurance premium, together with the average cost of the claims, although falling in recent years, remains at levels virtually double the percentages recorded in France. There is an obvious relationship between this divide and some of the structural characteristics of our system: from the inefficiency of public transport (urban and suburban), which means that in Italy there are 87 vehicles on the road for every 100 inhabitants (in France there are only 65 for every 100 inhabitants), to the traffic congestion in the our cities and on the motorways, to the lack of opportunities for training young people in road safety, to a low level of compliance with the rules of the Highway Code, to widespread fraud.

Data from Ania show how the trend in the last five years has been one of a progressive fall in the number of accidents which, however, became more expensive to settle. In particular, claims frequency in Italy, calculated in the first quarter of 2006, fell from 10.09% in 2002 to 9.26% in 2006, the latter increase of 5.9% compared with that for the corresponding period in 2005 (8.74%). It should be pointed out that, at national level, at the end of 2005, the average claims frequency during 2005 by men was 7.3%, compared with an average for women of 7.1%. In the same period, the average amount settled increased from € 2,726 in 2002 to € 3,667 in 2006, an annual increase of 3.8% over the value for 2005 (€ 3,553): a slight recovery in the rate of growth of that indicator which, however, remains lower than the values recorded in 2003 and 2004. A faster closure of claims “not followed up” in the first quarter of the 2005 might have influenced the phenomenon, and a worsening of weather conditions during the first quarter 2006.

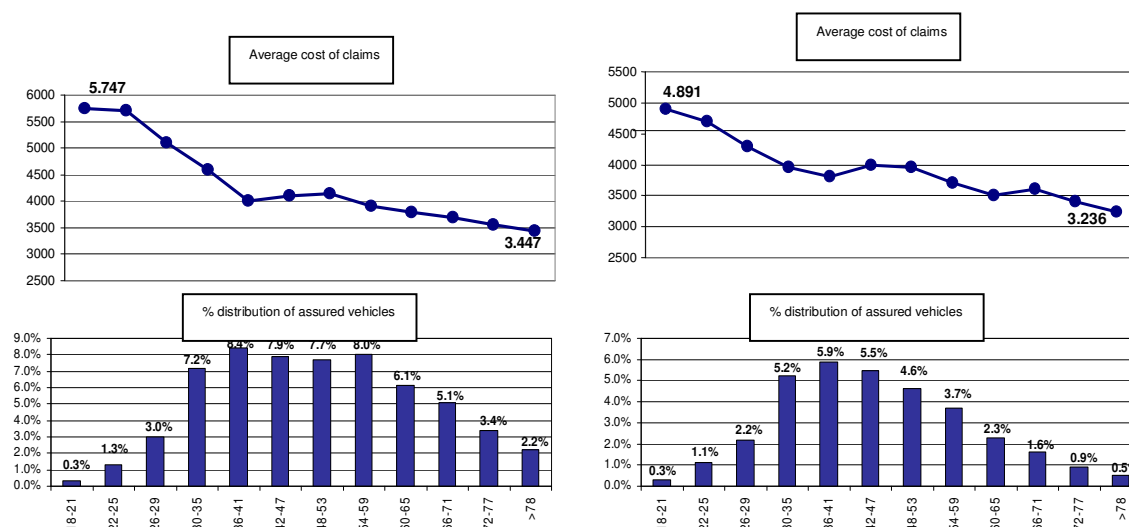
Fig. 9 - Italy: Claims frequency and average amount settled (total non-life business) (data for the 1st quarter of each year)



Source: ANIA – data for the first quarter

With reference to the year end figures, the amounts available to date show how the average cost of the more expensive claims as at 31/12/2005 are those for men aged between 18 and 21, at € 5,747, are considerably higher than the average. This factor is also confirmed for the category of women who on average have fewer accidents than men of the same age (-17% approximately). Finally, it is interesting to note that, whereas for the male category, the average cost of claims falls after the age of 55, for the female category, an increase is recorded between the ages of 66 and 71. In any case, the values recorded at national level were some of the highest recorded in the Euro area: in Germany, for example, the average cost was approximately € 3,500, compared with € 3,000 recorded in France.

Fig.10 - Italy: average cost of claims by sex and age of policyholder



Source: ANIA – year 2005

Each year more than three and a half million accidents are reported to insurance companies in Italy: of these, more than 700,000 are claims which also caused physical injuries. In our country, the number of claims with personal injuries (in the majority of cases, very slight injuries) represents 20% of the total, double that of France, and Germany.

Sums paid and set aside by companies for claims made reach virtually € 15bn. In that light, the introduction of the compulsory system of direct settlement, through the Insurance Code, should produce benefits in terms of the quality of the services to policyholders. Direct settlement, in the priority interest of policyholders, must have as its first objective the elimination of inappropriate costs which are charged on claims settlement: including legal or accident assistance, not justified in cases where the claims are settled in accordance with the law and where there is no dispute.

With reference to the gross premiums recorded in the non-life business at the end of the third quarter 2006, the non-life portfolio increased 2.3% to € 26,004K, with an incidence on the total which rose from 32.1% last year to 34% in 2006. Premium income of the motor vehicle business was € 15,894m (+1.2% compared with the third quarter 2005), with an incidence of 61.1% on all non-life premiums (61.8% in the same period in 2005). For the other Non-Motor classes, in the third quarter 2006, the incidence of the non-life management remained substantially stable compared with the similar period in 2005: +38.9% as at 30/09/2006 (with income of € 10,110m) compared with +38.3% as at 30/09/2005 (with income of € 9,719m).

In particular, gross premiums recorded in the third quarter 2006 in the Accident and Health classes increased 4.4% (€ 3,241m) compared with the same period in 2005, for General TPL classes this was 3% (€ 1,993m), whereas the Credit and Bonds classes increased 4.3% (€ 575m).

Authorised agencies continue to represent the long-term predominant distribution channel: in the first six months of 2006, they contributed 85.3% of the total income from non-life premiums and 91.1% of that of motor premiums, compared with 84.6% and 91.2% respectively in the first half of 2005. With 6.6% of the total non-life premiums and 2% of Motor TPL, the brokers take second place. The indirect channel, which includes telephone and internet, affected 3.9% of the total and 4.8% of the Motor TPL premiums.

In this context, at the year end, the parent company reported the growth rates summarised in the table below.

PREMIUM INCOME

Overall, premiums written amounted to € 3,896,352K, a modest increase compared with the figure for 2005 of € 3,881,421K.

Premium income from the direct business amounted to € 3,887,115K, an increase of 0.41%.

More specifically, premium income was distributed as follows:

more specifically, premium income was as follows:					
(€K)	2006	2005	% change	% distribution	
	2006	2005		2006	2005
DIRECT BUSINESS					
Accidents	246,156	238,306	3.29	6.32	6.14
Health	160,789	171,694	(6.35)	4.13	4.42
Railway rolling stock	3	11	(72.73)	0.00	0.00
Aircraft – hull	1,441	1,049	37.37	0.04	0.03
Marine – hull	4,176	5,096	(18.05)	0.11	0.13
Goods in transit	12,771	22,413	(43.02)	0.33	0.58
Fire and other natural disasters	209,294	200,948	4.15	5.37	5.18
Other property damage	206,900	204,988	0.93	5.31	5.28
TPL Aircraft	706	567	24.51	0.02	0.01
Marine TPL	3,215	3,008	6.88	0.08	0.08
General TPL	285,222	280,169	1.80	7.32	7.22
Credit	86	422	(79.62)	0.00	0.01
Bonds	33,526	36,424	(7.96)	0.86	0.94
Pecuniary losses	11,228	11,037	1.73	0.29	0.28
Legal protection	7,270	7,556	(3.79)	0.19	0.19
Assistance	16,000	13,152	21.65	0.41	0.34
TOTAL NON-MOTOR CLASSES	1,198,783	1,196,840	0.16	30.77	30.84
Motor TPL	2,274,633	2,266,624	0.35	58.38	58.40
Land vehicles - own damage	413,699	407,920	1.42	10.62	10.51
TOTAL MOTOR BUSINESS	2,688,332	2,674,544	0.52	69.00	68.91
TOTAL DIRECT BUSINESS	3,887,115	3,871,384	0.41	99.76	99.74
INWARD REINSURANCE	9,237	10,037	(7.97)	0.24	0.26
Of which:					
Italian business	3,227	3,007	7.32	0.08	0.08
Foreign business	6,010	7,030	(14.51)	0.15	0.18
OVERALL TOTAL	3,896,352	3,881,421	0.38	100.00	100.00

CLAIMS PAID AND REPORTED

Claims paid in the Italian direct business - gross of recoveries from reinsurers – and including settlement expenses totalling € 2,729,515K, a decrease of 0.56% compared with the figure for 2005.

The table below summarises the trends:

	Claims paid (€ K)			Claims reported (Number)		
	2006	2005	% change	2006	2005	% change
Accidents	119,15	122,146	(2.7)	52,543	51,806	1.42
Health	148,676	138,260	7.3	156,295	148,681	5.12
Railway rolling stock	10	3	214.26	1	1	
Aircraft – hull	1,524	6,647	(77.07)	5	7	(28.57)
Marine – hull	2,603	4,714	(44.78)	228	208	9.62
Goods in transit	9,970	10,613	(6.05)	2,306	2,612	(11.72)
Fire and other natural disasters	103,223	112,047	(7.88)	35,688	37,363	(4.48)
Other property damage	135,432	121,049	11.88	85,638	82,483	3.83
TPL Aircraft	437	153	186.34	9	14	(35.71)
Marine TPL	586	1,810	(67.62)	122	140	(12.86)
General TPL	202,986	205,322	(1.14)	59,576	58,791	1.34
Credit	1,002	1,899	(47.23)	7	124	(94.35)
Bonds	28,150	24,050	17.05	473	463	2.16
Pecuniary losses	2,937	5,027	(41.58)	3,057	3,699	(17.36)
Legal protection	1,131	939	20.43	807	1,035	(22.03)
Assistance	6,780	5,353	26.67	32,634	27,969	16.68
TOTAL NON-MOTOR CLASSES	765,062	760,031	(0.66)	429,389	415,396	3.37
Motor TPL	1,753,993	1,790,394	(2.03)	495,348	503,813	(1.68)
Land vehicles	210,460	194,354	8.29	152,686	140,082	9.00
TOTAL MOTOR BUSINESS	1,964,453	1,984,748	(1.02)	648,034	643,895	0.64
TOTAL DIRECT BUSINESS	2,729,515	2,744,779	(0.56)	1,077,423	1,059,291	1.71

CLAIMS HANDLING EXPENSES

Handling expenses in direct business totalled € 845,239K, an overall increase compared with the previous year of 5.61% (2005 financial year € 800,315K).

The trend in management expenses is summarised in the table below:

(€K)	2006	2005	Change %
Direct business			
Commission and other acquisition expenses	702,268	681,552	3.04
Other administration expenses	142,971	118,763	20.38
Total management expenses	845,239	800,315	5.61

Within the scope of other administration expenses, staff costs are showing an increase of 6.75% (€ 54,407K in 2006 and € 50,968K in 2005).

MOTOR THIRD PARTY LIABILITY – LAND VEHICLES AND MARINE THIRD PARTY LIABILITY

Premiums recorded amounted to € 2,274m, an increase of 0.40% compared the 2005 financial year. The increase in premiums is due principally to the effect of the modest tariff interventions implemented in the last two years aimed usually at territorial rebalancing and the campaign launched with effect from March 2006 to give customers a better service and gradually bring the Motor TPL portfolio in line the EEC Vth Directive published on 11/06/2005, which must be assimilated by individual member states by 11/06/2007.

The number of vehicles insured by Fondiaria-SAI overall did not record any variations compared with the previous year as a consequence of a more accentuated action of cancellations in the portfolio of policies on which several claims have been made and a greater customisation of tariffs aimed at improving the quality of the portfolio.

As the economic reasons characterising the automotive market remained virtually unchanged, this influences to a certain extent the number of kilometers driven by drivers and therefore the claims ratio. The reduction of the claims frequency is recording lower values, although only slightly, than those recorded in 2005.

With regard to the work on integration between the SAI and FONDIARIA Divisions, it is reported that more than 70% of the motor portfolio took out the new single product NEW 1^a GLOBAL in force from 1° February 2005 for the company's whole sales network.

The regulations on the motor public liability sector in the second half of 2006 have undergone important changes:

- On 4 July 2006, Decree–Law n° 223 was published and converted into Law n°248 of 4 August 2006, containing urgent measures on the economic and social relaunch, on the containment and rationalisation of public expenditure, and interventions on revenue and combatting tax evasion.

The law brought in by the Development Ministry, including the various measures adopted, introduced important new provisions intended to be reflected in significant terms also on the insurance sector in the area of:

- *“Anti-competition clauses on motor public liability” (art.8).*
- *“Obligation on notification to the Revenue of income from payments to injured parties” (art.36).*

The company consequently came into line with the stipulations of the law.

In particular, with reference to art. 36, “Gazzetta Ufficiale” no. 38 of 15/2/2007 and the ordinary supplement to that Gazzetta published the instruction implementing the so-called “register of

relationships with financial advisers”, and the instruction implementing the “notification of insurance on claims”.

By 30 April 2007, all the 2005-2006 data on relations with citizens and companies will have to be notified by the intermediaries to the tax registry; and by the same date they will also have to be notified of data on claims settled by 1 October 2006 and the end of the last year, with annual notification to persons who rendered services or provided goods for the compensation of the claims.

The instruction specifies that persons obliged to use telematic transmission must use the control software made available by the Revenue for controlling the reliability of the data notified.

The difference between the two notifications (that of the intermediaries and that of the insurance) is fundamental. In the case of the register of the relationships with citizens and companies, the intermediaries only notify the subsistence of a relationship with taxpayers, its start and any end without going into details about the type of relationship. The notifications, furthermore, are made on a monthly basis.

In the case of insurance, on the other hand, this is a really direct control of the behaviour of the persons affected by the operations monitored, with regard to which the insurance companies will have to notify the claim identification, the tax code or VAT registration “of the beneficiary and of the persons whose performance was assessed for the purposes of quantification of the amount settled”. The notifications, in that case, stipulate an annual frequency: by 30 April of the year following that to which the data refers.

Therefore, this is a direct tool for ascertaining the correctness of the taxpayer’s behaviour towards the person who made the claim, and those who were involved in its settlement (doctors, professionals, experts, car repair workshops, mechanics, etc.).

- ISVAP Regulation n°4 2006 was published on 9 August 2006 concerning companies’ information obligations on the occasion of each annual expiry date of motor third party liability policies.

This new regulation, which the company has already implemented fully, will impact on the management costs of the class due to the effect of written communications containing the certificate of the risk status which has to be sent to all customers in portfolio at the time of the renewal of the annual policy.

Claims

The class is reporting a fall in the number of the claims reported fell from 1.7%, a 5.1% fall in the number of claims paid and a fall in the cost of claims made in the year of 2.8%.

The average amount settled increased by 4.90% for claims made in the year and 9.16% for the claims made in previous years, with an increase of 3.15% overall.

Correspondingly, the average cost of the provision for claims made increased 9.19% for the claims made in the year and 9.88% overall .

The loss ratio, net of the Road Victims Guarantee Fund was 72.76%

The speed of settlement of the claims made in the year changed from 69.89% in 2005 to 72.65% in 2006. The speed of settlement in previous years was 68.15% (68.20% in 2005).

In this context the final position of the two divisions is as follows:

Existing SAI portfolio:

The claims reported fell by 3.50% (in the 2005 financial year : -5.00%).

The speed of settlement of the claims made in the year for the 2006 financial year was 73.36%, showing an improvement compared with 70.13% in the 2005 financial year.

Alongside the decrease in the number of claims, there was an increase of 4.35% in the average cost of claims including expenses (in the 2005 financial year : +5.05%).

The total amount of the claims made in 2006 totalled € 1,208.6m, a fall of 4.36% compared with 2005.

270,293 claims were settled in the year, 77.13% of those reported (74.19% in 2005).

The situation as regards claims outstanding at the end of 2006 compared with the number of claims reported over several years is as follows:

Year of claim	Claims reported*	No. of claims outstanding	% of claims reported
1998	419,791	715	0.17
1999	431,427	1,202	0.28
2000	435,996	1,874	0.43
2001	427,068	3,019	0.71
2002	424,063	5,675	1.34
2003	389,199	8,317	2.14
2004	367,720	12,650	3.44
2005	363,059	22,423	6.18
2006	350,449	80,156	22.87

(*) excluding claims reported under the Mandatory DIA

The number of claims reported to SAI under the Mandatory DIA was 84,538, those under the Debtor DIA 91,905.

Former Fondiaria Portfolio:

The number of claims reported increased 2.90% (2005 : - 3.09%).

The speed of settlement of claims made in the year for the 2006 financial year was 70.96% (2005 : 69.29%).

The average cost settled increased by 0.23%.

The claims made in the year totalled € 505m (€ 499m in 2005)

108,850 claims were made in the year and settled during the year, 75.06% of those reported (72.70% in 2005).

The situation as regards claims outstanding as at 31 December 2006 compared with the number of claims reported is shown in the table below.

Year of claim	Claims reported*	No. of claims outstanding	% of claims reported
1998	175,730	240	0.14
1999	164,305	354	0.22
2000	177,259	538	0.30
2001	162,782	804	0.49
2002	154,157	1,162	0.75
2003	150,249	1,934	1.29
2004	145,385	3,308	2.28
2005	140,898	7,127	5.06
2006	145,021	36,170	24.94

(*) Excluding claims reported under the Mandatory DIA

The number of claims reported to FONDIARIA under the Mandatory DIA was 42,948, those under the Debtor DIA 42,488.

The result obtained shows that both Divisions benefit from the continual striving for maximum efficiency in claims handling and settlement, in order to cope with the steady rise in the average cost of claims; rigorous criteria have moreover been maintained when evaluating claims outstanding at the end of the financial year, with average costs increasing (+9.88%).

In order to be in a position to deal with and best manage the changes in the regulations, involving new ways of interacting with customers, we set up appropriate working parties in the second half 2006 which analysed the suitability and technical problems resulting from the introduction of "direct settlement", involving of more than 40 people in all the company positions with the support of Mc Kinsey. That led to the subsequent revision of operating processes and support applications (with a view to having only the IES application for all Divisions), and the organisational structure of claims handling; everything aimed at achieving maximum efficiency in the supply of the services in relation to the new regulatory reference framework, which allows our Group to maintain and strengthen its position as market leader.

The work carried out had as its objectives, in addition to compliance with regulations, the quality of the services to customers, in a context of a further improvement of operations in order to achieve a containment of the cost of claim, the definition of new parameters for measuring business activity and consequent levels of efficiency achieved and the development of new products.

Direct Indemnity – Computer system for claims management

The Fondiaria-SAI Group's computer systems for managing claims are fully integrated with the Group's other corporate systems, following exchange server operating logics. All users of the Group's settlement network have an online connection to the central server via a company intranet, by means of a user friendly (web based) graphical interface which makes use of the latest generation technologies and infrastructure. The expert system network interacts online through a system-controlled automatic email exchange server and a web site which acts as collector and manager for all functions from conferment to invoicing.

The start-up of the Direct Indemnity system took place concurrently with the start of unification of the two online systems (IES and SIGs) used by the various companies / divisions which make up the Fondiaria-SAI Group. Extension of the IES system, which was chosen as the reference base for the whole Group, because it is based on more up-to-date technology, consists of a very complex data conversion process and interrelated roll-out and training activities in around half of the settlement offices in the Group. This operation will continue for at least all of the first six months of 2007 and hence it has been necessary to implement the Direct Indemnity features on both systems, limiting the system being replaced to essentials only.

All the activities in question were carried out internally by the ICT Directorate, which also worked in collaboration with some software consultancy houses (including Wave Technologies S.p.A.)

With the advent of direct indemnity it has been necessary to fully review all data flows from and to Ania and Consap, in order to manage the new submission routes, the new regulations and the various information to be exchanged with the market. As from the evening of 1st February 2007 the Fondiaria-SAI Group began successfully managing the heavy data traffic from and to the clearing house, in accordance with the protocols set out in the CARD agreement (Insurers' Agreement on Direct Compensation).

Screens on both the Group's systems have been modified to allow for the entry and management, throughout the settlement process, of the base information for direct indemnity (for example: single or double signature, the status of the policyholder in terms of no fault, fault or contested fault, how the accident happened, compliance with the legal (DPR) schema on shared liability etc).

The processes for classifying types of damage as set out in the CARD have been automated, as has the process for assigning claims to claims handling staff in the Claims Offices (channelling rules).

An automated scheduler has also been put in place, allowing of all the activities which must be carried out on both the managerial and claimant sides to be traced and monitored (for example: steps to be taken to send the declaration to claimants, receipt of responses from claimants, statements received by managing staff, dispatch of responses to managing staff, dispatch of documentation to SARC - Servizio Aziendale di Riferimento per le Convenzioni, etc.)

The letters required by prevailing legislation have also been automated.

Mechanisms have been set up for interaction between the regional Claims Offices and the central SARC. We have had to update all the programmes which create the accounting entries, those which feed in to the accounting records and models and the Isvap claims database.

A complex procedure has also been developed to manage so-called "reciprocal" claims (involving funds in the same company, which in numerical terms constitute a very high volume of claims); as these do not go through the clearing house, this means that the Group must stand in the stead of Ania and Consap to ensure a homogenous management process for users of the settlement network.

It should be pointed out that the channels for filing reports have not changed since before the advent of Direct Indemnity, hence the reporting process is dealt with mainly by the agencies, but there are plans for policyholders to have the opportunity of dealing with a dedicated Call Centre, which has been strengthened for the purpose; it is important to stress that the Call Centre utilises the same system in use in the other Claims Offices, allowing it to make use of the same automated processes for channelling and for managing cases.

Furthermore, cases are opened online at the Points of Sale and / or the Claims Offices and are automatically channelled into the appropriate office to handle them, with a computer link directly to the expert, as established by the operating model implemented on the system.

The process for entering the case data mimics in a guided way the compilation of the information on the blue form, checks the insurance cover for our account on the policy management file and that for the counterparty's account directly in the Ania archive, via online use of the SIC service - Sistema Informatico Integrato per i Controlli - (using the batch file in the event of delayed response or non-availability of the connection).

The system recognises the CARD applicability criteria based on the data compiled by the user and enables the dispatch and / or production of the list of data to be included for proper application of the new agreement (data integration letter).

A state-of-the-art document management system also enables assembly of the documentation produced during the case settlement process. Legal and medical experts may also attach their material to the electronic folder, through the website from which they access the management system. Although all the information is directly available to users through the online system, and copies of the documents produced by the system itself may be made at any time, the connection of a scanner in each Claims Office is under consideration, for adding all the documentation into the electronic folder.

All the Agencies in the Fondiaria-SAI Group are able to provide information to their clients concerning the progress of the claim, and a dedicated Call Centre has also been established for this activity. The agencies already connected to the new system (its extension will be completed by the end of 2007) may make use of the documents attached to the electronic folder, as well as the information held on the databases.

With regard to the training of personnel affected by the project, the very high levels of risk which affected implementation of the management system might have impeded a capillary information and training plan for all components of our Group. It has thus been necessary to opt for a packed programme of training days, as close as possible to the start date of 1st February, to be reasonably sure of displaying stable information (at least the part of it) and be effectively operational from that date.

From the beginning, this plan has involved all users directly affected and in around 3 weeks 127 training sessions have been organised across the country, with peaks of 15 simultaneous sessions on the same day giving a total of 1,300 colleagues trained and more than 3,000 agency employees. In parallel, manuals and circulars have been produced to provide all colleagues with detailed information on the new processes and the new mechanisms required by the new regulations, a Freeefone number has been set up to provide information on these matters and FAQs have been published on the Company intranet.

Lastly, we would point out that the difficulty of the operation has been recognised by the more authoritative information sources, such that it is held to be the most critical from 1969 to today, equating it to the introduction of compulsory T.P.L. in terms of its complexity and the need for technical and organisational adjustments.

LAND VEHICLE BODIES AND MARINE, LAKE AND RIVER HULLS

Premiums amount to € 414m, an increase of 1.42% compared to 2005.

With regard to technical performance, these are still showing good profit margins.

Reports received during the 2006 financial year amount to 152,686, an increase of +9.0% compared to the previous financial year.

The number of claims paid, equal to 142,463 is 7.5 % up on 2005.

The costs of current generation claims amounts to € 213.8m, an increase of 8.3% compared to 2005. The speed of settlement, net of claims eliminated without follow-up, comes to 88.06% for current generation claims (88.04% in 2005) and 90.26% from claims for previous financial years (89.98% in 2005).

NON-MARINE BRANCHES

Premiums for direct Italian work amount to € 1.199m, an increase of +0.16% compared to the figure for 2005.

Taking into account the change to the consumer price index of +2.1%, the real performance is a decrease of – 1.95%.

The performance of the premiums portfolio is up slightly: this change occurred in the Retail Risks segment whilst the Corporate segment ended the year down. New business growth is good, this too being mainly in Retail.

In the Retail sector the work of harmonising the Group's product list continued. Two new products were launched on to the market, focussed on Household risk and Manufacturing risk, sectors which in terms of sales volumes represent an important part of the portfolio. The Personal Accident plan was also restyled. Three other products were brought out, also in the Household sector, to cover Fire, Theft and T.P.L.; these products, featuring a simple structure and a rapid sales model, are designed to meet the primary insurance needs of new market segments.

In the second half, activity began on defining a new Third Party Liability product, which aims to homogenise and standardise the insurance offer to specific client groups (schools - sport and leisure – travel agents) and will be made available to the sales networks in the early months of 2007.

During 2006 steps were taken to revise all the contractual materials for products on the list to bring them into line with the provisions of the new Insurance Code, which requires policies which have fallen into disuse, been cancelled and which have guarantee limitations to be made more easily identifiable.

In the Corporate sector, the fact that the extremely competitive market conditions already seen last year have persisted has helped make it difficult to achieve significant growth in business volumes, also bearing in mind that in some specific areas, for example the Third Party Liability sector, the previously defined criteria for assumption have been retained and strengthened, these being intended to promote a rigorous policy on underwriting risks.

During 2007 a new Group product covering Collective Accident Risk will be marketed.

Once again in the 2007 financial year we are not expecting implementation of the project to develop non-Life insurance relating to natural disasters (despite the fact that it was initially included in the measures to be adopted), for although this remains a consistent focus of media attention, no place has so far been found for it in a legal instrument to bring the initiative to fruition.

On the other hand the Sigra project to monitor occurrences of natural flooding is at an advanced stage of development; this will make available a constant analysis of risk parameters, with undoubted advantages both for risk classification and for assessing the related quotation criteria.

In the Large Enterprises sector and in Broker-intermediated policies the market has continued to suffer from strong downward pressure on rates for Property and Accident business during 2006, in the order of 10-20 %, whilst T.P.L. business has reached the end of the upward movement which had occurred in previous years, as a result of negative technical performance.

This pressure has not been eased by the reinsurers who, indeed, have generally offered little resistance to it. In addition, there has been a cyclical deterioration in the frequency and size of Fire claims, also linked to the recovery in production, although slight, and the phenomenal flood of misconduct claims and T.P.L. through financial advisers, which has had a significant effect on the claims ratio of the global policies of the big banks.

Partly because of a contraction in the financial liquidity of Public Administration, public tenders for insurance service contracts in the Public Entities sector have been showing signs of bid-based premiums or increasingly low expectations of cost and, in the T.P.L. sector, use being made of the franchise instrument, including on an aggregated basis, which brings in lower premium revenues. In the area of health, as well as using franchise instruments to achieve cost reductions, hotel and catering businesses are increasingly turning to regionally-based insurance agreements. This phenomenon is bringing about a reduction in the number of policies and the total premium amounts.

In this sector, the performance of T.P.L. guarantee still represents a critical area. For this reason the relevant Group structure set up in 2005 to manage the Public Bodies target, has been in operation during 2006 and will continue in 2007 with measures to cancel and revise contracts in two negative areas: Hotel and catering businesses and Regional Bodies

In terms of the main Accounting categories, we offer the following observations:

Accident

Good premium and portfolio growth partly thanks to sales of new Group products, constantly updated. Notable reduction in the total of claim payments. High value claims are growing.

The technical balance remains positive.

Premiums amount to € 246.2 (+3.3%).

The proportional reports received number 52,543 (+1.4%).

The number of claims paid, equal to 38,121, is down 1.4% compared to 2005.

The cost of current generation claims amounts to € 122.3m, an increase of 13.5% compared to 2005.

Health

This branch closed with a very negative result because of the combined effect of a reduction in premiums and an increase in claims. The situation is particularly problematic in the collective risks sector (which accounts for 76% of the portfolio) where the sales volumes of Group products, created with technical features offering high profitability, are insufficient to offset the portfolio loss from old policies on which improvement work continues; at the same time, claims are showing an increase as a whole and in terms of average cost.

The technical balance is negative and has deteriorated further in comparison with 2005.

Premiums amount to € 160.8m (-6.4%).

The proportional reports received number 156,295 (+5.1%).

The number of claims paid, equal to 142,059, is up by 2.9% compared to 2005.

The cost of current generation claims amounts to € 139.4m, an increase of 7.3% compared to 2005.

Fire and other natural forces

There has been a good increase in premiums and a notable reduction in claims paid. The overall result for claims is influenced by an increase in disasters, five of which were over a million, in a total amount of around 9.5 million. Lesser impact from damage due to natural forces.

In the Corporate sector, activity began during the year to review all those policies which, although not showing particularly negative results, have a longer issue history, to allow their conditions and benefits to be realigned at more suitable levels, more in line with current assumptive criteria.

The technical balance remains positive.

Premiums amount to € 209.3m (+4.2%).

The proportional reports received number 35,688 (-4.5%).

The number of claims paid, equal to 31,110, is down by 5.4% compared to 2005.

The cost of current generation claims amounts to € 107.3m, a reduction of 7.4% compared to 2005.

Marine vehicles – hull, and Goods in Transit

These two classes, which represent the largest component of the volumes of premiums and claims relating to Transport protection, are showing a significant fall in premiums received through the broker networks. This decrease is explained by the Company's decision to gradually reduce its commitment to business intermediated via these channels, in the context of an organisational restructuring of the Group.

On the other hand, production acquired via the agency networks is showing an increase, largely due to growth in the pleasure craft sector and maintenance of positions acquired in the Goods in Transit sector, despite the existence of a falling market.

The total cost of claims paid has decreased.

The technical balance remains positive

Other property damage

Premiums in this class are increasing at a much lower rate when compared to the increase in the cost of claims paid. The total claims burden is affected by the notable increase in damage claims for disasters (+50%), mainly relating to some large claims in the Bank Theft and Technology risk classes.

The water damage sector remains in a critical situation; for this reason a new product "Globale Fabbricati" was introduced at the end of the year, with technical and assumptive features designed to restore the profit margin.

With regard to cover for Corporate Theft a review has been carried out on those policies which are not showing particularly negative results and have a longer issue history, to allow their conditions and benefits to be realigned at more suitable levels, more in line with current assumptive criteria.

In the Technology Risks sector a good increase is recorded in premiums received (+6%). Claims have suffered from various damage claims from disasters including a CAR claim in proxy for an amount of around € 2m.

The CAR and "Decennale Postuma" (10 year T.P.L.) sector is continuing to grow in 2007, because of the still growing demand for insurance cover associated with Law 210/04 and legislative decree 122/05, the recent regulations to protect property purchasers.

During this year, in order to spread ever greater knowledge through the sector, the Technology Risk website will be made available to the Sales Network, containing the texts of policies, the relevant questionnaires, the technical features of products and also a summary of the main assumptive regulations.

Hailstone policies are showing results in line with those for the previous financial year, in terms of both premiums and claims.

The technical balance is positive.

Premiums amount to € 206.9m (+0.9%).

The proportional reports received number 85,638 (+3.8%)

The number of claims paid, equal to 72,936, is up by 4.2% compared to 2005.

The cost of current generation claims amounts to € 139.4m, a reduction of 9.7% compared to 2005.

General T.P.L.

Premiums for this class are up slightly whilst the cost of claims paid is reducing. The value of claims is nevertheless showing a large increase in terms of the total amount and has been significantly affected by the increase in large claims, both in number (+ 28%) and in the relative amount (+ 45%); the size of the average cost of other claims has been a lesser contributing factor.

In the Corporate sector, in order to bring this phenomenon under control, a systematic programme of intervention on all negative policies has been undertaken with the aim of bringing about significant changes in terms of profitability or cancelling policies which are in a more critical condition.

In this class too, as already indicated for Fire and Theft guarantees, a review of obsolete Corporate policies has been carried out, even on those which are not especially negative, to bring them in line with current technical and assumptive criteria.

In the early months of 2007 some specific new products will be marketed, representing a good opportunity to make changes to the portfolio as it stands and allow new growth opportunities at adequate levels of return, including making use of the new provisions introduced by the legislature in relation to Third Party Liability.

In the Retail sector the professional risks category is still critical, action has therefore been taken to review tariffs and products.

The technical balance remains negative and has deteriorated compared to the previous year.

Premiums amount to € 285.2m (+1.8%).

The proportional reports received number 59,576 (+1.3%).

The number of claims paid, equal to 44,496, is down by 2.2% compared to 2005.

The cost of current generation claims amounts to € 213.9m, an increase of 7.6% compared to 2005.

Bonds (Guarantees)

This class closed the year with a decrease in premium income compared to the previous financial year; the Technical balance is further improving on the positive result already seen in 2005, confirming its very good performance.

These results are the outcome of a careful underwriting policy intended to both be advantageous for client relations and preserve the profitability of the class.

With regard to these requirements, the Company is paying particular attention to selecting types of risk at the assumption stage, underwriting guarantees which accept the principle of accessoriety with respect to the main relationship.

The greatest attention has also been given to financial assessment of the security offered by the client.

During the year operations began in the area of guarantees for the preliminaries to building construction (ex Law 210). This category of risk, which is very complex and multi-faceted, has been addressed by the Company in a particularly prudent and technical way.

In terms of profitability, a feature of the 2006 financial year has been a higher number of requests for a guarantee to be called, particularly high in the payment guarantee and tax refund sectors, probably due to "greater attention" from Public Administration. This phenomenon is particularly robust in guarantees for "delayed payment of tax demands".

For the 2007 financial year the regulatory matter which will have the most significant impact on this class will be the new Environment Code which will include substantial changes to the regulations, with impacts in terms of the length of fiduciary guarantees.

The technical balance remains broadly positive.

Speed of settlement

Given below are the settlement times for the main Non-motor classes for the 2006 financial year compared to those for the previous year:

CLASSES – Occurrences in current year (<i>Amounts expressed in %</i>)	2006	2005
Accident	37.63	37.69
Health	86.42	85.02
Fire and other natural forces	75.18	74.66
Other property damage	71.28	71.06
General T.P.L.	60.32	57.86
Motor T.P.L.	72.65	69.89
Land vehicles	88.06	88.04
Other classes	69.18	68.72

CLASSES – Occurrences in prior years (<i>Amounts expressed in %</i>)	2006	2005
Accident	69.63	71.44
Health	89.41	92.23
Fire and other natural forces	80.59	82.76
Other property damage	83.32	84.37
General T.P.L.	44.38	45.39
Motor T.P.L.	68.15	68.20
Land vehicles	90.26	89.98
Other classes	46.26	40.49

NON-LIFE REINSURANCE

Outward reinsurance

The Company's reinsurance structure as a whole comprises proportional cover and excess cover, non-proportional cover in excess of claim, and non-proportional cover in excess of loss.

Proportional cover is utilised for Credit, Bonds, Transport, Technology Risk, Aviation and Health Care classes.

For Bond, Transport and Aviation classes measures are also taken to protect net retention by specific excess of claim schemes to protect individual risks and events.

Net Retention on Technology Risk, except that relating to the "Decennale Postuma" (a ten-year T.P.L. policy for building construction), is protected only as a result of events also affecting the Fire and CVT (motor vehicle body) classes: only the latter is accorded this specific cover; risk protection is taken out only for the Electronics and Information classes.

Non-proportional schemes are also utilised to protect Fire, Accident, Motor T.P.L., General T.P.L., Theft.

Only the Hailstones class is protected by a stop loss programme.

Selection of the types of cover described is determined by the particular features of each individual portfolio, also taking into account the economic validity of the solutions indicated and their availability on the insurance market.

All the programmes mentioned are reinsured with our Irish associate The Lawrence Re, 100% controlled by Fondiaria-SAI, which then proceeds to transfer the risks assumed by retrocession.

The only exceptions relate to Transport cover, Aviation cover, placed directly on the reinsurance market, and finally the Health Care class, for which protection is assured by Pronto Assistance without subsequent retrocession.

In the case of the Transport sector, in line with the plan to concentrate business with the Group's specialist company, it was decided to reinsure the entire portfolio with Siat, using proportional cover in a cession share equal to 99% and commission equivalent to the acquisition costs.

The overall reinsurance structure of the Company means that through The Lawrence Re it is entering into relationships with the main market operators, having particular regard to their financial soundness, their professionalism in the field, and their proven interest in establishing long term relationships.

The strategy adopted by the Company in the facultative sector is normally complementary to that relating to reinsurance; the required capacity is therefore greater than that automatically required under each agreement and so may be proportional or non proportional (excess of claim) in nature depending on the underlying agreement.

Outside the scope of this normal activity there are instances relating to types of risk excluded by the contractual terms or cases relating to specific commercial agreements which provide for adoption of a reinsurance package which is peculiar to an individual policy underwritten.

The reinsurance structure described has demonstrated that it is able to meet the requirements of the Company, and thus remains in line with that for previous years; however, it is deemed opportune to modify the Motor T.P.L. cover only, by lowering the attachment point and consequently providing better cover.

Premiums ceded in the period amount to € 137,961K against € 103,353K for the same period in the previous year. The increase derives principally from the introduction of a new non-proportional agreement with a lower limit in the Motor T.P.L. class and an increase in the percentage ceded in the transport classes (99% to the associate company SIAT). In terms of results it should be noted that the 2005 accounts benefited from certain additions to reserves for theft / /misconduct claims which have in this year seen substantial change in their size, with the reversal in sign reflecting an improved trend.

Inward reinsurance

The figures as at 31/12/2006 include facultative and acceptance business from Group companies and as at 31/12/2005 they include all other types of agreement. The result remains positive (€ 10,316K) thanks partly to the contribution of certain inward reinsurance from Group Companies. The only inward reinsurance portfolio external to the Group, as a pure run off, is showing a solid positive result even after retrocessions. Premiums accepted during the period amount to € 9,237K, a slight drop compared to last year.

LITIGATION – NON-LIFE INSURANCE

Disputes (Motor and non Motor) arising during 2006 numbered 24,375.

87.7% related to motor T.P.L.

In the 2006 financial year the amount of legal expenses paid was € 66,404K.

Claims litigation outstanding as at 31/12/2006 comprised 50,024 disputes (-7.2%)

Motor T.P.L. disputes as at 31/12/2006 represent 20.6% of claims open as at that date.

As at 31/12/2006 there are 39,718 civil Motor T.P.L. cases outstanding, compared to 43,579 on 31/12/2005; this constitutes a reduction of 3,861 disputes, being -8.86 %

As at 31/12/2006 a total of 956 Criminal Motor T.P.L. disputes were outstanding, against 889 on 31/12/2005; this constitutes an increase of 67 disputes, being equal to +7.54 %

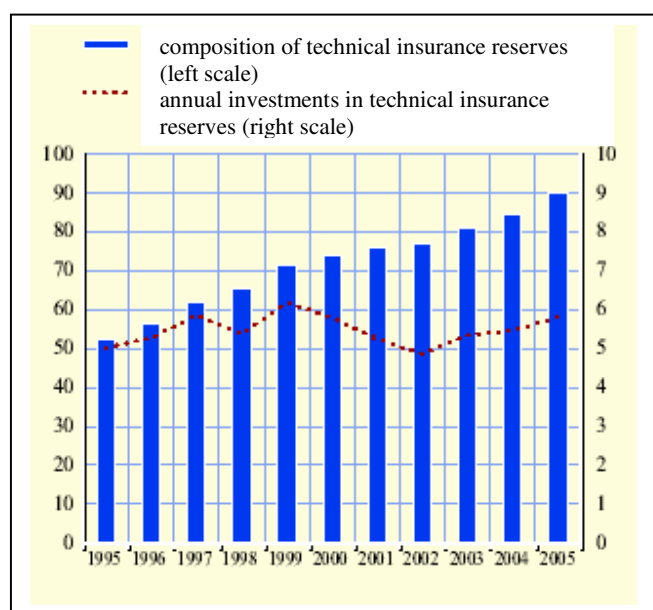
Life insurance business, Pension Funds and Managed Savings

THE LIFE INSURANCE MARKET

The latest available data analysed by the European Central Bank show how European families invest their disposable capital in property and / or financial assets. Depending on the structure of the pension system (or the size of state pension contributions compared to those of the private sector), a considerable proportion of the financial wealth of families may then be invested in insurance and pension products.

The amount of family wealth invested in insurance and pension products in the Euro area has increased substantially over the last ten years, to an amount of around 90% of disposable income in 2005. On the other hand, wealth held as working capital and in bank deposits has remained largely unchanged in relation to disposable income. On average, the last decade has seen investments made in technical insurance reserves increase to 5.5% of the disposable income of families (as shown in the following table), representing slightly more than a third of the savings ratio of families.

Fig. 11 – Investments by families in insurance / pension products



(data as a percentage of families' disposable income)

Source: European Central Bank

The reasons for this development can be found, firstly, in the fact that in the context of economic cyclicality expectations the risk-return combination offered by insurance and pension products has on the whole been attractive, in a period in which stock markets have gone through a marked cycle of strong rises and sudden falls.

Secondly, in the context of longer term or structural expectations, demand for investments in such products has been driven by increased awareness by families of the challenges posed by an aging population and the need to provide oneself with an adequate income in old age. This development has been bolstered by recent reforms to compulsory state pension schemes, which have generally made the system less generous, linking the level of benefits to Life expectation and, to a lesser extent, by tax incentives and greater emphasis on private pension plans.

Overall, the financial intermediation role for insurance and pension products can be expected to assume greater importance as families take on board the need for private pension contributions.

The data available so far show a drop in premiums for the 9 months of 2006 for Italian insurance companies: total premiums for Non-Life and Life business amounted to € 76,364.3m, 3.6% down compared to the same period in 2005.

In particular, premiums for Life business show a decrease of 6.4% compared to the first 9 months of 2005, at an amount equal to € 50,360m. Their incidence on the total portfolio is at around 65.9%, compared to 67.9% for the same period in 2005.

The net slowdown in non-Life business is also evident in the new production data for the sector supplied by Ania. In the first 10 months of 2006, new Life production was less than 8.9% compared to that for the corresponding period of the previous year.

This is an inversion of the growth trend recorded by the sector in recent years.

The movement seen in the month of October resulted from an upturn in activity at bank counters (+7% compared to October 2005), with premiums amounting to 80% of total new production, also helped by an increase in production for Class III products (unit and index linked policies), with growth equal to 34.2%.

In contrast there has been a reduction in gross premium flows for both Class I products (Life insurance) at

-13.8%, and Class V (pure capitalisation policies with a guaranteed interest rate), at -61.8%. Amongst the other sales channels, agency premiums stand out with 24% growth, which is offset by a reduction of 19.5% in premiums from financial advisers.

In the Life market there is still substantial room for development. In terms of premiums we are now at levels comparable to those of the major European countries, but in terms of outstandings there is still strong potential for growth: compared to our 25%, the ratio between technical reserves and GDP is equal to 80% in the United Kingdom, 50% in France and in Holland and 28% in Germany.

The pension system in Italy

In relation to the supplementary pension system (the so-called “second pillar”), almost all quantitative and qualitative reports classify Italy amongst the lower ranks because of the small ratio between supplementary pensions equity and GDP (less than 3%), lower levels of participation in integrated forms of pension, a population which is aging more rapidly than others, as well as one of the lowest percentages for active population. Holland and Ireland are well above 100%, the United Kingdom is almost at 100% and almost all the European countries have levels higher than ours: it is a cumulative problem which has historical roots.

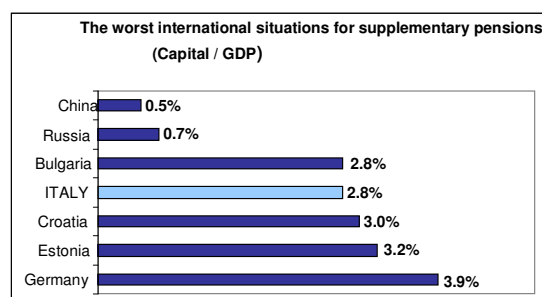
In the Anglo-Saxon countries, especially the United States, the second pillar started up in parallel, if not before, the state system, developing a “pension culture” right after the end of World War II. In Italy that did not happen, because an almost complete level of cover has always been provided by the compulsory pensions system. Italy only broached the problem in the nineties, creating the nucleus of the current pension funds in 1993.

For similar reasons, the membership rate in Italy is also amongst the lowest in the system: excluding those countries in which the second pillar is compulsory (such as those in Scandinavia, Poland, Switzerland), ours is one of the lowest ranking countries with little more than 10%, not far away from France, Spain and Portugal.

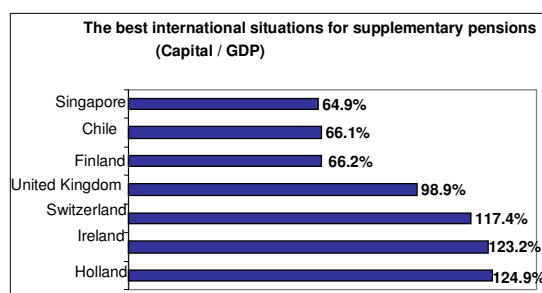
In the rest of Europe one worker in two, on average, holds pension funds. In Italy, unfortunately, both information and a pension culture are still lacking.

The charts below show in summary form the relative percentages of the international situation on supplementary pensions, in terms of the ratio between capital invested in integrated forms of pensions and the GDP of the country in question.

**Fig. 12 – Ratio of Capital to GDP:
where it is lowest**



**Fig. 13 – Ratio of Capital to GDP:
where it is highest**



Source: MEFOP – Development of the Pension Funds market

Life insurance policies are today one of the principal instruments for managed savings in Italy: over 60% are placed via bank counters. In 2005, premiums received for the Life sector recorded growth of 12%, more than € 73bn, net of fees paid, representing 30% of the financial asset spend for Italian families. In 2006 too, despite weak performance for new production recorded over the first six months, it is reasonable to expect positive results in terms of total premiums.

It should be noted that the growth trend was consolidated half way through the last decade. In relation to GDP, premiums received rose from 1.3% in 1996 to 5.2% in 2005; in the same period, technical reserves rose from 7% to 25% of GDPL.

**Fig. 14 – Membership of pension funds in
June 2006**

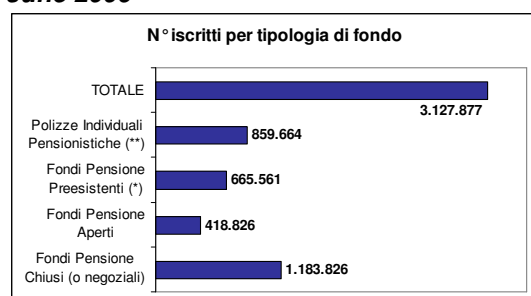
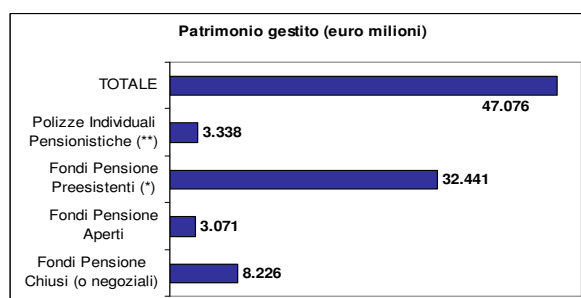


Fig. 15 – Pension funds capital in June 2006



[Title] Number of members per type of fund

[Title] Capital managed (€m)

[Legend for both tables]

TOTALS

(**) life insurance policies with pension outcome

(*) pre-existing pension funds - established before November 1992

Open-end pensions

Closed-end (or contractual) pensions

Source: MEFOP – Development of the pension funds market

It is essential that our country moves quickly to bring about balanced growth in supplementary pensions to bring sustainability into the performance of our pension system, especially for future generations. The fundamental prerequisites for such development are the presence of a broad and competitive offer of pension products, the worker's freedom to make informed choices (with the aid of clear, simple and transparent rules) on their preferred form of pension.

Savings of Italian families

According to data published in the latest Bank of Italy bulletin, during the first quarter of 2006 financial savings of Italian families remained at the level of the previous year, around a value equal to € 67bn, an historically high value.

Choices made by families tended towards instruments with a guaranteed return, with a reduction in both share purchases and participating interests (falling from around € 43bn in the first half of 2005 to around € 14bn in the same period in 2006), and in purchases of shares in mutual funds (from € -5bn in the first half of 2005 to € -23bn in the first six months of 2006). Resources spent on life insurance fell slightly, standing at around € 20bn, from about € 21bn for the first half of 2005.

Within overall outstandings, Life insurance represents around 12% of the total financial portfolio of Italian families, compared to 24% for shares and participating interests and 8% for shares in mutual funds.

Debt has continued to grow, both as a component of mortgage loans, and for consumer credit. In June 2006 the debt of families rose to 45.6% of their disposable income, about half of the level seen for the Euro area.

Managed Savings

Although managed capital is showing a loss in terms of flows, the positive performance of financial markets has meant that it has gone against the trend: the managed savings industry recorded net capital growth of more than € 1,106bn for 2006, with a reduction in premiums only in the month of December, of around € 2.1bn (€- 4.5bn at the end of November 2006).

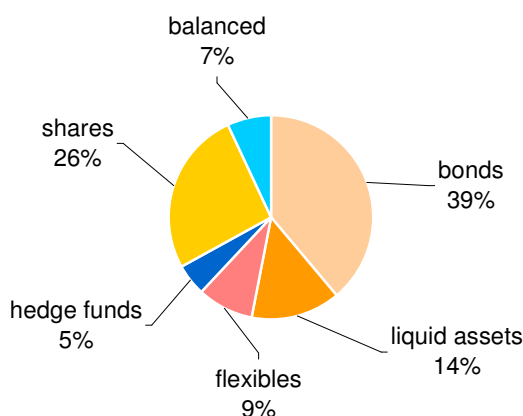
The final month of the year featured a net reduction in outflows from open OICRs (mutual funds and SICAV) which, although showing an outflow equal to € 132m (€ 2.2bn at the end of the month of November), continue to represent the strong point of the sector (at more than € 580bn, equal to more than half the total capital at year end).

Insurance product management contracts remain in second place in the table, despite the outflows (€ 424m), still representing slightly less than 18% of the business as a whole. As at 31 December 2006, their capital value is € 196.6bn. The situation for the retail GPFs remains more or less unchanged: the negative flows, at slightly lower levels compared to those recorded in November 2006, ended at € 868m, and their capital, now equal to € 114.2bn, still represents more than 10.3% of the total.

Other management contracts recorded outflows of over € 1.1bn and at year end their capital amount is € 92bn, an amount equal to 8.3% of the industry whole. The capital of the retail GPMs is growing despite outflows of € 46m and stands at over € 87.1bn. Positive premium receipts and more or less stable capital for closed OICRs, amounting to over € 18bn.

It should be stressed that the year-end category data confirm that savers are favouring flexible funds and hedge funds, their recorded flows being up € 1,014m and 302m.

Fig. 16 – Capital in mutual funds



Source: Assogestioni – Capital at end December 2006

With reference to Fondiaria-SAI, activity in the managed savings sector is conducted via the specialised Group companies. You are thus referred to the consolidated accounts, where the schemes operated by the subsidiaries operating in this sector are described.

Consumer credit

Consumer credit is a form of financing reserved exclusively for families. It is granted by banks and finance companies which lend to the customer a sum of money later repaid to it in instalments which include interest on the loan.

This system of credit takes various forms: funding extended for purchase by instalment of goods or services, personal loans or 'fifth of salary' loans, 'instalment' or 'revolving' credit cards .

Eurispes statistics have shown that around half of Italians aged between 18 and 79 years have instalment loan debt. The lion's share of funding on an instalment repayment plan is primarily applied to the purchase of consumer goods, and particularly relates to salaried workers in the 34 to 45 year age group.

During the first half of 2006 use of consumer credit by Italian families again increased. According to the 21st Osservatorio Assofin-CRIF-Prometeia, at end June 2006 there was a recorded growth in outstandings of 20.6% which means that, with a total volume of over € 85bn, Italy is gradually approaching the average values for the Euro area.

In particular, with regard to the generalist banks, with sums of more than € 20bn, growth in consumer credit outstandings was up +14.8%, an acceleration when compared to the +9.2% recorded in June 2005.

Meanwhile, consumer credit outstandings relating to activity conducted by financial institutions and specialist banks recorded growth of 25.3% at the end of the first half of 2006, in acceleration compared to previous years, to an amount of over € 65bn.

Tab. 5 – Changes in the consumer credit market

	June 2003	June 2004	June 2005	June 2006
Market outstandings (millions of Euros)	53,904	60,105	70,802	85,377
of which: generalist banks (1)	17,370	16,399	17,698	20,316
of which: financial institutions and specialist banks	36,534	43,706	53,104	65,061
Annual growth rates- total market (%)	19.2	11.5	17.8	20.6
of which: generalist banks (2)	26.2	3.2	9.2	14.8
of which: financial institutions and specialist banks (2)	16.2	15.5	21.5	25.3

(1) Values are obtained by subtracting from the data reported by the banks the outstandings relating to credit extended by specialist financial institutions. Converted in the bank and supplied by ASSOFIN

(2) Growth rates calculated on homogenous samples with reference to the previous year, also taking into account business transfer operations between the various operators

Source: Osservatorio Assofin-CRIF-Prometeia, vol. 21

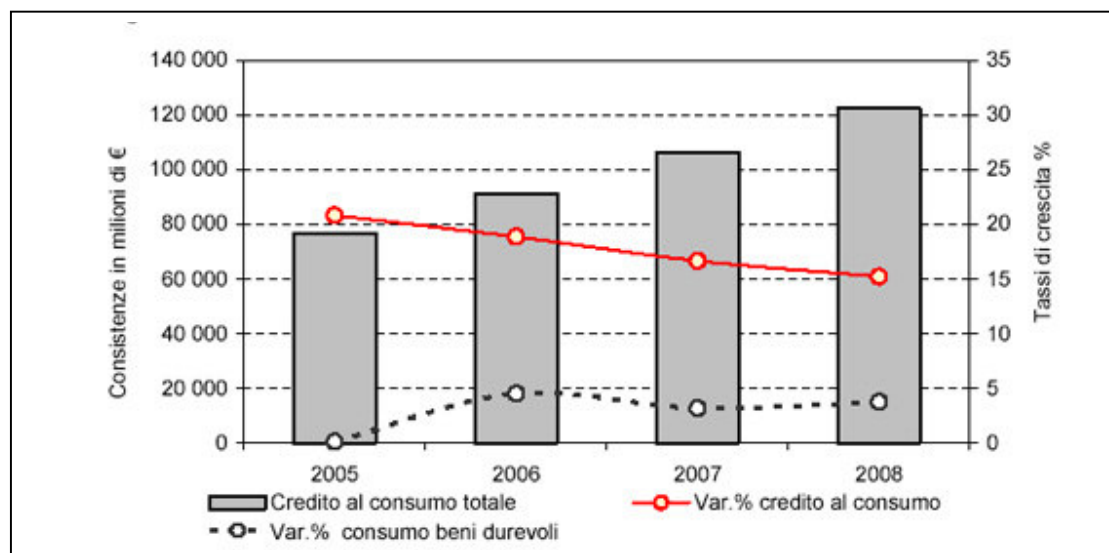
From analysing credit extended by specialist financial institutions for commodities sectors, it emerges that loans made for purchases in the mobility sector, accounting for 44.1% of total monies lent, have grown overall by +10.3% (in the first half 2005 growth had been +6.4%). At a more detailed level the good performance of loans taken out for the purchase of new cars stands out, an increase of +13%.

The segment covering other lending (loans made for purchases in sectors such as furnishings, electronics and household electrical goods, services, etc.), which represents a share equal to 10.4% of total lending, has recorded a positive performance (+5.1% compared to -3.9% for the first half 2005), also linked to the upturn in spending by families.

Loans made for the purchase of furnishings are showing more limited growth (+1.2%). Credit linked to the purchase of electronics and household electrical goods is running contrary to the trend seen in all the other segments, showing a reduction in total credit extended (-5.7%). The number of contracts concluded is indeed reducing further, confirming that in this sector, which is characterised by small size loans, we are seeing a the phenomenon of “substitution” of traditional agreed lending by revolving credit card funding.

Developments in credit to families in the coming years should still find a favourable market context, although with a gradual slowing of growth. For the end of 2006 the consumer credit segment is expected to show growth equal to +18.8%, compared to +20.8% recorded in 2005. Over the two-year plan period we should see a further gradual deceleration (+16.6% and +15.2% in 2007 and 2008 respectively).

Fig. 17 – Prospects for the consumer credit market



[left col.] Amount of credit granted in millions of €

[right col.] % rates of growth

[bottom left top] Total consumer credit

[bottom left] % variation in the consumption of durable goods

[bottom right] % variation in consumer credit

Source: Osservatorio Assofin-CRIF-Prometeia, vol. 21

The scenario outlined implies progressive growth in the demand for credit from families, throughout the period of the plan. In line with the slow process of convergence which is underway towards the models of credit use of European families, debts of Italian families in 2006 should be at around 46% of disposable income, to reach values of around 50% in 2008. However, this figure is still a long way from that seen in other European countries.

Suffice it to say that in our country the ratio between outstandings and GDP (equal to 6.1% as at 30/06/2006) is still very much lower in comparison to that recorded by the other principal European states: Great Britain 17.2%, Germany 10.4%, France 8.3% and Spain 8.5%.

In this context the Parent Company has shown, at year end, the growth rates for Life Business, summarised in the following table.

PREMIUM INCOME

Overall, premiums written amounted to € 1,365,612K, compared with the figure of € 1,370,593K in 2005, a decrease of 0.4%.

Premium income from direct business amounted to € 1,343,993K, a decrease of 0.7%, distributed as follows:

(€K)	2006	2005	Change	2006	2005
DIRECT BUSINESS					
I – Life insurance	757,685	717,453	5.61	55.48	52.35
III – Insurance linked to investment funds	12,162	50,560	(75.95)	0.89	3.69
IV – Health insurance	45	51	(11.76)	0.00	0.00
V – Capitalisation operations	554,782	567,415	(2.23)	40.63	41.40
VI – Pension fund management operations	19,319	17,648	9.47	1.42	1.29
TOTAL LIFE BUSINESS	1,343,993	1,353,127	(0.68)	98.42	98.73
INWARD REINSURANCE	21,619	17,466	23.78	1.58	1.27
OF WHICH:					
- Italian	21,338	14,535	46.80	1.56	1.06
- Foreign	282	2,931	(90.38)	0.02	0.21
OVERALL TOTAL	1,365,612	1,370,593	(0.36)	100.00	100.00

Premiums for direct business are broken down as follows:

Individual policies	695,458	718,079	(3.15)	51.74	53.07
Collective policies	629,216	617,400	1.91	46.82	45.63
Open-end pension funds	19,319	17,648	9.47	1.44	1.30

Class I, with premiums equal to around € 758m, is showing an increase of 5.61% for 2006 compared with 2005, continuing to be the class with the highest turnover and an incidence of over 55% on total life premiums.

The Company is continuing to significantly reduce its involvement in forms of insurance which are more obviously financial: class III saw a further decline of about 76% (-50% in 2005), demonstrating the strategy to favour forms of insurance with a predominantly pension-based content.

SUMS PAID AND RELATED CHARGES

Payments made under the heading of direct business totalled € 1,038,671K, including the change in provisions for amounts payable.

During the financial year outward payments of maturing capital and dividend income were made in the total amount of € 535,043K (€ 459,054K as at 31/12/2005).

A comparison with the figure for the previous year (€ 833,399K) shows an increase of 24.6%.

Direct business

(€K)	31/12/2006	31/12/2005	Change %
CLASS I			
Claims	21,793	18,446	18.1
Sums assured and matured annuities	411,704	370,164	11.2
Surrendered policies	185,101	144,280	28.3
Total	618,598	532,890	16.1
Change in provision	35,901	20,160	78.1
TOTAL	654,498	553,050	18.3
CLASS III			
Claims	1,868	1,818	2.8
Sums assured and matured annuities	56,527	23,892	136.6
Surrendered policies	20,464	17,171	19.2
Total	78,860	42,880	83.9
Change in provision	6,783	5,322	27.5
TOTAL	85,643	48,202	77.7
CLASS V			
Claims	1,479	539	174.2
Sums assured and matured annuities	66,811	64,977	2.8
Surrendered policies	225,454	148,481	51.8
Total	293,744	213,998	37.3
Change in provision	326	13,699	(97.6)
TOTAL	294,070	227,696	29.2
CLASS VI			
Claims	197	1,615	(87.8)
Sums assured and matured annuities	-	22	(100.0)
Surrendered policies	4,263	2,815	51.5
Total	4,460	4,452	0.2
Change in provision	-	-	-
TOTAL	4,460	4,452	0.2
TOTAL FOR ALL CLASSES			
Claims	25,337	22,418	13.0
Sums assured and matured annuities	535,043	459,054	16.6
Surrendered policies	435,282	312,746	39.2
Total	995,662	794,219	25.4
Change in provision	43,009	39,181	9.8
OVERALL TOTAL	1,038,671	833,399	24.6

CLAIMS HANDLING EXPENSES

Handling expects for direct business totalled € 69,783K, an overall decrease of 15% compared with the previous year (€ 82,181K in 2005).

This result confirms the trend for controlling structural costs as is shown in the table below:

(€K)	2006	2005	Change %
Direct business			
Commissions and other acquisition costs	39,399	46,583	(15.42)
Other administrative costs	30,384	35,598	(14.65)
Total Business Costs	69,783	82,181	(15.09)

In relation to Other administrative costs, personnel costs have decreased by 16.93% (€15,995K in 2006 and € 19,255K in 2005).

TECHNICAL PERFORMANCE

In a similar way to the previous year, Individual Life production from the distribution networks was largely geared towards products linked to Segregated Management, thus featuring minimum guaranteed returns and capital protection.

In this context, action continued to protect the segment of capital reaching maturity on life and capitalisation policies.

A series of commercial actions were taken during the year to pursue the objective of improving the product mix by an increase in sales of periodic premium products characterised by high added value for the Company; in this context, at the end of the first half year a new product was marketed in the category of temporary death insurance, called Dedicata Light, with specific sale models and “simplified” sign-up formalities.

Also completed during the first half were the measures to develop and implement unified administrative procedures for settlement of Life policies, centralised with BANCASAI.

With reference to the supplementary pensions segment, which operates “Forme Pensionistiche Individuali” (open pension plans), during the last quarter the Company acted to initiate the necessary authorisation procedures with the Supervisory Authority in order to make available a PIP (individual pension plan) product, called Più Pensione, in line with the provisions set out in the reform which originated with the legislative decree of [December 2005, no. 252](#) and from the changes in the 2007 Finance Act.

The market trend in the corporate segment continues to tend towards purchase of capitalisation products; in particular, demand for this category of products from Institutional Clients, which have very high levels of liquidity to invest, remains at high levels.

In a parallel move, as the regulations relating to pensions are gradually defined, activity in the sector has also focussed on the protection of pre-existing Pension Funds by means of measures designed to consolidate the current portfolio and, in the latter part of the year, to launch commercial initiatives aimed at providing adequate advisory support on the various possibilities offered by these regulations. This activity will also continue during 2007 when the reform of supplementary pensions will come fully into force.

The first half of 2006 saw completion of the operation to concentrate the entire Corporate sector at the Florence offices whilst leaving the operations of the sales network substantially unchanged. Thanks to the conclusion of the process to merge the databases of the 'Groups' portfolio, the pre-requisites are now in place for optimising in qualitative terms the pre and post sales service offered to clients in the corporate segment.

In order to protect all the areas of business which are typically part of the corporate sector, in the month of December the Company launched a new product Plural Vita MUTUI, following the current trend of the credit market, which has seen high rates of growth both in the property loans sector and in consumer credit. Plural Vita MUTUI is certainly interesting not only in terms of price – the primary competitive variable in the marketing phase – but also in terms of the simplicity of the sign-up procedures and the wording of the contract, as well as being highly flexible in the operational modes which are intrinsic to this type of cover.

With regard to claims activity – of particular significance when evaluated on pure risk products – from 2005 to 2006 there has been a reduction in the amounts paid out but upon analysing the number of claims there has been a significant increase in these; this phenomenon is linked solely to fact that two major agreements with companies which operate in the consumer credit sector have come into force. It should be pointed out, however, that the technical results of the afore-mentioned agreements are significantly positive, thanks to a particularly low average settlement amount per individual claim.

PENSION FUNDS

In terms of Open-End Pension Funds and 'Individual Forms of Pensions' implemented through open-end pension funds, the 2006 financial year again featured a situation of stagnation due to modest market demand, ahead of the implementation of the reform of supplementary pensions originally projected for 01/01/08.

The measures and the modalities for applying the reform – already known since December 2005 – have sparked widespread political and social debate, developing during 2006 into an argument which has been listened to by the general public, especially on the specifics of certain interventions aimed at promoting membership by citizens and increasing the financial resources to be devoted to it. Arguments which have been further developed and heightened in the last two months of the year when regulations are being put in place in advance of the reform coming into force on 1st January 2007.

In this context the Company made use of placement experts during 2006 to bring in new members (both individual and collective) and also consolidated the total annual amount of payments received.

At a detailed level it can be seen that the SAI Open-end Pension Fund has 2,518 members as at 31 December 2006. Payments received via the SAI Agency Network Division exceeded € 3.8m, the Fund having capital of more than € 27m.

The open-end Pension Fund Fondiaria Previdente has 7,633 members at the same date. Payments received – via the Fondiaria and Milano Assicurazioni Agency Network Division, some credit institutions, a Broker (Europa Benefits S.r.l.) and advisers from Banca SAI – exceeded €12.6m. Capital in the Fund amounts to € 73m.

The open-end pension fund Conto Previdenza has 884 members. This Fund, to which placements can only be made at the banking counters of a number of credit institutions, has taken premiums in an amount exceeding € 2.8m and the associated capital totals almost € 26m. The actual credit institutions charged with placement are: Banca Alpi Marittime Credito Cooperativo Carrù, Carispaq – Cassa di Risparmio della Provincia dell'Aquila, Bancapulia, Banca della Campania, Carim Cassa di Risparmio di Rimini.

Following the changed regulatory context expected on 01/01/07 and in order to obtain the necessary authorisations from Covip for acquiring new members, the Company took steps in the month of December to bring itself into line with the requirements of Legislative decree 252/05 and of the Covip resolution of 30/11/06.

These adjustments mainly comprised minor variations to the wording of the Terms of the three open-end pension funds – but necessary in order to meet the requirements of the schemes established by Covip and with the directives it has issued - and also changes to the investment policies of some areas so funds established by the Company can tacitly receive TFR (severance pay) contributions.

It is in fact believed that with the new legislation coming into force, 2007 should be the start-up year for supplementary pensions taking off. Some specific measures introduced by the legislature could be decisive, for example: making use of employees' maturing TFR (severance pay) accounts (by the mechanism of "silence gives consent"), a change for the better in the fiscal regime, by making contributions tax-deductible but especially in terms of taxation of contributions, competitive parity between all forms of supplementary pensions covered by the law (closed pension funds, open-end pension funds and personalised forms of pension plan). With reference to this latter aspect, it is pointed out that reducing the current privileged position of closed funds should also increase interest in other supplementary pension instruments, with particular attention to open-end pension funds. Indeed, from 2007 these can continue to receive contributions from individuals (workers and non-workers) but will above all constitute an additional instrument available to corporates which intend to develop supplementary pensions for the benefit of their employees.

LIFE REINSURANCE

Outward reinsurance

Protection of the Life Portfolio, in terms of its intrinsic equilibrium, is still in line with that of previous financial years: use is still being made of a surplus treaty, in turn reinsured with The Lawrence Re, whose overall capacity allows facultative requirements to be reduced; in fact these are used almost exclusively for exposures greater than those contractually expected, making direct use of a small number of reinsurers possessing specific know-how and broad financial capacity.

The Lawrence Re then retrocedes the proportional surplus treaty in question by adopting a programme which integrates excess of claims and excess of loss protection.

Given the availability offered by the primary reinsurance market, additional underlying excess of claims protection has been purchased compared to the previous financial year, allowing the Company's net retention of in case of claims to be halved.

Premiums ceded in the period amount to € 10,928K, an increase on the equivalent previous period, the positive result reflecting a claims rate on risk premium policies which is higher than in the past.

Inward reinsurance

The data as at 31/12/2006 included business accepted from companies in the Group and as at 31/12/2005 business external to the Group was included. The volume of premiums amounts to € 21,619K. Contracts terminated by acceptances from companies in the ex-SAI Group line continue to have balance sheet effects through reductions to reserves and renewals of multi-year policies. We should highlight the definitive closure of certain acceptances by the subsidiary Novara Vita, with the associated liquidation of the actuarial provisions held by Fondiaria-SAI. The rest of the portfolio, including run-off of non-Group business, shows balanced results in line with sector norms.

Asset and financial management

INVESTMENTS

As at 31 December 2006 the volume of investments amounted to € 16,083m compared with € 15,404m on the accounts for 31 December 2005, an increase of 4.41%.

This increase is explained by the usual shrewd policy for reinvestment of insurance cash flows, and by the re-use of resources arising from raising the new subordinate loan of €150m which was executed last July.

The overall structure of investments, excluding Class D, has changed as follows:

(€K)	31/12/2006	Breakdown %	31/12/2005	Breakdown %
- Real estate (1)	1,161,592	7.22	1,123,656	7.29
- Bonds and other fixed income securities	9,497,394	59.05	9,046,320	58.73
- Participating interests and shares in mutual funds	5,129,596	31.90	4,579,420	29.73
- Corporate financing	70,206	0.44	96,569	0.63
- Deposits with Credit Institutions (2)	156,297	0.97	230,509	1.50
- Deposits with cedent businesses	67,970	0.42	326,286	2.12
- Sundry financial investments	163	0.00	937	0.00
TOTAL	16,083,218	100.00	15,403,697	100.00

(1) Gross of provisions for depreciation (2006: € 108,362K; 2005: € 99,949K).

(2) Also includes the amounts covered in Class F of the assets.

The following table provides a breakdown of Class D assets by type:

CLASS D INVESTMENTS

(€K)	31/12/2006	Breakdown %	31/12/2005	Breakdown %
- Fixed income securities	491,570	70.5	532,822	73.1
- Stocks and shares	193,722	27.8	182,513	25.0
- Liquid assets	5,489	0.9	7,071	1.0
- Other assets / liabilities	5,701	0.8	7,000	1.0
TOTAL	696,482	100.0	729,406	100.0

The following table, which compares homogeneous data from the last two-year period, shows the results of the financial and property management activities (excluding income derived from investments referred to as class D investments):

INVESTMENT INCOME

(€K)	2006	2005	Change
Income from stocks and shares	225,525	166,885	58,640
Income from land and buildings	42,464	39,254	3,210
Income from other investments	421,536	349,293	72,243
TOTAL GROSS INCOME	689,525	555,432	134,093
Management fees	90,864	40,776	50,088
TOTAL NET INCOME	598,661	514,656	84,005
Net profits realised on land and buildings	2,333	6,900	(4,567)
Net profits on short-term assets	(8,752)	11,603	(20,355)
Net profits realised on other long-term investments	46,810	52,838	(6,028)
OVERALL TOTAL	639,052	585,997	53,055

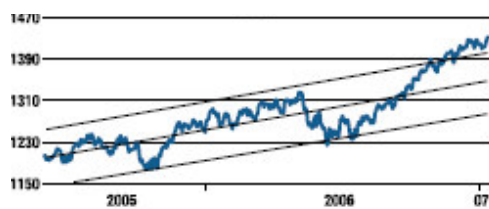
The reduction of € 20,355K in net profits on short term assets is mainly traceable to repurchase agreements on listed shares (P/T Equity) which is, however, fully offset by greater income provided by dividends received on these shares.

For further details please refer to the information given in the Notes to the Accounts.

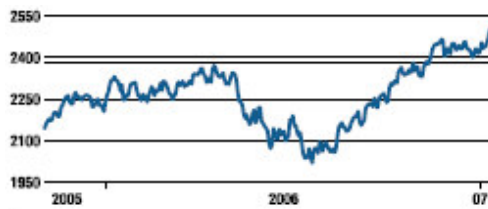
FINANCIAL MANAGEMENT

The main world markets ended 2006 on the plus side, recording +8% on the Nikkei index, +16% on the S&P 500 and +21% on the national S&P MIB listing. European share markets reached their highest levels for the last six years, with the Eurostoxx50 index +14%, in line with the positive global economic climate. Insurance, specifically, has been the leading sector. In Italy, for example, despite the fact that non-Life premium income rose little compared to inflation and Life premiums showed an unexpected slowdown, companies in the sector recorded growth of 13.8% at sector level, as against +19.15 recorded by Mibtel.

**Fig. 18 - S&P 500
Performance from 2005**



**Fig. 19 - Nasdaq
performance from November 2005**



Source: *Il Sole 24 Ore*

In terms of financial investments in telecommunications, Europe has seen a recovery in the index for the sector (DJ Stoxx Telecom + 3.4%), whilst the technology sector, in both America and Europe, remains disappointing, continuing to perform below market averages: from the beginning of 2006 to the time at which we are writing the Nasdaq has recorded an increase of 1.5%, compared to +17.3% for the DJ Stoxx, although still on a growth trend. Various uncertainties persist in terms of growth prospects for the sector because of competitive pressure from Asia, especially for products such as mobile phones and hardware.

Table 6 – World indices for the sector

Index	Change in %		
	1 year	1 month	1 week
Energy	(1.38)	(3.18)	(3.23)
Materials	11.64	3.48	(0.72)
Industrials	5.26	4.20	(0.24)
Luxury goods	7.30	4.55	(0.26)
Essential goods	6.59	4.47	(0.20)
Health	(1.87)	2.28	(0.17)
Finance	8.80	5.53	0.26
Information Technology	(2.92)	2.15	(0.41)
Telecommunications	15.23	6.03	0.49
Public utilities	17.73	3.88	0.00

Source: *Il Sole 24 Ore* - reports from 4/1/2007

2007, on the other hand, began with signs of high volatility in the price of oil which, with the help of the mild winter and an accumulation of reserves, fell below 53 Dollars a barrel in the first months of 2007, dragging down energy sector shares, with the Msci World Energy index dropping 6.7%. On average, during 2006, the price of crude (66.34 Dollars a barrel), based on the Opec basket, rose by 21%, in addition to the increase of 41% which occurred in 2005. Thus, the precarious balance between demand and supply, as well as the presence of speculative investors in oil derivatives, mean that forecasts for future price movements are veiled in uncertainty.

Fig. 20 - Energy sector securities

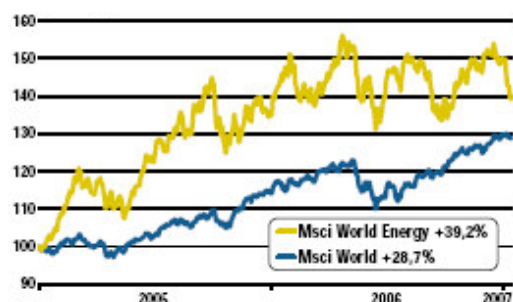
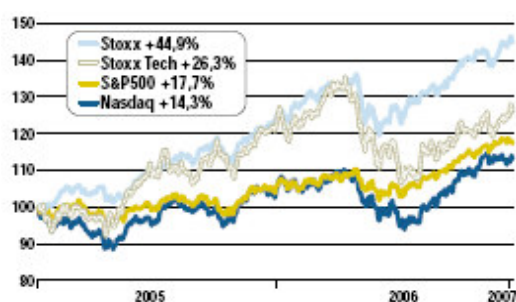


Fig. 21 - Hi-tech sector securities



Source: Il Sole 24 Ore

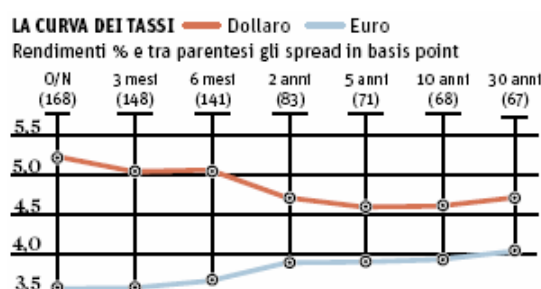
At the end of 2006, the weakness of the Dollar against the Euro has continued, mainly because of a Federal Reserve monetary policy which – as base rates of 5.25% confirm - has not supported the U.S. currency, a large imbalance in the American balance of payments and, finally, from tensions relating to the reduction in monetary reserves (in Dollars) by China.

The period of stability for U.S. interest rates, although on the one hand helping the bond market, on the other is feeding uncertainties about the initial timings of the expansive monetary policy which, with expectations for further rate rises during 2nd quarter 2007, has created a period of weakness and volatility during the year.

With regard to the Euro area, short term maturities effectively incorporate expectations for rate rises by the European Central Bank.

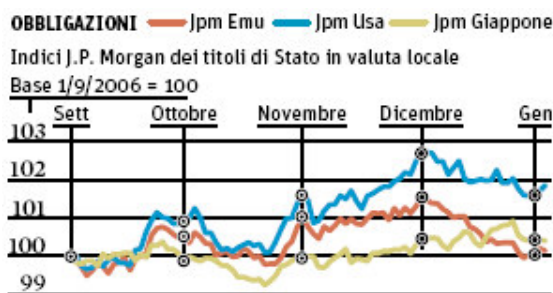
Let us remember that, at the time of writing, the European Central Bank has raised the interest rate to 3.75%, a further increase following on from the latest recent increases amounting to 25 basis points, occurring in the months of October and December. It is not out of the question that a new squeeze on rates will be signalled over the coming months, because of the high levels of liquidity which are normally seen in periods of economic recovery and with the company and consumer confidence indexes close to their peaks.

Fig. 22 - Interest rate curve



Interest rate curve: [red] Dollar, [blue] Euro
% returns with spread in basis points in brackets
3 months 6 months 2 years 5 years 10 years

Fig. 23 - Bonds



Bonds: Jpm Emu Jpm USA Jpm Japan
JP Moroga index of government securities in local currency
September October November December January

Source: Thomson Financial Datastream and Il Sole 24 Ore

The corporate sector, thanks to a year of very good business results and high levels of liquidity still in the system, and despite the monetary restrictions which have occurred in many countries and on a number of occasions during 2006, has retained good fundamental values, with base rates still at their lowest points for the past 5 years and with spreads compared to government securities in many sectors at historic lows. The Euro Stoxx index continues to show favourable company valuations, expected growth in profits, the possibility of further benefits arising from the previous business restructuring strategy and efficiency gains, as well as expectations for further intense activity in Mergers & Acquisitions.

During 2006, the financial management of the Fondiaria-SAI Group has paid off, thanks to the Group's strong local roots, where we have seen all the main financial participating interests significantly revalued, following the intense phase of mergers which the Italian financial system is going through. Investments have been made in corporate securities belonging to the "investment grade" category, in order to obtain a return greater than the government securities asset class for the same maturities.

In the context of this scenario we have moved towards strategic diversification of the share portfolios, by increasing the non-real estate component and at the same time partially covering (hedging via derivatives) the strategic component, which was reduced following disposal of the participating interest in Swiss Life.

Selection of the shares which have been included in the working portfolio had medium / long term profitability as its objective (also rewarded on the short term markets) as well as geographic diversification (remaining within the Euro area) and sector diversification (reduction in the proportion of financial securities).

During the year, financial management of the Group's debt securities has also taken the approach of a slow but constant increase in the maturity profile of the Life portfolios, particularly in the second half, effected with a view to improving the distribution of assets compared to liabilities within individual segregated businesses, in order to take advantage of opportunities for very interesting levels of return compared with the guaranteed minimums and to improve the general profitability of individual assets against market expectations.

On the non-Life portfolios, on the other hand, we have achieved a slight shortening in risk, especially during the first half. The decision to maintain a shorter maturity profile on non-Life portfolios has been offset, in terms of overall profitability, by higher returns generated by the variable rate component, by short rates substantially higher than last year's and by more dynamic trading activity.

With regard to Fondiaria-SAI, at the end of 2006 the bond sector represents 69% of the overall portfolio, with a life of around 4.67. The share component represents 23.8% of the overall portfolio, the remainder being mutual funds. The bond portfolio of the Non-Life businesses, with a total life of 1.98, comprises 58.5% in fixed rate government and supranational bonds, with the remaining 41.5% at variable rates.

The portfolio of the Life businesses, with a total maturity profile equal to 5.54, has an asset allocation built around fixed rate government and supranational securities (81%) with the variable portion in the same asset class standing at 19%. At strategic level investments in the securities of states in the Euro area have been favoured, accounting for 85% of the portfolio, whilst the corporate sector has risen during the year from 19% at start of year to 15% at year end. The corporate securities mostly belong to the "investment grade" category.

SIGNIFICANT FINANCIAL TRANSACTIONS

Purchase of a participating interest in Banca Leonardo

During April 2006 Fondiaria-SAI purchased via the 100% subsidiary Saifin- Saffinanziaria S.p.A. and following Bank of Italy authorisation, a portion of shareholders' equity in Banca Leonardo equal to around 4.5% and subscribed to a 5.15% share of the capital increase of the said bank to allow for the acquisition – post capital increase – of a participating interest equal to 5%.

Based on the unit price of the shares, both purchased and subscribed, the total amount of the investment is equal to € 23.3m.

The operation is part of a wider project involving Banca Leonardo, aiming to acquire on behalf of a group of investors (including the Fondiaria-SAI Group itself) 100% of the capital of this Bank, followed by its recapitalisation in order to strengthen the Bank's current operational situation and use it as a vehicle to develop investment banking activity and, in particular, corporate finance advisory activity, merchant banking and private equity. The reason for Fondiaria-SAI's interest in the project is the possibility of bringing about direct collaborative activities between the Group and Banca Leonardo, at times and in ways to be agreed, to:

- distribute insurance products in the Non-Life and Life classes;
- provide for the insurance needs arising from the activities of Banca Leonardo and its subsidiaries;
- encourage contacts between the Fondiaria-SAI Group and companies in which Banca Leonardo has participating interests, promoting the insurance activity of Fondiaria-SAI with the aim of encouraging uptake of insurance policies.

In February 2007, Fondiaria-SAI, via its subsidiary Saifin, agreed the capital increase of Banca Leonardo, for a total disbursement of € 18.1m.

The shares will be issued against payment of the price on 30 April 2007. Fondiaria-SAI Group has thus retained unchanged its own participating interest in the equity of Banca Leonardo.

Capitalia Shareholder Group

The Parent Company, in a letter dated 11/01/2006, declared itself disposed to increase the total participating interest held in Capitalia and brought into the Shareholder Group, either directly or through Milano Assicurazioni, from the current level of 2.57% up to 3.50%.

The possibility of modifying the participation quotas of the Group had in fact occurred to the Shareholders concerned, as the quotas had been reduced on the one hand by the inclusion in the Group of some MCC shareholders as a result of its split (of which Capitalia was the beneficiary) and, on the other hand, additional Capitalia shares being brought into the Group by some members who were already shareholders of MCC and/or of Fineco, in connection with the further extraordinary merger operation to incorporate Fineco in Capitalia. The purchase of new shares to bring within the Group, by the shareholders involved, was in fact made possible firstly by the fact that Toro Assicurazioni had made clear its intension to sell its own participating interest (equal to 0.83%) and secondly by the fact that, since the participation quotas currently owned by members of the Group amount to more than 30% (30.54%), it is possible to consolidate this participating interest, thus acquiring exemption from OPA (takeover bid) requirements, up to a maximum amount of 3% per annum in accordance with art. 46 of the Consob Regulations for Issuers.

Specifically, Fondiaria-SAI and Milano have taken steps to purchase part of the participating interest offered for sale by Toro, a share slightly more than 0.5% of Capitalia's equity.

The transaction involved a total disbursement of around € 48m. Furthermore, following the priority offer to members of the Capitalia Shareholder Group of a total of 49,689,476 of its shares (equal to

1.92% equity) offered for sale by Pirelli & C. S.p.A., Fondiaria-SAI and Milano Assicurazioni acquired 5,335,132 Capitalia shares allocated to the two companies pro-rata, as well as a further 4,706,783 shares allocated to these companies in respect of those shares not taken up by other members of the Group.

Fondiaria-SAI and Milano Assicurazioni have thus purchased a total of 10,041,915 Capitalia shares, brought into the Group, at a gross price of € 6.6993 per share and thus for a total of around € 67.3m, of which around € 50.3m to Fondiaria-SAI and around € 17m to Milano Assicurazioni.

The total participating interests held by Fondiaria-SAI and Milano as a result of the said purchase is equal to 3.51% of the equity of Capitalia and 11.32% of the syndicated shares.

Purchase of a controlling interest in the equity of Banca Gesfid S.A.

On 28 December 2006 Fondiaria-SAI acquired from Rinascita Holding S.A., a holding company fully controlled by Meliorbanca, 60% of the equity of Banca Gesfid S.A. ("Gesfid" or the "Bank"), a Swiss bank fully controlled by the said Rinascita Holding, for the price of 54 million Swiss Francs.

The agreement also provides an associated mutual option entitlement relating to the purchase and sale respectively of the remaining 40% of the Bank's equity, to be exercised in the period between 1st November and 31 December 2008 inclusive, at an exercise price which will be mainly based on changes to Gesfid's equity.

Gesfid has its registered offices in Lugano and specialises in private banking, offering its own customers highly specialised and personalised asset management. Total assets on 31 December 2005 amounted to 3.2bn Swiss Francs. The Bank ended the 2005 financial year with a net profit equal to 8.6m Swiss Francs.

For Fondiaria-SAI this operation centres on the process of reorganising its own asset management activities in Switzerland and represents a further contribution to development of the managed savings business of the Group which, with the acquisition of Gesfid, would triple its own managed assets, reaching around 40% of the growth targets set out in the business plan for the year 2008.

For the managed savings business, too, this operation is consistent with the growth model based both internal and external lines and the will, demonstrated by the various acquisition operations carried out in recent years, to take advantage of this new reality in terms of individual autonomies and professional approaches which will become part of the Group.

Purchase of 51% of the equity of Capitalia Assicurazioni S.p.A.

As a result of reaching a multi-year agreement between the Capitalia Group and the Fondiaria-SAI Group to develop non-Life bancassurance activity alongside basic non-Life business, on 07/09/2006 Fondiaria-SAI completed the purchase from Capitalia of a participating interest equal to 51% of the equity of Capitalia Assicurazioni S.p.A. for a total amount equal to € 56m, corresponding to a total valuation of Fineco Assicurazioni equal to around € 110m.

Capitalia and Fondiaria-SAI also signed a shareholders' agreement setting out the corporate governance regulations for Capitalia Assicurazioni, as well as the business aspects of the partnership, including a stipulation that Capitalia Assicurazioni shall continue to have access to Capitalia's distribution networks until 2016, with the possibility of renewal upon expiry by mutual agreement between the Parties.

Price adjustment mechanisms are provided for, depending on whether or not specific accumulated volumes of effective gross premiums are achieved in the period between 01/01/2007 and 31/12/2011 inclusive. The operation received prior authorisation from Isvap. Capitalia Assicurazioni and the Non-Life insurance businesses which operate through the distribution network (around 2,000 outlets and 1,300 financial advisers, for a total potential volume of more than 4 million clients) of the Banca di Roma, Banco di Sicilia, Bipop Carire and FinecoBank, the 4 retail banks of the Capitalia Group. The

business plan drafted by the Parties provides for significant premium growth for the Company over the next five year period (with a composite average growth rate, CAGR, equal to around 40%) and net profitability at a level exceeding 10% of premiums.

In the current market climate the partnership will enable Capitalia to benefit from the technical and commercial know-how of the Fondiaria-SAI Group, the leader of the non-Life insurance sector in Italy, encouraging the development of new products and improving its penetration into the 4 million-plus client base of the Group. This agreement will also give Capitalia access to the capillary settlement network of the Fondiaria-SAI Group, a decisive element in offering an efficient service to clients.

For Fondiaria-SAI, the agreement represents a further development opportunity in the non-Life sector as well as supporting its strategy for broadening the range of products offered throughout the distribution networks which complement the agency network, benefiting from the distributive power of the network of the fourth banking group in Italy. From a business point of view the operation ties in perfectly with Fondiaria-SAI Group's current bancassurance agreements, which will remain strategic in the context of its growth policies.

Disposal of participating interest held in the company Swiss Life Holding

On 11/01/2006, the subsidiaries Fondiaria Nederland B.V and Milano Assicurazioni S.p.A. effected the sale of their entire participating interest held in the company Swiss Life Holding, in favour of an institutional investor (UBS). Fondiaria Nederland and Milano Assicurazioni sold 2,000,107 and 828,709 Swiss Life Holding shares respectively, making a total of 2,828,816 shares, equal to 8.3753% of equity, at the price of CHF 234.75 each. The price was arrived at by applying a discount of 0.53% to the price of CHF 236 at close of business on 11/01/2006.

The income from the operation was equal to around CHF 664.1m, against a total book value of around CHF 702.8m.

The economic effects of the sale had already been included on the accounts for the previous financial year by the subsidiaries Milano and Fondiaria Nederland giving rise to a negative impact of around € 27m.

Taking into account the opportunity offered by the stock market performance of the Swiss Life Holding security, it was deemed to be in the interests of the Fondiaria-SAI Group and of the said subsidiaries to enter into an agreement to sell the participating interest within a very short period of time, by contacting various institutional investors on the matter and inviting those interested to a competitive auction, their offers to be formulated at a firm price.

During 2006 this operation enabled greater diversification of the asset allocation and, in terms of the future, greater flexibility in the area of strategic investments.

Purchase of Liguria Assicurazioni S.p.A.

As a result of the process launched by the seller, aimed at selecting the best offer for the purchase of a controlling participating interest in the equity of Liguria Assicurazioni S.p.A. which concluded with acceptance of the offer made by Fondiaria-SAI, on 30/05/2006 a final contract was drawn up between Gaula Consultadoria e Investimentos LDA, being part of the De Longhi family, and Fondiaria-SAI, for the sale and purchase of the entire participating interest in Liguria Assicurazioni held by the seller, equal to 99.97% of the equity, at a price of € 148.1m.

The operation had received the prior concurrence of the Autorità Garante della Concorrenza e del Mercato (the authority which oversees competition and market issues), and authorisation from

ISVAP. The aforesaid price of € 148.1m corresponds to that negotiated when the preliminary Contract was agreed (equal to €144.5m) increased – as agreed – by an amount corresponding to the net profit realised by Liguria Assicurazioni and by its subsidiary Liguria Vita in the second half of 2005, as arising from the accounts as at 31/12/2005.

The sellers established a suitable guarantee to cover their commitments in relation to the purchaser.

The price paid, however, should be considered as a provisional price, and will be subject to subsequent revision to take into account results in terms of claims occurring and reported following the date of transfer of the shares and of the technical reserves of Liguria Assicurazioni and Liguria Vita, this revision being made based on these balances as at 31/12/2010.

Activity in the Non-Life classes represents around 90% of the total activity of the Liguria Group. Premium receipts are concentrated in small towns in Central and Northern Italy (67% of premiums). The Company operates with a network of 219 agencies and a structure of 118 employees. 60% of the agencies have their offices in towns with less than 50,000 inhabitants.

The strategic rationale for the purchase of the Liguria Group can be summarised as follows:

- increase in the volume of business with Fondiaria-SAI Group;
- develop of the commercial penetration of Fondiaria-SAI by expansion of its own distribution network as a result of acquiring the Liguria Group network of agents, which is characterised by its focus on medium and small size urban centres;
- to add value to Liguria Assicurazioni and Liguria Vita, through applying competencies developed by Fondiaria-SAI in the area of claims management, settlement processes and subscription policies, as well as an overall improvement in financial management.

Other significant financial transactions

With reference to listed participating interests:

- BANCA POPOLARE DI MILANO: purchase of 910,000 shares for a disbursement of € 9,372K. The percentage of direct participation is 0.36%.
- CAPITALIA: purchase of 19,932,105 shares for a disbursement of € 116,048K and sale of 1,636,250 shares for a gain of € 5,389K. The percentage of direct participation is 2.61%.
- EDISON: purchase of 10,912,602 shares for a disbursement of € 18,447K. The percentage of direct participation is 0.262%.
- FIAT ORD: net sales of 505,742 shares realising a gain of € 2,709K. The percentage of direct participation is 0.001%.
- GEMINA ORD.: purchase o. 4,942,316 shares for a disbursement of € 12,671K and sale of 3,577,876 shares for a gain of € 4,411K. The percentage of direct participation is 4.053%.
- GENERALI: purchase of 2,496,125 shares for a disbursement of € 76,583K and sale of 2,250,000 shares realising a gain of € 6,801K. The percentage of direct participation is 1.253%.
- LOTTOMATICA: net purchase of 122,500 shares and subscription to the capital increase for 4,685 shares, the total disbursement being € 3,638K. The percentage of direct participation is 0.084%.
- MEDIOBANCA: purchase of 1,327,286 shares for a disbursement of € 20,317K. The percentage of direct participation is 3.274%.
- MILANO ASSICURAZIONI ORD.: purchase of 4,964,254 shares for a disbursement of € 30,999K and sale of 4,664,254 shares realising a gain of € 16,341K. The percentage of direct participation is 57.205%.

- MONTE DEI PASCHI DI SIENA: sale and subsequent repurchase of 2,981,000 shares realising a gain of €5,382K. The percentage of direct participation is 1.437%.
- RCS MEDIAGROUP ORD.: purchase of 600,000 shares for a disbursement of € 2,564K and sale of 306,000 shares realising a gain of € 207K. The percentage of direct participation is 1.996%.
- SNAI ORD.: purchase of 1,055,000 shares and subscription to the capital increase for 1,493,576 with a total disbursement of € 13,570K; the sale of 312,000 realised a net gain of € 79K. The percentage of direct participation is 1.352%.

We have also highlighted below the main transactions affecting participating interests in unlisted subsidiaries:

- BANCA GESFID.: purchase of 6,000 shares for a disbursement of € 34,016K. The percentage of direct participation is 60%.
- BANCA SAI: subscription to the capital increase in the amount of 60,000,000 shares for a disbursement of € 61,538K. The percentage of direct participation is 100%.
- CAPITALIA ASSICURAZIONI: purchase of 2,652,000 shares for a disbursement of € 56,028K. The percentage of direct participation is 51%.
- CASA DI CURA VILLA DONATELLO: payment to capital increase account for a disbursement of € 13,400K. The percentage of direct participation is 100%.
- FONDIARIA NEDERLAND: following distribution of equity reserves € 250,333K was received. The percentage of direct participation is 100%.
- ITALIBERIA: subscription to a capital increase of 60,000,000 shares with conferment of debt securities for a total amount of € 60,179K. The percentage of direct participation is 100%.
- LIGURIA SOCIETA' DI ASSICURAZIONI: purchase of 22,992,121 shares for a total disbursement of € 151,157K. The percentage of direct participation is 99.966%.
- MANTEGNA S.r.l.: purchase of 10,000 shares and successive payments to the capital increase account; the total disbursement was € 66,129K. The percentage of direct participation is 100%.
- NUOVE INIZIATIVE TOSCANE: payment to capital increase account for € 23,203K. The percentage of direct participation is 96.88%.
- UNISERVIZI S.c.a.r.l.: payment to capital increase account for € 19,011K. The percentage of direct participation is 63.37%.

DEBTS

As at 31/12/2006, the debt situation of Fondiaria-SAI S.p.A. was as follows:

(€m)	31/12/2006	31/12/2005	Change
Subordinated loan 2002	400.0	400.0	-
Subordinated loan 2005	100.0	100.0	-
Subordinated loan 2006	150.0	-	150.0
Sundry loans and other financial payables	350.0	307.9	42.1
Total Debt	1,000.0	807.9	192.1

On 12 December 2002, the incorporating company SAI entered into a loan agreement with MEDIOBANCA based on which the latter granted the Company € 400m, in order to increase the elements of its solvency margin. On the basis of the understandings reached with Mediobanca and with the authorisation of ISVAP, in July 2003, FONDIARIA-SAI acquired a new subordinated loan, for the same amount, with early repayment of the existing financing at the same time.

In December 2005, with authorisation from Isvap, the interest rate spread on the loan was renegotiated, taking it, from January 2006, from Euribor 6 months plus 2.65% to Euribor 6 months plus 1.8%.

At the same time, a new contract for a subordinated loan of an amount of € 100m was entered into on the same terms as the existing loan.

Finally, with value 14 July 2006, the Company subscribed to a subordinated loan with Mediobanca for an amount of € 150m on similar terms as the previous contracts, funding which will subsequently contribute to improving the available solvency margin, in the amount of 25% of the available margin and the solvency margin required, whichever is the lower.

With reference to the subordinated loan for € 400m, in December an interest rate swap was concluded with Mediobanca with a 6 year maturity on a notional amount of € 200m and a fixed rate of 3.97%. The swap will take effect from 23 January 2007 and will partly cover the rate risk associated with the above loan, stabilising on an annual basis the interest rate flows payable to the counterparty.

The item 'Sundry loans and other financial payables' largely comprises the loan granted by the subsidiary Sainternational S.A. for € 180,400K, a loan which relates to the liquid assets arising from the Convertible and refundable bonded loan (Mandatory Exchangeable Guaranteed Notes), together with BANCA INTESA SANPAOLO ordinary shares owned by Fondiaria-SAI, maturing on 29 September 2010. For further details please refer to the report on consolidated debt.

The remainder of the item 'Sundry loans and other financial payables' relates to interest bearing-loans with subsidiaries and for further details you are referred to the information given in the relevant section of the Notes to the Accounts.

OWN SHARES, SHARES IN THE PARENT COMPANY AND ITS SUBSIDIARIES

As at 31 December 2006 and as at 31 December 2005 the parent company held its own shares and shares in the parent company Premafin Finanziaria in the total amounts given in the following table:

(€K)	31/12/2006		31/12/2005	
	Number	Book value	Number	Book value
Own shares registered to:				
Fondiaria-SAI	9,490,212	182,201	8,075,212	138,079
Milano Assicurazioni	6,802,557	149,440	5,362,557	103,672
Sai Holding	1,200,000	28,285	1,200,000	28,285
Overall total	17,492,769	359,926	14,637,769	270,036
Shares in the parent company registered to:				
Fondiaria-SAI	18,340,027	30,836	18,340,027	30,836
Milano Assicurazioni	9,157,710	12,196	9,157,710	12,196
Saifin - Saifinanziaria	66,588	151	66,588	73
	27,564,325	43,183	27,564,325	43,105

Own shares

During the 2006 financial year a total of 1,415,000 ordinary own shares were purchased for a total disbursement of € 44,121K.

Therefore at the close of the 2006 financial year there are 9,490,212 ordinary shares on the portfolio, equal to 7.063 % of ordinary shareholders' capital.

Following the close of the financial year there have been no purchase and sale operations of own shares, and on 23 March a resolution of the Extraordinary Meeting of 04/12/06 was executed, to cancel all 9,490,212 ordinary own shares held by the parent company. It can also be seen that the subsidiary Sai Holding S.p.A. holds 1,200,000 ordinary shares and the subsidiary Milano Assicurazioni S.p.A. owns a further 6,802,557 ordinary shares.

Shares in the parent company

During the 2006 financial year no purchase and sale transactions took place in the ordinary shares of the parent company Premafin Finanziaria S.p.A.

As at 31/12/2006 the parent company owns 18,340,027 of its own shares, equal to 4.469 % of shareholders' equity.

Following the close of the financial year there have been no purchase and sale operations, therefore on 27/03/2007 the parent company holds 18,340,027 shares equal to 4.469 % of equity, whilst the subsidiary Saifin-Saifinanziaria S.p.A. has a further 66,588 ordinary shares equal to 0.016% of equity and the subsidiary Milano Assicurazioni has a further 9,157,710 ordinary shares equal to 2.232% of shareholders' equity.

NOTICE OF SHAREHOLDERS' MEETING AND CONSEQUENT REDUCTION IN SHARE CAPITAL

On 04/12/2006, the Extraordinary Meeting of the shareholders of Fondiaria-SAI resolved a reduction in shareholders' equity from € 177,680,822.00 to € 168,190,610.00 by cancelling all of the 9,490,212 ordinary own shares held by the Company itself.

Upon expiry of the period specified by law, on 23 March 2007 the reduction in shareholders' equity was executed.

The operation forms part of the measures set out in the 2006-2008 Business Plan for the Fondiaria-SAI Group presented to the financial community during last April, which – as will be remembered – provided for, as one of the means of reducing so called excess capital, a new plan for repurchasing own shares in a total amount of around € 400m to be carried out in two phases by 2008.

The first phase, carried out by the end of 2006, in turn provides for:

- completion of the programme for repurchasing own shares currently underway until the legal threshold of 10% of shareholders' equity in total is reached (compared to 8.5% previously);
- cancellation of own shares in portfolio.

The second phase, to be accomplished in the years 2007 and 2008, provides for a new programme to buy back own shares, up to a maximum amount of 6-7% of shareholders' equity.

The reduction in shareholders' equity by cancelling all own shares on the portfolio has reached the end of the first phase of the process described, since the programme to repurchase own shares authorised so far by the Meeting had almost been completed, including the the Fondiaria-SAI shares held by subsidiaries.

The operation in question is thus a preliminary for implementation of the second phase of the process, for which the Board will proceed to apply for appropriate authorisation from the Meeting, as required by law, in April 2007.

PROPERTY MANAGEMENT

Between 2002 and 2005, expansion in the housing market was an important driver for growth in the United States economy, both directly, via the increase in residential investment, and indirectly, sustaining consumption by families.

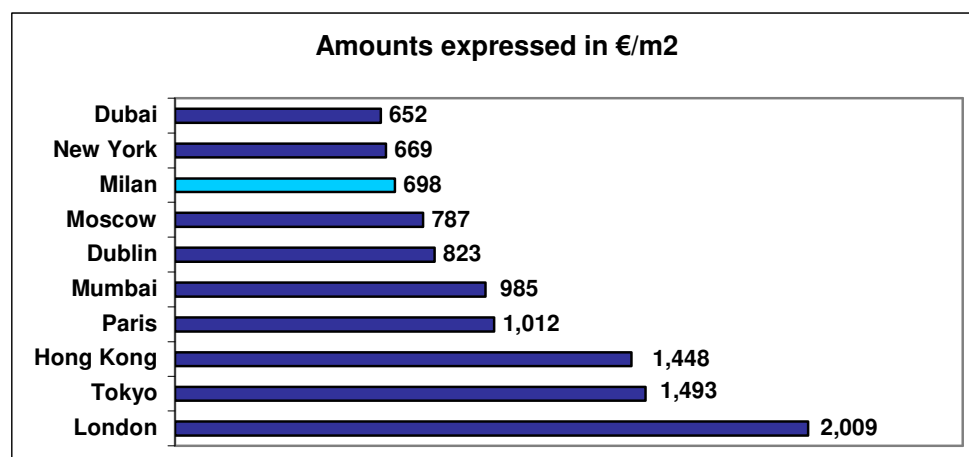
Over the course of 2006, the number of new houses built in the United States went from its peak for the last 6 years (in January 2006), to its lowest level (last October): a clear slump, only abated by a bounce-back at the end of the year. According to the statistics of the National Association of Realtors, sales of existing houses fell in the third quarter, by 12.7% annualised, equivalent to 6.27m property units. However it is probable that investors consider the 'brick' market to have stabilised and that the much feared "speculative bubble" has already burst; yet it is not yet possible to establish whether the negative phase in the US property market has reached its absolute minimum.

In Europe, judging from the growth in prices, the property market is still solid. In the second quarter of 2006, in Spain and in France residential prices continued to grow; in Great Britain, too, after the rush at the beginning of 2005 died down, the first part of 2006 has seen property prices rising again.

According to the research "Office Space Across the World", carried out at global level on rental prices for office space, London retains the title of the most expensive place in the world, with figures 35% higher than occupancy costs in Tokyo (2,009 €/m² against 1,493 €/m²), which has in turn beaten Hong Kong (1,448 €/m²).

Milan remains in the top ten at around 700 €/ m².

Fig. 24 – The 10 most expensive locations in the world



Source: Office Space Across the World – Cushman & Wakefield.

According to data from the Agenzia del Territorio, in the first half of the year the number of purchases and sales in Italy (residential and non-residential) increased by around 5% on the previous year: recorded prices are still increasing, but more slowly. The average for the first six months of 2006 shows that

investment activity in the construction sector has continued at a similar rhythm to that in the preceding half (at around 3% per annum), though with a slowdown in the second quarter.

In the face of an overall price cycle which is no longer rising, the cycle for this specific market – covering all building units bought and sold – is clearly still in a phase of expansion.

For the current year a further expansion of transactions by 3.9% is forecast, although growth in the residential segment, the most important segment in the sector, may slow down to 2.2%.

Positive signs are emerging, however, from the non-residential buildings sector, which contracted last year: during the first half of 2006 growth of around 3% was recorded. A climate of business confidence indicates a recovery of optimism amongst entrepreneurs in the sector.

The corporate market has now rediscovered its élan and energy towards the end of 2006. The high level of liquidity at the disposal of investors, who are increasingly inclined to look for stability and security of returns rather than aim to maximise them, is encountering a chronic obstacle in the dearth of quality assets. The boundaries of its operations have extended to segments which are expanding strongly, such as the hotel trade, large-scale distribution and logistics.

The geographic breakdown of the market shows how the trend towards decentralisation is growing: in the provincial capitals, transactions have had a largely stable profile for a few years now (+0.7% in 2006), but in smaller size towns the market is rising (+5.5% in 2006).

Although the growth of the Italian property market is moderate it is still giving an impetus to loans, a sign that Italian families are not losing their traditional confidence in the sector. The average amounts lent to families have risen in 2006 to € 126,000, against € 116,000 in 2005 (+8.6%). The total amount of sums lent is also growing, at € 45.2bn (+16.31% in the third quarter 2006 compared to the same period in 2005), with central Italy showing the highest growth (+12.8%).

The economic factors which are influencing the property market are varied: on the one hand there are loan costs and transaction costs, on the other there is the impact of public policies on urban housing and town planning, which govern planning permissions.

With regard to the expenses involved in taking out a mortgage, Italy is one of the most expensive countries, with costs of nearly 12% of the price of the house. Furthermore, the other transaction costs incurred by Italian owners, for land registration and commissions, may contribute to families being less mobile after the purchase.

The structure of the market is also changing. The rise in interest rates results in longer repayments being preferred: more than 49% of loans are for a period greater than 21 years, and a quarter of the total goes beyond 26 years. At the end of 2006, we also saw requests for fixed rate loans (48.7%) overtake the variable rate interest alternative (46.2%), with a marginal share for mixed rate (5.1%). The new trend is explained by the six consecutive rises in the official discount rate announced by the European Central Bank since December 2005. Emotional factors have certainly contributed to this outcome, driven by the fear of further announcements of rate rises which result in higher payments for those who have taken out variable rate funding, as has the reform associated with recent liberalisation measures, providing for cancellation of the penalty for early repayment of loans, a burden which the banks particularly apply to fixed rate financing.

The performance of the loan market is also explained by family budgets. According to recent analysis carried out by the OECD (Organizzazione for Economic Cooperation and Development), Italy is in second place in Europe, just behind Spain, in the table of gross capital available to families. We need to remember that, on average, Italian families have less debt than the rest of Europe: thus there is still wealth available to invest in the property sector.

It is important to note that in the first half of 2006, there was at national level an increase in prices for garages and parking spaces, +4% and +4.4% respectively. In cities especially, the change in prices was +2.6% for garages and +3% for parking spaces. In most cases, the purchase of the garage or parking space had been done directly, whilst demand for investment purposes would seem less likely. It is

estimated that during 2006 purchases and sales of garages and car parking spaces were around 640 thousand, +5.8% compared to 2005.

The forecasts for the coming months are indicating substantial overall stability in terms of number of transactions, although in the large urban areas we are now seeing indications of a dip; this is offset, however, by the firmness of smaller markets. Values should remain at current levels, or at best continue to grow in a more limited way.

In terms of expectations on prices and the number of purchases and sales for the first half of 2007, we are seeing noticeable strengthening of negative opinions, probably affected by macroeconomic factors, such as interest rates rising again and uncertainties on the regulatory and tax fronts.

Indeed, with reference to the stock market, in 2006 the 16 companies listed on the Italian Stock Exchange, with total capitalisation hovering around € 10bn, enabled the index for the property sector to rise by 6.53% in the final month, by 35.56% from the start of 2006 and by 76.3% from 2005.

A particular phenomenon has affected the major Italian cities in recent years: they are in fact going through a phase of rapid urban development, with projects underway to urbanise and revitalise the suburbs and proposals to regenerate abandoned industrial sites. The large industrial areas which have played an important role in the post-war story of Italy are in fact experiencing a renewal phase. The country's main property groups are looking at them, to put on the market new high quality commercial and residential complexes. Especially in cities such as Milan the large abandoned industrial areas offer the only possibility for property developments with breathing space. The same applies to cities such as Turin, where renewal projects are happening in areas such as Spina 3, which until a few years ago housed the factories of Michelin, Ferriere, Teksid-Acciai and Savigliano. The situation is different in Rome, where it is still relatively easy to find large building plots.

The main regeneration projects in which the Group is participating in various urban areas are highlighted below, ambitious projects including:

- In **Milan**: CityLife project, an integrated intervention plan for the area which was the Fiera Campionaria, the trade fair, aiming to regenerate the area in question; its objective is to create a symbolic and recognisable centre, an area which is alive day and night, able to offer new models and ways to live, work, have a cultural life and spend leisure time. In this quarter, in which 4,000 people will live, there will be five residential areas with a view on to an urban park, the third largest in the city, around which the whole complex revolves. CityLife will also boast one of the biggest pedestrian zones in Europe, thanks to a novel vehicular system and underground parking: the project in fact provides for the total separation of vehicular and pedestrian traffic.
- In **Rome**: the Alfiere project, which aims to regenerate the "Torri dell'EUR" towers, currently the offices of the Revenue Agency, and is to be seen in the context of an urban transformation process which proposes to modernise the area by completing major architectural work. The entire operation hinges on the multifunctional reorganisation of spaces, eco-friendliness, energy savings and the use of state-of-the-art materials and technology.
- In **Florence**:
 - the Castello project, designed to regenerate this area over a variable time period depending on how the trend of demand for urbanisation develops. This is a particularly ambitious project which requires great flexibility because it covers a range of development areas, and envisages, amongst other things, a vast green area, a Military School, and public and private residential functions. Well and truly a "cittadella" of the future, yet created with great care to safeguard and conserve the history and the roots with which the entire area has always been associated.

- Project to convert the old Tobacco Production Area, aiming to effectively integrate the old factory into the surrounding environment. The idea is to make it habitable, based on three categories of users: residents, workers and visitors.
- In **Turin**: Spina 3, the “Five Circles” Project. The district in question represents one of the most significant urban regeneration operations taking place in Italy and consists of construction over 1,130,000 m² of building land.

Property activities of companies which are part of the Fondiaria-SAI Group have during the year been directed towards improving profitability and adding value to assets through maintenance and marketing activities.

For further information relating to activities of the Group's property segment, you are referred to the relevant section of the Consolidated Accounts.

Rental contract with the Atahotels Company for the property called the “Principi di Piemonte”

On 31/01/2006, Fondiaria-SAI agreed with Atahotels a rental contract relating to the building complex for hotel / conference centre use called the “Principi di Piemonte”, in Turin.

The period of the rental has been established in accordance with the law, at nine years, to run – for rental payments too - from 01/01/2007, the predicted date for final completion of all finishing work on the complex. Upon expiry of the first nine years the contract will be renewed tacitly on the same terms for a further nine years.

The contract stipulates that Atahotels has complete responsibility for equipping the complex, and for supplying furnishings and for anything else required for offering service relating to hotel and restaurant activities. The Parties, however, in view of the opening of the Winter Olympics and bearing in mind the need to seize opportunities arising from this event, have shown mutual interest in bringing forward the building handover date in respect of the date for completion of work and the date at which the rental contract begins. To this end, on 1st February 2006 Fondiaria-SAI proceeded with the handover of the complex to Atahotels, to make it possible to launch initial activity to coincide with the Olympics, enabling it to accommodate important personalities, including institutional guests, for the opening ceremony of the Games.

The annual rental charge has so far been agreed between the Parties in the amount of 18% of the total amount of income (net of VAT as specified by law), calculated by excluding payments for supplementary services provided to clients. It is understood in any case that the rental charge which Atahotels will pay to Fondiaria-SAI for management of the complex for the entire duration of the relationship will be not less than an annual amount calculated based on 5% of the book value of the property, agreed as the guaranteed minimum annual rental.

However the Parties have agreed that for the first five years of rental, in view of the expenses associated with the start-up phase of the rental of the complex by Atahotels and the investment which the latter has made in this regard, the rental and the guaranteed minimum annual rental will be set at a lower level, gradually rising to the levels given above from the fifth year and for the entire remaining rental period.

Since Atahotels constitutes a related party in respect of the Company, the relevant fairness and legal opinions have been obtained from KPMG Corporate Finance and the Studio Legale Ashurst respectively. KPMG Corporate Finance is of the opinion that, based on its assessments, the rental charge represents an appropriate return, taking into account the value added to the complex by the company Scenari Immobiliari S.r.l., as stated in the fairness opinion itself.

The Studio Legale Ashurst in turn supplied suggestions relating to the wording of the contracts which have been duly included in the final draft.

In approving the operation the Board of Directors of Fondiaria-SAI, noted:

- the strategic and business value of the operation taken as a whole and, in this context, the Company's interest in entering into a rental contract;
- the nature of the correlation and the means of determining the economic conditions of the offer, including attention to legal and tax aspects;
- the non-existence of atypical and / or unusual features in the rental contract
- the opportunity for early handover of the complex to allow it to open to the public to coincide with the Olympics.

Other information

STRUCTURE OF THE SALES ORGANISATION

With reference to 2006, the territorial distribution of Fondiaria-SAI agencies is as follows:

	SAI Mandates	Fondiaria Mandates	Total as at 31/12/06	Total as at 31/12/05
North	419	247	666	693
Central	206	156	362	361
South	168	143	311	329
TOTAL	793	546	1,339	1,383

The number of Agencies with an SAI mandate is equal to 793, and comprises 226 town agencies and 567 General Agencies; the number of Agents stands at 1,337.

With reference to agencies with a mandate from La Fondiaria Assicurazioni S.p.A. it should be noted that as at 31/12/2006 4 agencies under direct management were added to the contracted agencies.

Specifically, the distribution structure includes 1,339 single mandate agencies and other sites subordinate to the Parent Company (1,383 as at 31/12/2005), as well as a further 2,186 single mandate and multi-mandate agencies (2,172 as at 31/12/2005) which work with other companies in the Group.

The secondary offices of the company are as follows: TURIN (C.so Galileo Galilei, 12), MILAN (Via Senigallia 18/2), ROME (P.zza di Spagna, 15).

MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES

As at 31/12/2006 the company structure comprised 2,649 employees (2,673 as at 31/12/2005) including: 77 managers, 2,555 insurance officers and clerks and 17 people assigned to the caretakers' lodges of buildings owned by the company, whose employment is regulated by the contract for caretakers.

During 2006 there was a further drive to implement the early retirement plan aimed at staff meeting the requirements for long service / old age pension entitlement, which has enabled the number of insurance staff employed to be reduced from 2,658 as at 31/12/2005 to 2,632 as at 31/12/2006.

With regard to Industrial Relations, a key feature of the 2006 financial year was the coming into force of all the procedures in the "Contratto Integrativo Aziendale" (Integrated Company Contract) for Fondiaria-SAI, signed on 20/12/2005. Processes have thus been underway to harmonise the regulatory and financial treatment of employees of the former Fondiaria and of the former Sai. Regulatory and financial standardisation was completed in some aspects during 2006, whereas for others this will take place during the life of the agreement, which is due to end on 31/12/2008.

There has been constant contact with the unions during 2006, leading to ten agreements being signed on various topics, some of which related to the day-to-day management of industrial relations activity, others governing certain aspects which the Integrated Company Contract had allocated to a later phase of negotiation; particularly significant amongst these was the provision introduced concerning health cover, giving all company employees the opportunity to sign up to an individual health plan to be integrated with the collective plan guaranteed by the Integrated Company Contract.

During 2006 the process of renewing the National Employment Contract for non-managerial employees restarted, this having expired on 31/12/2005. In particular, the platform for union demands was presented in its final form and fully explained by the Organizzazioni dei Lavoratori (Employees' Organisation) on 5/7/2006; negotiations are still in progress.

Negotiations for the renewal of the National Employment Contract for managerial staff, which expired on 30/6/2003, continued during 2006; at the end of the year the Managers' representative requested the intervention of the Employment Ministry, with which there have been further meetings at the beginning of 2007.

During the financial year in question there has been no trade union agitation. Conflicts in employment relations dealt with by the courts remained in line with the trend in previous financial years and consequently within contained limits. As at 31/12/2006 there were 30 employment cases outstanding, including 7 launched against the Company in the year 2006, 23 originating in previous years.

In terms of training activity, 2006 saw consolidation and strengthening of activity already begun in 2004-2005 to support the cultural integration of the various Group identities.

It also saw the launch of professional development aimed at new managers and officers with high potential, aiming to create a homogeneous approach on management matters and at increasing understanding of how our whole operation functions.

The most significant of these should be brought to your attention:

- Seminar on General Management and understanding the company system held for the first time, organised in collaboration with the Studio Ambrosetti.
- Involvement of "professional" staff in Change management issues. In previous years this activity resided with managerial level staff.
- Launch of the Skills Development programme for leaders, dealing with the subjects of leadership, planning and coordination.
- Launch of the Group's first Course Catalogue, giving an initial selection of internal corporate training offers aimed at Group personnel.
- Further consolidation of the Distance Learning offer by providing both employees and agents in the company network with access to compulsory courses (for example on topics such as privacy, money laundering, Legislative Decree 231, etc.)

The training function should be thought of as a strategic partner in the business of the company. Training in fact represents the meeting point between potential and individual needs, potential and the needs of the business, between individual knowledge and organisational knowledge.

Training offered, if it is in line with business needs, is therefore seen as a strategic lever both for the individual, since it contributes to his professional development, to the acquisition of new knowledge

and personal skills to apply in order to achieve and manage greater scope for autonomy, tools to promote the business culture and to develop a sense of belonging to the Company; and for the business, in that it brings together the individuals within an organisation, enabling greater integration of all the areas and business units and an improvement in management processes.

As always, all the components of the business have fully met expectations, giving solid contributions in professional terms and in commitment; we must therefore acknowledge this by heartily thanking all the staff at this point. This gratitude and appreciation is also due to the agency network, which has contributed in a constructive spirit of collaboration to achievement of pleasing business results.

STOCK OPTION SCHEMES

On 14/07/2006 the Board of Directors of Fondiaria-SAI resolved to assign the options referred to in the Fondiaria-SAI 2006-2011 Stock Option Scheme in favour of the executive directors and management of the said Fondiaria-SAI, its subsidiaries and the parent company, for the purchase of savings shares in Fondiaria-SAI.

This assignment by the Board took place in accordance with the resolution of the Extraordinary Meeting of Fondiaria-SAI on 28/04/2006.

In the case of the executive directors, a total of 8,700,000 options were assigned in their favour, in accordance with the amounts agreed by the aforesaid Meeting.

In the case of management, then, the Stock Option Scheme involves a total of 75% of managers in the service of the Group. The number of the options to be assigned to individual beneficiaries takes account of the level of responsibility allocated and the impact of their role on the business. The total number of options to be assigned is equal to a maximum of 6,300,000 shares as determined by the Meeting.

For both Schemes, the subscription price of the shares was determined by the Board, applying the criteria for setting the subscription price agreed by the Meeting, at € 21.546 per share, equal to the arithmetic average of the reference prices for the Fondiaria-SAI savings share recorded on the market in the thirty days before the date of assignment of the rights.

In relation to this a report has been obtained from the external auditors Deloitte & Touche S.p.A. in accordance with art. 2441, fourth comma, second sentence of the civil code, confirming the adequacy of the criteria adopted.

The options may not be exercised before expiry of the vesting period, starting from the date of assignment, according to the following terms:

- 40% of the options may not be exercised within less than 24 months starting from the date of assignment;
- 30% of the options may not be exercised within less than 36 months starting from the date of assignment;
- 30% of the options may not be exercised within less than 48 months starting from the date of assignment.

Upon expiry of the vesting period the beneficiaries have the following alternatives:

- to hold the options until their maturity;
- to exercise the options, subscribing to the shares and holding them in portfolio;
- to exercise the options, subscribing to the shares and disposing of them on the market.

In any event, options not exercised within 5 years of the date of the Meeting will automatically expire. The ability to exercise the option right is however suspended in the period running from 10 days preceding the date the Board of Directors approves the accounts until the dividend coupon date.

The Regulations also set out limits on the exercise of options, specifically:

- following the exercise of the options and the associated subscription to the shares, the total number sold on the market in any one day may in any case not exceed 10% or 15% (in the case of the management and executive director schemes respectively) of the average daily volumes reported in the thirty days preceding that pre-selected for the sale;
- shares arising from exercise of the options may not be traded in the month in which the Board of Directors is convened to approve the accounts and the half-yearly profit and loss.

If, changes arising in the current situation as regards benefits and taxation and any other applicable regulations where their interpretation and application would mean that making use of the Scheme would entail significant tax, social security or other types of burden for the Company, the Company will have the option of modifying the Scheme, or even to withdraw the Scheme, without the beneficiaries having any right to compensation or redress.

The Board of Directors has in fact decided to link the exercise of the options to achievement of the main objectives in the Group's Business Plan for 2006-2008, already reported to the market.

With reference to the economic effects of the approved Stock Option Schemes, both for the period and cumulatively, you are referred to the relevant section of the consolidated accounts posted, IFRS 2 "Payments based on shares" being applicable in this matter.

In accordance with art. 78 of CONSOB resolution no. 11971 of 14 May 1999 and subsequent additions, we are reporting the information required in respect of stock option schemes:

Stock options assigned to Executive Directors and Management

		OPTIONS HELD AT THE START OF THE FINANCIAL YEAR			OPTIONS ASSIGNED DURING THE FINANCIAL YEAR			OPTIONS EXERCISED DURING THE FINANCIAL YEAR			OPTIONS EXPIRED IN THE FINANCIAL YEAR	OPTIONS HELD AT THE END OF THE FINANCIAL YEAR		
Name and surname	Role	Number of options	Average exercise price	Average Maturity	Number of options	Average exercise price	Average Maturity	Number of options	Average exercise price	Average market price on exercise	Number of options	Number of options	Average exercise price	Average Maturity
Jonella Ligresti	Chair	-	-	-	1,900,000	21.546	2011	-	-	-	-	1,900,000	21.546	2011
Fausto Marchionni	Managing Director/ Chair	-	-	-	1,900,000	21.546	2011	-	-	-	-	1,900,000	21.,546	2011
Giulia Maria Ligresti	Chair	-	-	-	1,900,000	21.546	2011	-	-	-	-	1,900,000	21.546	2011
Gioacchino Paolo Ligresti	Chair	-	-	-	1,900,000	21.546	2011	-	-	-	-	1,900,000	21.,546	2011
Antonio Talarico	Managing Director	-	-	-	1,100,000	21.546	2011	-	-	-	-	1,100,000	21.546	2011
Managers with strategic responsibility (a)		-	-	-	5,150,000	21.546	2011	-	-	-	-	5,150,000	21.546	2011

a) data relating to “managers with strategic responsibility” are indicated at aggregate level.

STEPS TAKEN IN THE CULTURAL AND SOCIAL ARENA TO MAINTAIN THE COMPANY'S IMAGE

External communications

2006 saw the continuation of activities designed to guarantee adequate support and the necessary visibility for initiatives developed by the company's business centres.

Specifically, in the area of marketing communications, communication projects were established to position and launch the product La Mia Assicurazione Basic (Fondiarria-SAI and its networks), aimed at the single-product customer (T.P.L. Motor) with a low propensity to insure, the objective being to start a process of greater commercial penetration in line with the 2006-2008 Business Plan.

The year ended with the introduction of the new product La Mia Assicurazione Fabbricati, for which an entire communications kit was created.

With regard to corporate activity, the communications initiatives developed to communicate the Group's positioning statement "Libera la Vita" ("Free the Life") stand out.

The new pay-off puts the individual and his plans at the centre, emphasising the spendable potential of the Group in insurance and financial terms: thanks to an offer mix which has a market identity of personalisation, quality, protection and security, the Group can provide the right level of peace of mind for looking with renewed enthusiasm at important life plans. Peace of mind for clients comes from the certainty of having to hand reliable reference sources, able to supply effective responses in each situation: to feel oneself sheltered from the financial impacts of unexpected events is a fundamental pre-requisite to being free to concentrate on those aspects of life which are closer to your heart. In this way, every day, the Company place proper value on the choice of a Group which works to make everyone's daily work and life easier.

Finally, activity to support the Agencies continued in accordance with Isvap Circular 533/D, in most cases providing communication tools set up on an ad hoc basis to meet the specific needs of local marketing.

Public Relations

In order to consolidate its institutional role and visibility at national level, the Group has, in the period in question, supported and collaborated with the following cultural bodies:

- the Fondazione Teatro Regio of Turin, of which Fondiarria-SAI is a founder member;
- the Museo Nazionale del Cinema, of which Fondiarria-SAI is on the management committee;
- the Consulta per la valorizzazione dei Beni Artistici e Culturali in Turin;
- the Fiera Internazionale del Libro (Turin World Book Capital for 2006/2007);
- the Centro Congressi dell'Unione Industriale in Turin;
- the Festival Maggio Musicale Fiorentino in the city of Florence;

as well as other institutions operating in the social and cultural arena.

In particular, to continue to demonstrate the Group's willingness to promote a very high quality artistic and cultural scene and ever-present readiness to create solid links with the city of Turin, on 10 October 2006

the inaugural night of the Turin Teatro Regio took place, featuring the opera "Turandot" by Giacomo Puccini, to both resounding public acclaim and excellent reactions from the media.

Internal communications

In order to consolidate the integration of the various business cultures present within the Group, during 2006 there was a planning project and a study of the numerous Internal Communication activities which – by the production of paper/online tools and internal events – affected and will continue to affect the Group over the coming months.

Among the most significant activities, the following are highlighted:

- sharing of information via the newsletter NEWS and the house organ TEAM (with "special editions planned"), intended for all employees of the Group and all the distribution networks;
- drafting of the ad hoc Communications Plans (especially for Milano Assicurazioni with which we are collaborating to look into a new dedicated paper title called "Milano Magazine") and conducting communication projects for various companies in the Group;
- loyalisation of the best customers (Club Assicurati) by production of the four-monthly magazine LINEA DIRETTA CLUB;
- distribution of the 2006/2007 Gifts Catalogue intended for all staff and all distribution networks, for management of the Group's gift promotions;
- measures to integrate Intranet systems;
- management of large signage (especially in relation to the new Fondiaria-SAI office in Rome) and of agency signs throughout the Group (especially for Liguria Assicurazioni, for which a sign with the new logo is planned);
- planning of events for employees and the Agency networks.

Client relations

With regard to the number of claims reaching the company to be managed in accordance with Isvap circular no. 518/03, we have seen a slight increase in these, (5%), presumably caused by the ever greater attention which consumers are giving to insurance problems, especially in relation to the occasions when they take out or renew policies. This greater awareness has led the Company to pay still greater attention to consumer complaints in order to provide timely and satisfactory responses.

In relation to regulatory sanctions, Isvap has raised 149 in total, of which around 137 are from new rules arising from application of the Codice delle Assicurazioni Private (Private Insurers' Code) under which the supervisory body, the "Istituto di Vigilanza", will issue the closing ordinance – the injunction is at a later date. Since the notification of claim only shows the minimum and maximum amounts which might be charged, at the present time it is not possible to specify the exact amount of the claims.

In the matter of customer loyalisation the new version of the Club Assicurati valid for the two-year period 2006-2007 is in operation. What sets the Club apart is its "Last Minute" offers which are accessible both through the institution's web site and via an insert with the Linea Diretta Club magazine. The best clients as advised by the Agencies of the SAI Division have been admitted into the Club, as have employees of Fondiaria-SAI who wanted to be part of the initiative, members of the Gruppo Seniores Sai Division and Clients of Fondiaria -SAI involved in the Private Insurance initiative.

The flexibility of the initiative allows new members to be added either upon a request from the Agencies or by notification from other Head Office departments and allows collaboration proposals to be drawn up with other companies in the Group to offer the possibility of joining the Club to their own best clients too.

Sponsorship and donations

An awareness, strongly rooted in Fondiaria-SAI, that economic development should accompany and support, social, cultural and artistic progress in the interests of the whole community, has flavoured the planning of sponsorships and donations in 2006, both at institutional level and at local level, planned with the aim of consolidating the Parent Company's presence in the operative poles of Florence, Milan and Turin.

In the socio-cultural arena, support has been renewed for the Assemblée di Rimini, associated with the XXVII edition, which dealt with the central topic of the relationship between reason and the infinite. Once again there were large numbers present: attendance of over 700,000, 120 meetings, 18 shows, 12 exhibitions, around 400 speakers, including the Managing Director of Fondiaria-SAI, 800 accredited persons in the press room, with major returns in terms of image.

Support was also reconfirmed for the Associazione Nazionale Donne Operate al Seno (National Association for women with breast surgery), the Associazione Italiana Malati di Cancro (Italian Association for cancer patients), the Associazione Tempo Libero Handicappati (leisure association for people with disabilities), but particular attention has been focussed on the problems of poverty, disorders and sickness relating to the world of infancy and adolescence.

We should also highlight that as well as the support which has for years been given to Telefono Azzurro for its 114 "child emergency" line, there has been support for the pediatric hospital "Ospedale Pediatrico Bambin Gesù di Roma" for the construction of a new ward of 6,000 m² intended to house all the paediatric medicine specialisms, to the Dynamo-Motore philanthropic foundation to accomplish the "Progetto Villaggio", a summer camp with very high levels of safety to receive sick babies and their families and, lastly, to the Associazione Italiana Dislessia (the Italian Dyslexia Association) to realise the A.P.R.I.CO project, set up for the purpose of putting in place measures within schools, for those with dyslexia, to prevent, re-educate and compensate by means of computer equipment

Fondiaria-SAI has also confirmed its willingness to participate in the social artistic and cultural community life of the city of Milan, where a key segment of its activity is based, and to share with it its objectives for improvement and growth.

The planning of sponsorships in the cultural arena has thus led to the consolidation of the position of Fondiaria-SAI alongside great Milanese cultural institutions, such as the Philharmonic Orchestra of La Scala and Philharmonic Orchestra of the Conservatorio G. Verdi, and, wishing to build on its links with the city, alongside the Veneranda Fabbrica del Duomo in the work to restore the facade of the cathedral.

This project covered the installation on the scaffolding set up for the work to restructure the facade, a central giant screen of 735 m². (17m x 43m) displaying a seventh century illustration of the inside of the Duomo and two lateral screens (10m x 17m) on which the Fondiaria-SAI logo is reproduced, together with those of the subsidiaries of Milano Assicurazioni, with the three Divisions, Sasa, Siat, Dialogo and BANCASAI. The period chosen for the installation, from November 2006 to February 2007, helped to gain maximum visibility for the operation: in the Christmas period more than any other, the Duomo of Milan becomes the star of the city.

Amongst the initiatives with a social and humanitarian content, better reflecting the attention the Parent Company gives to the values of solidarity and the principles of the Social Responsibility of the Firm, our involvement with the "Opera Cardinal Ferrari di Milano" project has been significant, this being a day centre offering assistance to the marginalised poor, to which Fondiaria-SAI donated funds to repair the ceiling of the main room of the Institution, where around 500 people are welcomed each day.

It is also pointed out that, during 2006 too, Fondiaria-SAI contributed as a founder member to the Maggio Musicale Fiorentino organisation, a music event which takes place every three years and has become, since the end of the 30s, an annual date and essential destination for all lovers of classical music.

In particular, Fondiaria-SAI has been a partner in the festivities in Florence which accompanied the 70th birthday of Maestro Zubin Mehta, with two concerts taking place in April in the Botticelli Room of the Uffizi, and with the closing concert of the Festival which took place at the end of June in the novel location of the Piazza del Duomo, beneath Giotto's bell-tower.

These three important initiatives not only strengthen the relationship between Fondiaria-SAI and the festival, but will lay the foundations to ensure that the 70th occasion of the Festival in 2007 will become a great opportunity to strengthen the Theatre which is so dear to Florence and to Italian culture.

The Company has already this year almost doubled its contribution to the Teatro del Maggio foundation, and has also committed itself to doing the same next year.

We would also highlight the sponsorship, together with Amsa S.p.A. and Corriere della Sera, of the "I LAV MILAN" initiative, promoted by the Commune of Milan in order to raise awareness amongst its citizens of the problems relating to urban behaviour, involving them, together with schoolchildren, in cleaning the city and, in particular, cleaning the graffiti which defaces the walls of buildings. On 30 September 288 buildings were cleaned of graffiti, a total of around 32,500 m².

In the area of sports, the most important sponsorship in terms of media exposure and financial commitment has been the +39 Challenge, the Italian boat which took part for the second year in the qualifying races for the 32nd America Cup in 2007, bearing the Fondiaria-SAI logo on its sails.

We should also mention sponsorship of the Fondiaria-SAI Swing Cup, a golf tournament in 16 stages, one of the most prestigious in Italy, with the final on the course at Tanka Village in Villasimius, and of Fondiaria-SAI Atletica of Rome, the women's athletics team which, with the Fondiaria-SAI logo on their shirts, again achieved good results, winning the tricolour shield for the fifth consecutive year and silver in the European championships, with the consequent good press from the sector's media.

Press Office

The press office has ensured a constant flow of information on the activities and results of the Parent Company and has supported the issue of 20 price-sensitive press releases.

It also promoted and managed interviews and analyses with the Managing Director and the top managers of the Company, for the purposes of transparency and willingness to engage in dialogue, to constantly improve the way the company's image is perceived from outside.

Lastly, it collaborated on production of the presentation to the financial community of the 2006-2008 Business Plan, optimising the media impact.

Planned activities for 2007

We have summarised below the main commitments envisaged for the new year:

- The creation of a new half-yearly magazine intended to promote a stronger internal communications culture and offer tools which are informative and of use in daily operations.
- The "Libera la Vita" operation: an initiative aimed at the Agencies in all the Networks which intends to reward communication projects which are more in tune with brand positioning, pursuing the objective of greater coherence between the messages given out across the territory.
- Consolidation of the visual identification system, by means of gradual extension of the ten codes to all institutional and product communication, on line and off line.
- Support for the launch of new non-Life products (both Corporate and Retail) planned for 2007.
- The new initiatives for Internal Communication.

- Checking and analysis of complaints received, whilst taking into account the problems inherent in the Direct Indemnity system in force from 01/02/2007.
- Greater involvement of Private Insurance Clients in the Club Assicurati initiative.

COMPUTER SYSTEM INTEGRATION

In 2006 the Information Technology Directorate was strongly charged with completion of the computer migration process for all the Non-Life and Life companies in the Group, to complete the projects supporting actions on the business plan and, at the same time, to bring about systems transformation in terms of technology and applications, and with bringing in the new procedures for Agencies and the Online production system.

Migration of the SIS network and of Nuova MAA to the Group's Management Information System completed the integration, including the information aspects and technical production, accounting and administrative processes of the Fondiaria-SAI and Milano Assicurazioni Companies.

Important work was carried out on Motor and Real Estate products for commercial initiatives planned in 2006, aimed, though not exclusively, at the intense programme of marketing campaigns provided for in the business plan.

With reference to the Claims environment, preliminary development activities were completed for the process of extending the IES system to all the Group's networks, which is forecast for completion by 2007.

In accordance with statements made in the business plan, the Information Technology Directorate invested in the relaunch of the telephone company DIALOGO, by setting up a technology and software infrastructure largely geared towards marketing initiatives.

From the beginning of 2006, efforts also turned towards producing new tools to support internal users and the Agencies. With regard to the agency networks, of particular importance were the new tools to support management activity and agency sales (marketing, CRM, DataWareHouse) and development of the Agency Intranets, a fundamental tool for both improving communications and for more effective and efficient management of marketing initiatives.

In terms of regulatory requirements, as well as implementing the provisions of Leg. Decree 196/2003 in the matter of electronic data-processing (in connection with the 2006 Security Planning Document) and to ISVAP circular 577, the Group's information systems have been brought up to the standard required by ISVAP regulation no. 4 in terms of sending the risk certificate, and prepared for the coming into force of the new direct indemnity regime. Initiatives have also been launched in relation to the implementation of the requirements of law 262/05 in respect of protection of savings.

Substantial investment has also been incurred to establish the information systems supporting Bancassurance business, both Non-Life and Life, by implementing new distribution agreements using the Group's information systems, or communicating with the computer systems of partners or suppliers.

The intense development activity for computer systems, whether for new projects or ongoing maintenance activity, has been accompanied by service and management activity, with the objective of safeguarding data integrity, alignment of databases and therefore the accuracy of technical, administrative and accounting processes deriving from the information stored and managed by the information systems.

In 2006 the project to bring in the new online Non-Life system in fact came to the end of a first important phase, where the technological choices have been implemented and the basic development activities completed to put in place all the pre-requisites for the start of the second development phase, which by the end of 2007 will bring in the functionality which will come into operation from 2008. Also in 2006,

development work was completed on the new Agency procedure which will run alongside the Online system, for functionality which is not inherent in insurance production but relates to the administrative and commercial management at point of sale. The new Agency Procedure will be rolled out progressively to the Group's networks from 2007.

In 2006 much attention focussed on technological and functional analysis of the current and future requirements of the business process. Regulatory changes and new market challenges must be addressed in a timely manner in order to transform the new information system into an instrument for competitive advantage.

DISCHARGE OF OBLIGATIONS CONCERNING MATTERS OF PRIVACY (Leg. Decree no. 196/2003)

In accordance with the requirements of rule 26 of the "Technical regulations governing security measures", Annex B) to Leg. Decree 30/6/2003 no. 196, Fondiaria-SAI S.p.A. declares that it has drawn up the Security Planning Document for the year 2007, in compliance with the provisions of art. 34 of Leg. Decree 30/6/2003 no. 196 and the technical regulations mentioned above.

RATINGS, RELATIONS WITH THE MARKET AND WITH INSTITUTIONAL INVESTORS

It is noted that during September 2006 the rating agency Standard & Poor improved its outlook for the Fondiaria-SAI Group and its subsidiary Milano Assicurazioni, raising it from "stable" to "positive". The "BBB" counterparty rating, also for financial solidity for insurance purposes, was reconfirmed for both companies.

This change in their view reflects a more prudent investment strategy and improved capitalisation, as well as a strong competitive position on the market and the operating performance of the Group.

MANAGEMENT AND COORDINATION – DEALINGS WITH GROUP COMPANIES AND RELATED PARTIES

The Company is not subject to management and co-ordination by others pursuant to article 2497 et seq. of the Civil Code. It does, however, carry out management and co-ordination activities in accordance with the aforementioned regulation in relation to its own subsidiaries, including MILANO ASSICURAZIONI and IMMOBILIARE LOMBARDA and their direct subsidiaries.

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

The Company also has relations of a financial, insurance and service-providing nature with the majority of companies in the Group.

We can confirm that relations with companies in the Group fall within the usual activity of co-ordination of the Company and are also subject to the specific ISVAP control regulations. No operations have been carried out which are atypical in respect of the normal activity of the company.

The main intragroup transactions, governed by market prices or according to the criterion of debiting only actual costs incurred, concern reinsurance activity, the claims settlement procedure for Non-Life classes, the computer service, administration, management of property and movable assets, as well as the granting of loans and guarantees.

The provision of services to companies in the Group has ensured rationalisation of the operating functions and use of the synergies in the Group, achieving greater economic efficiency overall. For details of intragroup transactions, see the annexes to the accounts - Part C - Notes to the Accounts.

We also confirm that there are no significant positions or transactions arising from atypical and / or unusual operations.

We have provided below a summary of the data relating to the main relations with companies subject to management and co-ordination, drawing attention to the fact that the sign of transactions relates to the impact on the accounts of the Parent Company:

(€m)				
Company name	Assets	Liabilities	Costs	Income
Subsidiaries				
BANCASAI S.p.A.	75			4
FINITALIA S.p.A.			5	
IMMOBILIARE LOMBARDA S.p.A.	1	18	5	1
MANTEGNA S.r.l.		10		
MERIDIANO BELLARMINO S.r.l.		4		
MERIDIANO EUR S.r.l.		2		
MERIDIANO ORIZZONTI S.r.l.		5		
MERIDIANO RISPARMIO S.r.l.		6		
MERIDIANO SECONDO S.r.l.		2		
MILANO ASS.NI S.p.A.	246	244	32	119
NUOVE INIZIATIVE TOSCANE S.r.l.		5		
PRONTO ASSISTANCE S.p.A.	5		14	12
PRONTO ASSISTANCE SERVIZI S.p.A.	1	3	12	
SAI FINANZIARIA S.p.A.		37		
SAI HOLDING ITALY S.p.A.	4	31	1	
SAI INVESTIMENTI S.G.R. S.p.A.	6	5		
SASA S.p.A.	19	1		2
SASAVITA S.p.A.	8		1	2
SIAT S.p.A.	13	7	12	11
SYSTEMA S.p.A.	2	1		
UNISERVIZI S.c.a.r.l.	2	5	107	34
VILLA RAGIONIERI S.r.l.		2		
OTHERS	9	8	6	7

The main relationships relate specifically to:

- Banca SAI S.p.A. – activities relate to correspondent current accounts which the Parent Company holds with the subsidiary;
- Immobiliare Lombarda S.p.A. - € 5m of the liabilities relate to payables for consultancy and services rendered, whilst € 12m relates to incremental costs on property;

- Mantegna s.r.l – the liabilities relate to Group VAT payable in relation to assets ceded to the Parent company;
- Milano Assicurazioni S.p.A. – the assets and liabilities of the subsidiary mainly relate to intragroup assets arising from its compliance with the national consolidated taxation regime and to reinsurance relationships, whilst the differential between costs and income, € 10m (€ 37m of income and € 27m of costs), represents the net cost sustained by the subsidiary as a result of enjoying and providing unified Group services; € 73m have also flowed into income from dividend payments, and € 4m from reinsurance transactions;
- Pronto Assistance S.p.A. – Costs and income refer to outward reinsurance transactions, relating solely to the Medicare segment;
- Pronto Assistance Servizi S.p.A – The costs refer to expenses incurred in settling claims and from call centre services;
- Sai Finanziaria S.p.A. – the liabilities refer mainly to funding obtained in the amount of € 35m;
- Sai Holding S.p.A. - the liabilities refer mainly to funding obtained in the amount of € 30m;
- Sasa S.p.A. - the assets refer mainly to € 10m of funding extended with a subordination clause, and € 7m in intragroup assets arising from the subsidiary's adoption of the national consolidated taxation regime;
- Uniservizi S.c.a.r.l. – costs incurred and income received refer to internal transactions relating to enjoyment of unified Group services.

With reference to other subsidiaries not covered by the terms of article 2497 of the civil code and subsequent amendments, we are nevertheless reporting below the main dealings with the Parent Company:

(€ m)		Assets	Liabilities	Costs	Income
Company name					
Subsidiaries					
BIM VITA S.p.A.					2
FINSAL INTERNATIONAL S.A.			28	1	1
NOVARA VITA S.p.A.	3			95	98
SAI INTERNATIONAL S.A.			236	13	
SIM ETOILE S.A.			23	1	10
THE LAWRENCE RE IRELAND LTD.	7		48	92	47

Specifically, the main relationships involve:

- Finsal International S.A. - the liabilities relate mainly to funding obtained in the amount of €27m;
- Novara Vita S.p.A. – to costs and income relate to inward reinsurance transactions;
- Sai International S.A. - the liabilities relate mainly to funding obtained in the amount of € 235m, whilst the costs relate to interest payable incurred on the aforesaid funding;
- Sim Etoile S.A. - the liabilities relate to funding obtained in the amount of € 23m whilst the income relates to dividends received of € 10m;
- The Lawrence Re Ireland Ltd. - the liabilities refer mainly to deposit accounts in connection with reinsurance cessions towards the subsidiary, whilst the costs and income refer to outward and inward reinsurance transactions;

Other related parties of Fondiaria-SAI

With reference to other related parties of Fondiaria-SAI we are reporting below details of the main relationships:

(€K)	31/12/2006		31/12/2005	
	Assets	Liabilities	Assets	Liabilities
Parent company	-	1,283	-	-
Affiliates and joint ventures	2	-	-	-
Associated companies	1	20	-	-
Other related parties	31,361	-	18,414	-

(€K)	31/12/2006		31/12/2005	
	Income	Charges	Income	Charges
Parent company	358	-	9,720	1
Affiliates and joint ventures	2,348	-	2,166	-
Associated companies	19	-	41	5
Other related parties	117	25,094	2,731	16,487

The income under Associated Companies includes the dividend of € 2m from the associated Private Finance company.

The asset item for Other Related Parties refers to transactions with the company IM.CO of € 31m, relating to incremental and improvement costs on property.

The item Charges from Other Related Parties includes € 17m relating to directors' emoluments and salaries of managers of the Parent Company who have strategic responsibility.

NATIONAL FISCAL CONSOLIDATION

The 2006 financial year represents the third year of application of this scheme following the Ires reform as per articles 117 et seq. in DPR (Presidential Decree) 917/1986.

For the 2005 financial year, the benefits which derived from adopting the new procedure were absolutely clear. Management of current taxation (IRES) at Group level in fact enabled a total tax saving of approximately € 23.1m, including €5.3m of a temporary nature, relating to fiscally neutral cessions in the sense of art. 123 of DPR 917/1986 due to be reversed in future financial years, € 16.5m relating to the immediate and full use of tax losses transferred from various subsidiaries and finally € 1.3m due to further tax reductions on intragroup dividends.

This result was strongly influenced by the inclusion of sizeable fiscal losses from the subsidiary Immobiliare Lombarda. On this point it is pointed out that adoption of the tax regime set out in art. 124, comma 5, of DPR. 917/1986 with this company, following the merger by incorporation of Progestim S.p.A., has been possible by obtaining a favourable opinion in relation to the appeal petition referred to in art. 11 of the law dated 212/2000, which was duly presented. This event was already highlighted in the management report with the accounts for the 2005 financial year.

Because of the commitments assumed as consolidating entity, Fondiaria-SAI has thus taken steps in 2006 to clear the Ires tax burden of the Group for 2005 in the total amount of € 164.1m which, net of credits, retentions and payments transferred to the Group or paid by it for the purposes of consolidation on behalf of the Group, generated a credit balance equal to approximately € 60.9m.

The Company also arranged payment of the Ires balances due for the year 2006; for payment of the second instalment in November it took into account the integration measures provided for in the recent regulatory norms, including Leg. Decree 223/2006, converted, with amendments into Law 248/2006 and in Leg. Decree 262/2006, converted into Law 286/2006. It subsequently arranged to debit (or credit) the total amounts owed (or due) for each of the consolidated companies, in full compliance with the obligations placed on it by tax regulations and as agreed with the adopting subsidiaries, also aiming for an equitable division of the economic and financial advantages arising.

For the 2006 financial year the perimeter or basis of consolidation includes, in addition to the consolidating entity itself, 57 companies including two listed subsidiaries.

Variations which have occurred in the basis compared to the previous financial year have not entailed relinquishing previously obtained financial advantages. The new additions have not been of a size to involve significant changes to the fiscal burden of the Group.

Effects of adopting the national fiscal consolidation on the yearly accounts as at 31 December 2006

The estimated Ires for the Group for the 2006 financial year amounts to approximately €185.0m (including about € 70.0m for the account of the consolidating company Fondiaria-SAI).

The expected tax saving at Group level amounts to approximately €8.3m including €7.0m relating to the use of tax losses transferred to various consolidated companies and € 1.3m relating to consolidation adjustments made to take into account further tax reductions of 5% for dividends paid by these consolidated companies within the Group.

In terms of the Ires relating to the 2006 financial year, credits towards the subsidiaries have been recorded in connection with the transfer of positive taxable balances of € 116.2m, whilst receivables towards the treasury transferred to the top of the Group and applied to the accounts of the consolidating entity as an offset to payables towards subsidiaries amount to € 13.4m in total. Finally, at year-end the amount held on accounts relating to subsidiaries, already paid to the consolidating entity Fondiaria-SAI, and reported by it amongst payables to subsidiaries, amounts to € 99.9m.

INFORMATION ON SHAREHOLDINGS HELD BY DIRECTORS, STATUTORY AUDITORS AND GENERAL MANAGERS

The table below shows the shareholdings held by Directors, Statutory Auditors and General Managers under art. 79 of Consob Resolution no. 11971 of 14/5/99, containing the implementing regulation of Legislative Decree 24/2/98 no. 58 concerning regulations governing listed companies.

Shareholdings held by spouses not legally separated and by children who are minors, either directly or through subsidiaries, trust companies or persons acting as intermediaries, have also been taken into consideration.

Surname and name	Participating interest	Number of shares owned as at 31/12/2005		No. of shares purchased	No. of shares sold	No. of shares held as at 31/12/2006
------------------	------------------------	---	--	-------------------------	--------------------	-------------------------------------

Nom.Val. € 1

Nom.Val. € 1

GENERAL MANAGERS

MARCHIONNI Fausto	Fondiarìa-SAI	625 a)	ord.	-	-	625 a)
		282 a)	sav.	-	-	282 a)

BOARD OF DIRECTORS

CORSI Francesco	Fondiarìa-SAI	5 a)	ord.	-	-	5 a)
LIGRESTI Giulia Maria	Fondiarìa-SAI	1,500 b)	ord.	1,500 b)	1,500 b)	1,500 b)
PINI Massimo	Fondiarìa-SAI	3,500 a)	ord.	-	-	3,500 a)
TALARICO Antonio	Fondiarìa-SAI	9,385 a)	ord.	-	-	9,385 a)
		5,200 a)	sav.	-	-	5,200 a)
	Fondiarìa-SAI	1,800 b)	ord.	-	-	1,800 b)
		1,000 b)	sav.	-	-	1,000 b)
ZANNONI Oscar	Fondiarìa-SAI	29,000 c)	ord.	-	-	29,000 c)

Managers with strategic responsibilities:

Fondiarìa-SAI	23	ord.	-	-	23
		sav.	2,000	2,000	-

LISTED SUBSIDIARIES

		Nom.Val. € 1				Nom.Val. € 1
--	--	--------------	--	--	--	--------------

BOARD OF DIRECTORS

PINI Massimo	Milano Ass.ni	10,000 a)	ord.	-	-	10,000 a)
	Imm.	95,220 a)	ord.	100,000 a)	-	195,220 a)
	Lombarda					
TALARICO Antonio	Milano Ass.ni	20,100 a)	ord.	-	-	20,100 a)
RUCELLAI Cosimo	Milano Ass.ni	8,694 a)	ord.	-	8,694 a)	-
ZANNONI Oscar	Milano Ass.ni	100,000 a)	ord.	-	50,000 a)	50,000 a)
	Milano Ass.ni	91,000 b)	ord.	-	5,000 b)	86,000 b)
	Imm.	-	ord.	4,000,000	-	4,000,000
LIGRESTI Gioacchino Paolo	Lombarda			a)		a)
LO VECCHIO Lia	Imm.	50,377 a)	ord.	-	-	50,377 a)
	Lombarda					

Managers with strategic responsibilities:

Milano Ass.ni	21,000	ord.	-	20,000	1,000
	24,227	sav.	-	16,727	5,000

(a) shares owned directly

(b) shares owned directly by spouse

(c) shares owned via subsidiary

CURRENT DISPUTES

Antitrust litigation

During 2006 the Antitrust litigation – comprising well-known civil cases brought by our policyholders (beginning in April 2001) requesting partial reimbursement of the TPL premium paid – continued to grow at a higher than expected rate, despite the favourable judgement passed by the Joint Sections of the Court of Cassation on 4 February 2005 declaring the Justices of the Peace not competent to judge the disputes in question, favouring the Court of Appeal. Following this judgement by the Court of Cassation, the number of new cases brought before the Justices of the Peace fell to practically zero; numerous cases were, however, brought or resumed before the Court of Appeal, generating a phenomenon which was not foreseeable after the decision of the Supreme Court. On 30 October 2006 a hearing was held before the Supreme Court of the petition lodged by the Company against the first unfavourable judgement issued by the Court of Appeal in Naples. The decision was published just recently, but it only partly accepts the arguments put forward by the Companies, which makes it feasible that this phenomenon will still continue, with the timeframe and scale being unpredictable at this time.

As at 31 December 2006 the total number of cases brought since April 2001 amounted to 30,589. The total number of cases pending as at that date was 5,443.

Writs by shareholders

With regard to proceedings brought against the Company by shareholders of the incorporated entity La Fondiaria Assicurazioni S.p.A. in relation to the presumed obligation to make an offer to purchase, such obligation being deemed to derive from the Consob procedural notice of December 2002, we report that there are eight first level claims pending.

Also pending before the Milan Court of Appeal are the proceeding brought by the Company for the revision of judgements 5259 of 8/5/2006 and 10987/2006 issued by the Milan Court in the disputes brought respectively by the Marcegaglias and by the trust company Promofinan s.r.l. and by other shareholders. With regard to this appeal judgement we can confirm that the Milan Court of Appeal has accepted the Company's petition to suspend execution of the first level judgement.

The Milan Court of Appeal, in judgement no. 54/2007 passed on 15/1/2007, accepted the appeal lodged by Fondiaria-SAI and the other defendants against judgement no. 6688/2005 of the Milan Court which had decreed that the Company and Mediobanca should pay the damages claimed by the operator Promofinan S.p.A. as a shareholder of La Fondiaria Assicurazioni S.p.A. Following the judgement, Fondiaria-SAI has recovered the amount paid to Promofinan as provided for in the amended judgement, as well as first and second level legal expenses. The judgement may be contested before the Court of Cassation.

The reserve for risks and charges recorded on the accounts as at 31/12/2006 is in any case adequate to meet costs arising from any deterioration in the outstanding disputes.

SIGNIFICANT EVENTS OCCURRING AFTER THE END OF THE FINANCIAL YEAR

Bersani law *bis*

The Bersani law *bis* was published on 31/01/2007, no.7 “Urgent measures for the protection of consumers, promotion of competition, development of economic activity and the birth of new enterprises”.

This law includes various provisions affecting insurance, including some which are of particular importance for Motor Third party Liability, those concerning the maintenance of and changes to the ‘merit class’ and the portability of the risk certificate; all this will have an economic impact which cannot be quantified at present. The Company has begun the process of ensuring its readiness to deal with these regulations.

Joint Venture with EDS Group to manage the Information Technology infrastructure of the Fondiaria-SAI Group

Work has begun on a project to entrust the management of the Information Technology (IT) infrastructure of the Fondiaria-SAI Group to a joint venture set up with a partner of proven capacity and experience in the information sector, identified as EDS Italy S.p.A. (hereafter known as EDS).

Bearing in mind the forecasts for growth in the level of competition in the insurance market, it was indeed felt that one of the key factors for achievement of the objectives set out in the 2006-2008 Business Plan for Fondiaria-SAI Group lay in implementing a systems project to bring the Group’s IT infrastructure to a level which would enable it to improve the competitive position of the Group whilst also achieving cost savings.

The plan to accomplish this project, very briefly, provides for the function of managing the IT infrastructure to be executed through a multi-year service contract drawn up as needed between, on the one hand, the company Fondiaria-SAI Servizi Tecnologici S.r.l. (hereafter known as FonSAI ST), with the participation of EDS and by companies in the Fondiaria-SAI Group, to which these companies have transferred personnel and / or hardware and software in accordance with the legal framework for conferring business resources and, on the other hand, Uniservizi S.c.r.l., the member company of the Fondiaria-SAI Group which will act as the collector of services and distribute them to companies in the Fondiaria-SAI Group including those not supplying such. FonSAI ST works exclusively for the Fondiaria-SAI Group.

All the agreements were negotiated by the Company with the help of a legal advisor and a technical advisor.

FonSAI ST was constituted in December 2006 with initial equity of € 10,000, divided between Fondiaria-SAI and EDS in proportions of 51% and 49% respectively.

Although Fondiaria holds 51% of the equity in FonSAI ST the contractual agreements for governance as a whole nevertheless mean that operational control of the company resides with EDS, a necessary condition for guaranteeing to the Fondiaria-SAI Group the operational advantages relating to reducing costs and improving the services of the segment.

Subsequently, on 1st February last, the Shareholders’ Meeting of FonSAI ST resolved to increase capital from € 10,000 to € 120,000, subscribed and paid proportionally as shown below:

- for EDS, by a monetary payment of an amount to maintain its participation in the equity of FonSAI ST at 49%;
- for the Fondiaria-SAI Group, by conferment of business resources from itself and from Fondiaria-SAI, Milano Assicurazioni S.p.A., Starvox S.p.A and Uniservizi. These business resources comprise personnel and / or hardware and software required for the management activities entrusted to EDS.

The value of the business resources conferred is that identified from the balance sheet records for the said resources on 31 October 2006, as included in the reports of estimated values drawn up in accordance with art. 2465 C.C., by an expert listed on the register of auditors.

The total value of the resources taken from these balance sheet valuations is applied to the shareholders' capital of FonSAI ST up to an amount of € 120,000 with the excess posted to the purchase premium provision, for the total amount of around € 8.4m.

The business resources transferred also included 134 employees of the Parent Company, of Milano Assicurazioni and of Starvox, with regard to whom the legally required processes with the unions were followed, resulting in signature of an appropriate agreement.

During March 2007, Milano Assicurazioni, Uniservizi and Starvox ceded to Fondiaria-SAI their respective participations in FonSAI ST, in order to bring together within Fondiaria-SAI the investment in the vehicle company, notwithstanding that the provision of information services as covered by the service contract between FonSAI ST and Uniservizi will still apply to companies in the Group Fondiaria-SAI del, including those not amongst the transferors.

Finally, it is planned to convert FonSAI ST from an S.r.l. into an S.p.A., with the issue of various categories of shares with differing entitlements in terms of voting and participation in profits and losses, consistent with all the aforesaid governance agreements.

BUSINESS OUTLOOK

The future of the Fondiaria-SAI Group is moving through a business plan which will take us to new heights of achievement. From analysing the results of the financial year which has just closed, we have been able to appreciate the positive performance of the business and believe we can improve on the Group targets established in the Business Plan for the three year period 2006-2008. Our strategy has been enriched by an additional element. No longer merely achievement of a balance between expansion and profitability, though this has been achieved brilliantly, but a third dimension to add in: diversification to reduce risk.

We wish to accomplish our strategy for growth in Italy, and eventually at an international level, whilst safeguarding excellent profitability and guaranteeing the creation of sufficient returns for all stakeholders.

Indeed, in terms of foreign partnerships, mainly focussed on Eastern Europe, a study is still underway on creation of a future vehicle company as a joint venture with associates who have know-how in various local markets.

This adds up to a significant improvement in our position of excellence in the non-Auto retail segment, taking up the lead position (by means of measures aimed at incentivisation and training in agency networks), also maintaining first place in the T.P.L. Motor market (aided by the extension of marketing to all Group Networks of the new "Prima Global" product), developing alternative sales channels such as the direct channel, by relaunching the subsidiary Dialogo, or by developing Non-Life Bancassurance, bringing the network to 2,700 outlets.

We will also concentrate on other areas of business, focussing attention on the Corporate area (which offers particularly good potential in areas relating to covering balance sheet, financial and credit risks), with one eye on Public Administration (where the system of tendering for contracts allows good opportunities to be created in a context which has specific demands, in terms of both contractual and economic aspects). We will then strengthen equity and financial management, by a management approach which will continue to be inspired by prudential criteria, with the aim of limiting interest rate risk, fair value and counterparty risk, whilst seizing opportunities which the financial market may offer when there are favourable economic trends. New opportunities in the property market will also be grasped (with developmental guidelines inspired by investment models which are graduated according to the level of risk). At the same time we will proceed with developing the Life segment by increasing premium receipts as well as by new bancassurance agreements, in order to restore balance to the portfolio mix. In this regard, the sales initiatives which have been in place in the traditional networks and which were aimed at significantly increasing new production of annual premiums as well as at recovering maturing monies, may add further value to the long term portfolio.

The ultimate aims, however, will be maintenance of the excellent technical balance, with a combined ratio of around 92%, as well as guaranteeing capital management policies which are attractive to shareholders, with growth initiatives aimed at wealth creation via diversification of the business, the creation of new options for development, and increased profitability.

We are aware of the ambitious nature of the programmes which we intend to pursue at consolidated level: this growth plan is nevertheless compatible with the strength of a Group which in the previous three-year period has integrated seven companies into the business, merging their claims management networks, computer systems and administrative units.

Three years ago, too, when the first Business Plan for the new Fondiaria-SAI Group was presented following the post-merger reorganisation, this was judged to be particularly ambitious. Just a short time

later we can state that the planned work has been carried through and that all the planned objectives have been fully attained.

Fortified by this success, we will face the years ahead confident of achieving the planned improvements to performance, as we firmly believe in the constant use, never diminishing, of all resources belonging to the Group.

Milan, 27 March 2007

*For the Board of Directors
The Chairman*

JONELLA LIGRESTI

Proposals to the Ordinary and Extraordinary Shareholders' Meetings

PROPOSALS TO THE ORDINARY SHAREHOLDERS' MEETING

Distribution of the profit for the year

Dear Shareholders,

Having regard to the management report and the report by the Statutory Board of Auditors, the contents of which are regulated by Legislative Decree no. 58/98, having regard moreover to the report from the auditors (all of which are available to be viewed by members at the registered office, together with the accounts, in accordance with the law), we now submit for your approval, together with the accounts, the following proposal for the distribution of the profit for the year of € 272,074.150.42, comprising the sum of the profit of € 2,036,915.72 on Life business and the profit of € 270,037.234.70 on non-Life business, which includes, after making the allocations due in accordance with the law and the bye-laws, the distribution of a gross dividend of € 1 for each ordinary share entitled to the dividend and of € 1.052 for each savings share entitled to the dividend.

Net profit for the year	€ 272,074,150.42
to the Life Business legal reserve	€ 456,672.20
to the non-Life business legal reserve	€ 456,669.60
to the 43,310,622 savings shares: Dividend of € 0.065 gross, equal to 6.50% of their nominal value	€ 2,815,190.43
	€ 268,345,618.19
to 125,171,597 ordinary shares: dividend of € 1 gross, equal to 100% of their nominal value	€ 125,171,597.00
to 43,310,622 savings shares: further dividend of € 0.987 gross, and thus totalling € 1.052, equal to 105.20% of their nominal value	€ 42,747,583.91
	€ 100,426,437.28
To the Life business extraordinary reserve	€ 1,580,243.52
To the non-Life business extraordinary reserve	€ 98,846,193.76

If you agree with this proposal, in accordance with the regulations established in this regard by the Italian Stock Exchange, we would invite you to declare the dividend with effect from 24 May 2007.

Resolutions regarding own shares in accordance with Articles 2357 and 2357-ter of the Civil Code

Following the resolution made by the Extraordinary Meeting of the Company on 4 December 2006 and since the time specified by prevailing regulations as elapsed, steps have been taken to reduce the capital of FONDIARIA-SAI by cancellation of all 9,490,212 all own ordinary shares held. The Company does not hold its own shares. At the date of this report, the subsidiary Milano Assicurazioni S.p.A. holds 6,802,557 ordinary shares of the Company, equal to 5.435% of ordinary capital and 4.038% of the whole of shareholders' equity, and the subsidiary SAI Holding Italy S.p.A. holds 1,200,000 ordinary shares of the Company, equal to 0.959% of ordinary capital and 0.712% of the whole of shareholders' equity. The official market price of the security on 26 March 2007 is € 34.39.

On 28 April next the twelve month term fixed by the Meeting of the Company on 28 April 2006 for the purchase and the sale of own shares will expire.

We propose authorisation, in accordance with Articles 2357 and 2357-*ter* of the civil code, for further purchases of own ordinary and / or savings shares, on one or more occasions and for a period of twelve months from the date of the resolution, in accordance with the programme set out below.

Furthermore, we propose authorising the sale, where appropriate, of own shares currently in the portfolio and those which will be purchased on the basis of the Meeting's resolution.

The request to renew the authorisation to purchase and sell own shares is based on the objective, as far as purchasing is concerned, of taking advantage of further opportunities for investment, having regard to the occasional liquidity of the security and the performance of the security itself and of the market and, with regard to sales, to allow the realisation of profits where they arise.

Pursuant to art. 144-bis of Consob Regulation no. 11971/1999, purchases and sales shall be made exclusively in accordance with the procedure referred to in no. 1 b) of that article and, consequently, on markets regulated in accordance with operating procedures laid down by the Italian Stock Exchange, which do not allow the direct combination of negotiations on purchase proposals with predetermined sale negotiation proposals. Block trading is also excluded.

We therefore propose authorisation, in accordance with the rules referred to in the paragraph above, for further purchases of own ordinary and / or savings shares up to a maximum increase, taking into account any sales effected in the meantime, of 2,600,000 own ordinary and / or savings shares with a nominal value of € 1.00 each, but up to a maximum amount of € 94m, whilst remaining within the limits referred to in art. 2357-*ter* of the civil code, as referred to elsewhere.

The maximum number of own shares which may be purchased as stated above must be taken to be the difference between own shares purchased and those sold in accordance with the authorisation by the Meeting.

We propose that each purchase is made for a unit price not exceeding 5% (five per cent) of the average of the reference prices recorded on the information system of the Italian Stock Exchange in the three sessions preceding any individual transaction and similarly that sales are made at a price which shall not be less than 5% (five per cent) of the average of the reference prices recorded on the information system of the Italian Stock Exchange in the three sessions preceding each individual transaction.

With regard to volumes, purchases and sales of shares on any one occasion will not exceed an amount equal to 25% of the average daily volume of shares traded on the regulated market on which the transaction is made, calculated based on the average daily volume of trades in the month prior to the month in which the programme is made public and is established on that basis for the entire life of the programme.

In any case, in accordance with the provision set out in article 2357, comma 3, of the civil code, the total nominal value of own shares, also taking into account those already purchased in compliance with previous Meeting resolutions and any which may be owned by subsidiaries, will not exceed one tenth of shareholders' equity. Furthermore, all purchases and / or sales transactions are to be executed in accordance with all other prevailing regulations.

In order to make the above-mentioned purchases we propose that once the amount applied to "Provision for purchase of own shares" on 28 April next upon expiry of the preceding authorisation has been zeroed off, with a corresponding increase to the "Extraordinary Reserve" – a set-aside of € 94m will be applied to the "Provision for purchase of own shares", drawn from the "Extraordinary reserve", from which we also propose to draw the sums necessary to restore the reserve referred to in art. 2357-*ter* of the civil code in cases where own shares are revalued upwards following any devaluations applied to them.

If the Meeting approves the plan described above, all details of the programme will be made public prior to the start of share purchase operations, indicating the purpose of the programme, the maximum countervalue, the maximum quantity of shares to be purchased and the length of the period for which the programme has received authorisation.

At the end of the period for which the Meeting has granted authorisation, the Company will then communicate to the public information on the outcome of the programme and on what it has achieved.

Resolutions concerning shares of the parent company Premafin Finanziaria Società per Azioni – Participating Interests in the sense of art. 2359-bis of the civil code.

In accordance with your previous resolutions, your Company, at the date of this report, holds 18,340,027 ordinary shares in the parent company Premafin Finanziaria S.p.A. – Participating Interests (hereafter referred to as: Premafin), equal to 4.4695% of share capital. Furthermore, also at the date of this report, a further 9,157,710 ordinary Premafin shares are held by the subsidiary Milano Assicurazioni S.p.A., equal to 2.2317% of share capital, and 66,588 ordinary Premafin shares held by the subsidiary SAIFIN Saifinanziaria S.p.A. n., equal to 0.0162% of share capital.

The average unit book value of the ordinary shares of the parent company Premafin held by the Company is € 1.6813. The official market price of the security on 26 March 2007 is € 2.396.

On 28 April the twelve month term set by the Meeting of the Company on 28 April 2006 for the purchase and sale of shares in the parent company Premafin will expire.

We propose authorisation in accordance with Art. 2359-*bis* of the civil code, for further purchases of shares in the parent company Premafin, on one or more occasions and for a period of twelve months from the date of the resolution, in accordance with the programme set out below.

We propose authorisation for the sale, where appropriate, of shares in the parent company Premafin currently in the portfolio as well as those purchased on the basis of the Meeting's resolution.

The reason for the request for renewal of the authorisation to purchase and sell shares in the parent company Premafin is the aim, as far as purchasing is concerned, of taking advantage of further opportunities for investment, having regard to the occasional liquidity of the security and the performance of the security itself and of the market and, with regard to sales, to allow the realisation of profits where they arise.

In accordance with Art. 144-*bis* of Consob regulation no. 11971/1999, purchases and sales will be effected exclusively in the ways stated in comma 1 sub letter b) of the same article and, thus, on markets regulated in accordance with operating procedures laid down by the Italian Stock Exchange, which do not allow the direct combination of negotiations on purchase proposals with predetermined sale negotiation proposals. Block trading is also excluded.

We therefore propose to execute, solely under the terms described in the previous paragraph, further purchases of shares in the parent company Premafin, up to a maximum amount, taking into account any sales made in the meantime, of 1,000,000 shares with a nominal value of € 1.00 each, up to a maximum amount, however, of € 2.5m, subject to compliance with the limits referred to in art. 2359-*bis* of the civil code, as referred to elsewhere.

The maximum number of shares which can be purchased in the parent company Premafin as indicated above should be taken to be the difference between Premafin shares purchased and those sold, in accordance with the authorisation of the Meeting.

We propose to you that each purchase should be made at a unit price not exceeding 5% (five per cent) of the average of the reference prices recorded on the computer system of the Italian Stock Exchange in the three sessions preceding each individual operation and that sales should be made at a price which should not be less than 5% (five per cent) of the average of the reference prices recorded on the computer system of the Italian Stock Exchange in the three sessions preceding each individual operation.

In terms of volumes, shares will not be purchased or sold, on any one occasion, in amounts greater than 25% of the average daily volume of shares traded on the regulated market in which the transaction is

made, calculated based on the average daily volume of trades in the month preceding the month in which the programme is made public and fixed on this basis for the entire duration of the programme.

In any event, in accordance with the provisions set out in art. 2359-*bis*, comma 3, of the Civil Code, the total nominal value of the shares in the parent company Premafin, also taking into account any which may be owned by the said company and by companies which it controls, will not exceed one tenth of the share capital of Premafin itself. All purchase and / or sale operations are also to be executed in compliance with any other regulatory provisions applicable.

In order to make the above-mentioned purchases we propose to that once the amount applied to “Provision for the purchase of shares in the parent company” on 28 April next upon expiry of the previous authorisation has been zeroed off, with a corresponding increase in the “Extraordinary reserve”, a set-aside of € 2m will be applied to the “Provision for the purchase of shares in the parent company”, drawn from the “Extraordinary reserve”, from which we also propose to draw the sums necessary to restore the reserve referred to in art. 2359-*bis* of the civil code in cases where shares in the parent are revalued upwards following any devaluations applied to them.

If the Meeting approves the plan described above, all details of the programme will be made public prior to the start of share purchase operations, indicating the purpose of the programme, the maximum countervalue, the maximum quantity of shares to be purchased and the length of the period for which the programme has received authorisation.

PROPOSALS TO THE EXTRAORDINARY SHAREHOLDERS' MEETING

Proposals to amend the Company Bye-Laws for the purpose of, amongst other things, adjustment to Law no. 262 of 28 December 2005 and to Legislative Decree no. 303 of 29 December 2006. Related and consequent resolutions.

Corporate Governance Report

Section 1 – THE COMPANY’S GOVERNANCE STRUCTURE: GENERAL PRINCIPLES

Information is provided below on the Company’s governance structure and on the implementation of the principles and recommendations contained in the Code of Self-Discipline for listed companies, prepared by the Corporate Governance Committee set up for such purpose at the initiative of the Italian Stock Exchange [Borsa Italiana S.p.A. (hereinafter referred to as the “Code”).

As is well-known, the Code was recently reviewed, in March 2006, by the Corporate Governance Committee set up at the Italian Stock Exchange to look again at the current principles applicable to listed companies in order to bring them into line with developments in national and European regulations. The Company began a process of gradually adapting to the recommendations contained in the new Code for the parts not yet in line with the company practice and with regard, in any event, to the company’s specific nature.

In line with the contents of the joint notification made in November 2006 by the Italian Stock Exchange and Assonime, this report provides information on the level to which the Company’s corporate governance has come into line with the recommendations of the new Code, describing the actions already taken during 2006 and up to the date of the report itself and those planned for the application of these recommendations. In the event of the Code’s recommendations not being met, the reasons for this are explained.

Board of Directors and Executive Committee

The functions and responsibilities of the Board of Directors are as follows: strategic and organisational approaches of the Company and the Group, and verifying that the necessary controls are in place to monitor the performance of the Company and its subsidiaries.

The Directors cannot be appointed for a period of more than three financial years but may be re-elected.

During the meeting to approve the accounts for the 2006 financial year, the adjustments of the bye-laws required to bring the rule introduced by Law no. 262 of 28 December 2005 into effect (hereinafter referred to as “the Savings Law”), with the introduction of a list voting mechanism for the appointment of the Board of Directors, in order to guarantee the possibility of a Director being elected by a minority, will be submitted for the examination and approval of that meeting, called to an extraordinary session.

While awaiting issue of the regulation stipulated in art. 147-quinquies of Legislative Decree no. 58/98 (hereinafter also referred to as the “Consolidated Finance Act”), as introduced by the Savings Law and containing rules on the requirements of honourable behaviour by the Directors, they must be in possession of the requisites required to hold that post in the special regulation applicable to insurance companies (Ministerial Decree 186/1997).

The Board of Directors has delegated its own powers to an Executive Committee, apart from those for which the Board has retained exclusive competence and those which by law cannot be delegated.

Under art. 14 of the Company’s Bye-laws, the Board, with the exception of matters which are reserved without derogation by law or by the Bye-laws to the competence of the shareholders’ meeting or the Board, can delegate its own powers to the Chairman, Vice-Chairman and/or to one or a number of its members, determining the content, limits and any procedures for carrying out the delegation.

In accordance with this statutory provision, the Board has provided for allocating specific powers to the Chairman and the Managing Director.

The duties, powers and responsibilities of the Board of Directors, the Executive Committee and the Chairman are described in section 2 of this report.

Board of Statutory Auditors

The Board of Statutory Auditors performs the tasks assigned to it by Legislative Decree no. 58/98.

The Statutory Auditors remain in office for three financial years. The procedure for appointing them is designed, in accordance with the law and bye-laws, in such a way that one permanent member and one alternate member can be elected by a minority.

While awaiting issue of the regulations stipulated in articles 148, indent 4, and 148-bis of the Consolidated Finance Act, as amended and/or supplemented by the Savings Law, the requirements of honourable behaviour and professional competence by statutory auditors are those established in Ministerial Decree no. 162/2000, implementing Legislative Decree no. 58/98, and by the Company's bye-laws, which have set limits on the number of offices held concurrently by statutory auditors. . In particular, in accordance with the Company's bye-laws, anyone whose circumstances are such as to make them inadmissible under the law or according to the bye-laws, as well as anyone who holds the office of statutory auditor at more than ten insurance companies with their registered office in Italy or companies issuing financial instruments, and listed on the Italian regulated markets, with the exclusion of holding companies, their subsidiaries and subsidiaries of Fondiaria-SAI, may not be appointed as Statutory Auditors and if elected, shall forfeit their office.

This provision of the bye-laws shall be subject to amendment in light of the contents of the regulation being issued by CONSOB on the limits on the accumulation of offices by Statutory Auditors. The bye-law rule on the procedures of appointment to the Board of Statutory Auditors shall also be subject to amendment, having regard to the provisions of law and the regulatory provisions which CONSOB – in implementation of art. 148, indent 2, of Legislative Decree no. 58/98 – will establish by its own regulation on the procedures for the election of the Board of Statutory Auditors by list voting.

General Shareholders' Meeting and capital participation

The General Shareholders' Meeting is held at least one a year to approve the accounts for the financial year and to decide on all other matters submitted to it for approval by the Board of Directors in accordance with the law.

The share capital consists of ordinary shares and savings shares which include the rights provided for by the Company's bye-laws; the capital is controlled by Premafin Finanziaria - Holding di Partecipazioni S.p.A. in accordance with art. 2359, no. 1, no. 2) of the Civil Code.

Fondiaria-SAI is not aware of any shareholders' agreements relating to the capital participation in the said Company.

Management and coordination

The Company is not subject to management and co-ordination by others pursuant to arts. 2497 et seq. of the Civil Code. It does, on the other hand, carry out management and co-ordination activities in accordance with the aforementioned regulation in relation to its own subsidiaries, including Milano Assicurazioni, Immobiliare Lombarda and the respective direct subsidiaries.

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

Section 2 – INFORMATION ON THE IMPLEMENTATION OF THE PROVISIONS CONTAINED IN THE CODE OF SELF-DISCIPLINE

The organisational solutions applied are listed below, and where these are different to those recommended by the Code, the reasons for the choices made.

Role of the Board of Directors and its composition

In addition to exercising the powers and performing the duties provided for by the Civil Code, the Board of Directors fulfils the following functions on an exclusive basis in accordance with the law and/or corporate practice:

- it examines and approves the strategic, industrial and financial plans of the Company and the Group dependent on it. Whilst respecting the competences of the administrative bodies of the individual subsidiaries, the Board of Directors decides on the business strategies of the Group which are proposed to it by the Managing Director;
- periodically it checks the adequacy of the internal control system, assisted in that task by the Internal Control Committee referred to below;
- on the basis of the information and reports received from the appointed bodies, it evaluates the adequacy of the organisation, administrative and accounting structure of the Company and of the Group, with particular reference to the internal control system and to the management of conflicts of interest, as well as the general management [operating] performance. It also approves the company organisational chart;
- it assigns powers of attorney to directors and to the Executive Committee, and revokes them, defining the limits and procedures for exercising the said powers of attorney;
- it determines, subject to the favourable opinion of the Board of Statutory Auditors, the remuneration of the managing directors and of those who hold or are assigned to special positions, as well as the subdivision of the total fees payable to the Board of Directors and the Executive Committee. In this regard, moreover, please see below with reference to the appointment, by the Board of Directors on 27 March 2007, of the Remuneration Committee;
- it examines and approves, normally in advance, the operations of the Company and its subsidiaries, when these transactions are of significant strategic, economic, capital or financial importance, paying particular attention to situations in which one or a number of directors are stakeholders on their own account or that of minority shareholders and, more generally, to transactions with affiliates, with reference to which, please see below.

The Board further defines the guidelines for the internal control system, so that the main risks are properly identified, and suitably measured, managed and monitored.

ISVAP, in its Circular no. 577/D of 30 December 2005 (referred to in detail below), issued provisions which provide for the strategic role of the Board of Directors to become more high-profile with regard to defining the organisational structure, the decision-making processes, allocating powers and policies for taking on and managing risks, consistent, moreover, with the provisions of the Savings Law and the Code of Self-Discipline for listed companies.

As recommended in the new Code, the Board of Directors will examine the procedures by which, at least once a year, the size, composition and running of the Board itself and its committees is evaluated, if necessary expressing guidelines on the professional figures whose presence on the Board is considered advisable.

In accordance with Article 18 of the Company's bye-laws, the Board of Directors has delegated its own functions to an Executive Committee, currently made up of 7 members, with the exception of those which by law cannot be delegated, and without prejudice to the exclusive competence of the Board for any

resolutions regarding significant transactions with related parties as specified further on in this report. The Board of Statutory Auditors is summoned to attend meetings of the Executive Committee.

Without prejudice to the Board's exclusive competence on the matters referred to above, there is besides no provision for assigning exclusive competence to the Executive Committee with reference to specific types of transactions or cost limits. The Executive Committee meets whenever a Board resolution on one or a number of issues makes it necessary in cases of need or emergency in order to get round the necessarily longer times needed to convene the whole Board of Directors. By its nature, the Executive Committee does not meet frequently enough to effectively entail the systematic involvement of its members in the Company's ordinary operations.

The resolutions adopted by the Executive Committee are made known to the Board during the first subsequent working meeting, together with an update on the trend in the transaction approved.

Information is provided below in this report on the number of meetings held by the Board and Executive Committee during the financial year and on the relating percentage of each director's equity investment.

The composition of the Board of Directors, being unchanged as at today's date compared with 31 December 2006 and made up of 19 members, is indicated elsewhere in this booklet. The current term of office will expire at the time of the General Shareholders' Meeting to approve the accounts as at 31 December 2008.

The appointment of the Directors was discussed at the General Shareholders' Meeting on 28 April 2006 at the proposal of the shareholders.

We would also recall that the Board of Directors appointed Salvatore Ligresti, Engineer, as Honorary Chairman of the Company and invited him to take part in all Board and Executive Committee meetings.

As indicated elsewhere in the accounts booklet, the Executive Committee is currently made up of 7 members, including the Chairman, three Vice-Chairmen and the Managing Director. The current composition is unchanged as compared with 31 December 2006.

The Chairman, the Vice-Chairman and the Managing Director are statutorily bound to represent the company to third parties and in court.

The power to establish managerial functions for the Chairman, the Vice-Chairmen and the Managing Director is reserved to the Board, in accordance with art. 14 of the Company's bye-laws.

Currently, the Board of Directors has delegated to the Chairman and the Managing Director all powers of ordinary and extraordinary administration, to be used with a single signature and with the possibility of conferring mandates and powers of attorney, with the exception exclusively of the following powers:

- transfer and/or purchase of immovables with a value greater than € 15m for each transaction;
- transfer and/or purchase of shareholdings with a value greater than € 25m for each transaction, and controlling shareholdings;
- taking on financing [loans] of a sum greater than € 50m for each transaction;
- issue of non-insurance guarantees in favour of third parties.

The delegated persons are directly responsible for actions carried out by them in exercising these powers of attorney: the Board of Directors as a whole, however, has greater power of guidance and control over all the various parts of the company's activities, with each director being bound at all events to act in an informed manner.

The delegated persons report to the Executive Committee or the Board of Directors at every meeting on the exercise of the powers of authority assigned to them in accordance with the above.

At all events, the Board receives from the Executive Committee and from the executive directors, at the time of individual meetings, an exhaustive report on the most important transactions, in terms of their size or characteristics, realised by the company or its subsidiaries. Moreover, these delegated bodies report, in accordance with art. 2381 of the Civil Code, on the general management performance and on its expected development. The same information is provided to the statutory auditors, in accordance with art. 150 of the Consolidated Finance Act, also with regard to transactions in which the directors have an interest.

The designated bodies (executive Directors and Executive Committee) also provide adequate information to the Board of Directors and the Statutory Auditors, at each meeting of the Board, concerning transactions which are atypical, unusual or with related parties, the examination or approval of which is not reserved to the Board of Directors.

We would inform you that during 2006:
the Board of Directors met on 11 occasions;
the Executive Committee met on 4 occasions.

A similar frequency is foreseeable for the 2007 financial year.

In addition to the Chairman and Managing Director – as stated, vested with managerial powers of the Company assigned to them by the Board – the Vice-Chairman Antonio Talarico should be considered to be an Executive Director as holder of the managerial powers and/or leadership functions within subsidiaries operating in the property sector, and amongst those, in Immobiliare Lombarda S.p.A., which carries out the property management of the Company and of the Group. The same applies for Director Gioacchino Paolo Ligresti, who holds the post of Chairman and holds managerial powers in Immobiliare Lombarda.

All the directors other than those indicated are to be considered non-executive, as they do not have managerial powers and/or leadership functions, within the corporate framework. Other than to provide a numerical presence, non-executive directors are there due to their authority to ensure their opinion provides a significant weighting on decisions taken by the Board, to which they bring their specific competences by contributing to the decision-making process in line with the company's interests. The contribution of the non-executive directors is especially useful in cases in which the interests of the executive directors and the more general interests of the shareholders might not coincide. In fact, a non-executive member of the Board can have a greater degree of detachment when assessing the proposals and courses of action to be taken by the managing directors.

Still in accordance with the definitions contained in the Code, the non-executive directors are: Mr Andrea Brogгинi, lawyer, Prof. Maurizio Comoli, Prof. Francesco Corsi, Dr. Enzo Mei, Prof. Giuseppe Morbidelli, Mr. Cosimo Rucellai, lawyer, Dr. Ezio Toselli and Mr. Oscar Zannoni, engineer. The said directors are not, in fact, compromised by the situations stated in the new Code as incompatible with holding posts as independent directors.

The number of independent directors is such as to counterbalance the number of other directors on the Board.

The Board of Directors, in February 2007, less than a year after it was appointed, carried out the periodical check on the independence of its own non-executive members with reference to the information provided in writing by each Director at the Company's specific request, based on the definition contained in the Code. In addition, the Board collectively examined the individual position of those directors who, with uncertainties arising as to whether or not they qualified as independents, referred the assessment to the Board itself.

The Board made a similar check with reference to the independence requirement referred to in art. 147-ter of the Consolidated Finance Act introduced by the Savings Law.

The Board of Statutory Auditors checked that the ascertainment criteria and procedures adopted by the Board to assess the independence of its own members were properly applied.

Generally, the directors accept the post whenever they feel they are able to devote the time necessary for the diligent performance of their tasks, having also taken into account the offices they hold at other companies. The directors shall be familiar with the tasks and responsibilities relating to the post they hold. The Chairman and the Managing Director make every effort to ensure that the Board is kept informed of the main legislative and regulatory developments affecting the Company and the corporate bodies.

In accordance with the Code of Self-Discipline for listed companies, the list below indicates the posts of director or statutory auditor held by the Company's Directors as at 27 March 2007 in other companies listed on regulated markets, including foreign ones, namely financial companies, banks, insurance companies or, in any event, sizeable corporates:

Jonella LIGRESTI

Chairman of: SAI HOLDING ITALIA S.p.A.
Vice Chairman of: GILLI S.r.l.
PREMAFIN FINANZIARIA S.p.A.
Member of the Board of: ASSONIME Associazione fra le società italiane per azioni
FINADIN S.p.A. Finanziaria di Investimenti
MEDIOBANCA S.p.A.
MILANO ASSICURAZIONI S.p.A.
RCS MediaGroup S.p.A.

Giulia Maria LIGRESTI

Chairman and
Managing Director of: PREMAFIN FINANZIARIA S.p.A.
Chairman of: FONSAI MB&A S.p.A.
GILLI S.r.l.
Managing Director of: SAI HOLDING ITALIA S.p.A.
SAIFIN SAIFINANZIARIA S.p.A.
Member of the Board of: FINADIN S.p.A. Finanziaria di Investimenti
HELM FINANCE S.g.r.
ISTITUTO EUROPEO DI ONCOLOGIA S.r.l.
MILANO ASSICURAZIONI S.p.A.
ORCHESTRA FILARMONICA DELLA SCALA
PIRELLI & C. S.p.A.
SAILUX S.A.
SAINTERNATIONAL S.A.
TELECOM ITALIA MEDIA S.p.A.

Massimo PINI

Vice Chairman of: SASA Assicurazioni Riassicurazioni S.p.A.
IMMOBILIARE LOMBARDA S.p.A.
Member of the Board of: CAPITALIA S.p.A.
FINADIN S.p.A. Finanziaria di Investimenti
LEONARDO S.r.l.
MILANO ASSICURAZIONI S.p.A.

Antonio TALARICO

Chairman of: FINADIN S.p.A. Finanziaria di Investimenti
INTERNATIONAL STRATEGY S.r.l.
NUOVE INIZIATIVE TOSCANE S.r.l.
PORTOBELLO S.p.A.

Vice Chairman of: SAIAGRICOLA S.p.A.
 Managing Director of: ATAHOTELS S.p.A.
 Member of the Board of: IMMOBILIARE LOMBARDA S.p.A.
 IGLI S.p.A.
 MILANO ASSICURAZIONI S.p.A.
 SAI INVESTIMENTI SGR S.p.A.

Fausto MARCHIONNI

Chairman and
 Managing Director of: MILANO ASSICURAZIONI S.p.A.
 LIGURIA Società di Assicurazioni S.p.A.
 LIGURIA VITA S.p.A.
 SIAT S.p.A.
 Chairman of: BANCA SAI S.p.A.
 BIM VITA S.p.A.
 NOVARA ASSICURA S.p.A.
 PRONTO ASSISTANCE SERVIZI S.p.A.
 SAI INVESTIMENTI SGR S.p.A.
 SAI-SISTEMI ASSICURATIVI S.r.l.
 SASA Assicurazioni Riassicurazioni S.p.A.
 Vice Chairman of: IMMOBILIARE LOMBARDA S.p.A.
 NOVARA VITA S.p.A.
 Member of the Board of: ANIA (responsible for Welfare)
 ASSONIME Associazione fra le società italiane per azioni
 GRUPPO BANCA LEONARDO S.p.A.
 IRSA

Andrea BROGGINI

Member of the Board of: BANCA EUROMOBILIARE (Suisse) S.A.
 FEDERAZIONE DELLE COOP. MIGROS
 GENERALI (Schweiz) HOLDING
 GESTIONI LOMBARDA (Suisse) S.A.
 KIEGER AG
 KNORR-BREMSE Systeme für Schienenfahrzeuge
 GmbH
 MARCH LIMITED

Mariella CERUTTI MAROCCO

Chairman of: CERFIN S.p.A.
 Member of the Board of: OFFICINE MECCANICHE GIOVANNI CERUTTI S.p.A.

Maurizio COMOLI

Chairman of: ALETTI GESTIELLE S.p.A.
 Substitute Vice Chairman of: BANCO POPOLARE DI VERONA E NOVARA Scarl
 Member of the Board of: BANCA POPOLARE DI NOVARA S.p.A.
 Chairman of the Board of
 Statutory Auditors of: BASTOGI S.p.A.
 BRIOSCHI FINANZIARIA S.p.A.
 MIRATO S.p.A.
 Permanent Auditor of: FASTWEB S.p.A.
 LORO PIANA S.p.A.

Francesco CORSI

Permanent Auditor of: BIEFFE 5 S.p.A.

FINDOMESTIC BANCA S.p.A.
FINDOMESTIC NETWORK S.p.A.

Carlo d'URSO

Vice Chairman of: IMMSI S.p.A.

Member of the Board of: AEDES S.p.A.

AREA GIOCHI HOLDING S.p.A.
AVVENIRE SIM S.p.A.
BANCA BSI ITALIA S.p.A.
GRUPPO BANCA LEONARDO S.p.A.
BANCA SAI S.p.A.
F.C. INTERNAZIONALE MILANO S.p.A.
FONSAI MB&A S.p.A.
G.I.M. - Generale Industrie Metallurgiche S.p.A.
GIOCHI HOLDING S.p.A.
LAURO OTTO S.p.A.
MICOS BANCA S.p.A.
PREMAFIN FINANZIARIA S.p.A.
SISAL S.p.A.
STILO IMMOBILIARE FINANZIARIA S.r.l.

Vincenzo LA RUSSA

Member of the Board of: IMMOBILIARE LOMBARDA S.p.A.

Chairman of the Board of

Statutory Auditors of: INNOVAZIONE ITALIA S.p.A.
IN.CO.SA.S.r.l.

Gioacchino Paolo LIGRESTI

Chairman of: IMMOBILIARE LOMBARDA S.p.A.

SRP ASSET MANAGEMENT S.A.

Vice Chairman of:

ATAHOTELS S.p.A.
BANCA GESFID S.A.
BANCA SAI S.p.A.
MILANO ASSICURAZIONI S.p.A.
PORTOBELLO S.r.l.
PREMAFIN FINANZIARIA S.p.A.
SAI INVESTIMENTI SGR S.p.A.
SAIAGRICOLA S.p.A.

Member of the Board of: FINSAI INTERNATIONAL S.A.

FONSAI MB&A S.p.A.
GILLI S.r.l.
MILAN A.C.
SAILUX S.A.
SAINTERNATIONAL S.A.
TIM ITALIA S.p.A.

Lia LO VECCHIO

Member of the Board of: ATAHOTELS S.p.A.

MILANO ASSICURAZIONI S.p.A.
SAIAGRICOLA S.p.A.
SIAT S.p.A.

Enzo MEI

Chairman of: SOCIETÀ GESTIONE CAPANNELLE S.p.A.

Managing Director of: GENERAL SERVICE ITALIA S.p.A.

Member of the Board of: BANCA GALILEO S.p.A.
DATA SERVICE S.p.A.
LA MAGONA S.r.l.

Giuseppe MORBIDELLI

Member of the Board of: ACF FIORENTINA S.p.A.
CASSA DI RISPARMIO DI FIRENZE S.p.A.

Cosimo RUCELLAI

Vice Chairman of: MERCANTILE LEASING S.p.A.
MILANO ASSICURAZIONI S.p.A.

Salvatore SPINIELLO

Member of the Board of: IMMOBILIARE LOMBARDA S.p.A.
SASA Assicurazioni Riassicurazioni S.p.A.
SIAT S.p.A.

Chairman of the Board of

Statutory Auditors of: ATAHOTELS S.p.A.
GRANDI LAVORI FINCOSIT S.p.A.
LAZARD INVESTIMENTI S.p.A.
UNICREDIT Banca per la Casa S.p.A.

Permanent Auditor of: EDISON S.p.A.
EMITTENTI TITOLI S.p.A.
PRO Mac S.p.A.
TELECOM ITALIA S.p.A.
TELECOM ITALIA MEDIA S.p.A.
UNICREDIT BANCA S.p.A.

Ezio TOSELLI

Does not hold any post in listed companies, including foreign ones, financial companies, banks, insurance companies or in any event sizeable corporates.

Oscar ZANNONI

Chairman of: GRUPPO CERAMICHE RICCHETTI S.p.A.
ARCA S.p.A.
FINCISA S.p.A.
SIC S.p.A.

Member of the Board of: AFIN S.p.A.
FIN-ANZ S.p.A.
FINANZIARIA NORDICA S.p.A.
HERMES INVESTIMENTI S.p.A.

As things stand, the Board considers that the number of posts of director and/or statutory auditor held by Board Members of other companies is compatible with efficient performance of the post on the Board of Directors of FONDIARIA-SAI, taking into account the nature and size of the companies in which the posts are held and, in some cases, the fact that some of the companies belong to the Group. The Board will, in due course, be called on to express its own guidelines on the maximum number of posts held by Board Members of other companies that might be considered compatible with efficient performance of the post of director.

Shown below are the posts of director or auditor held by the permanent members of the Board of Statutory Auditors at other companies listed on Italian regulated markets:

Marco SPADACINI

Member of the Board of: A. MONDADORI EDITORE S.p.A.

Chairman of the Board of

Statutory Auditors of: AUTOSTRADE S.p.A.

SORIN S.p.A.

Permanent Auditor of: IMMSI S.p.A.

SNIA S.p.A.

The Chairman of the Board of Statutory Auditors, Dr. Benito Giovanni MARINO, and the permanent statutory auditor, Dr. Giancarlo MANTOVANI, do not currently hold posts at other listed companies.

Chairman of the Board of Directors

The Chairman of the Board of Directors convenes Board of Directors' and Executive Committee meetings, and is responsible for guiding the proceedings. The Chairman does his best to ensure that the directors and members of the Committee are provided with the necessary documentation and information in advance of the meeting, except in cases of need and emergency with reference to the nature of the decisions to be made, any possible requirements for confidentiality and the timeliness with which the Board or the Executive Committee may have to take certain decisions. The Chairman, with the agreement of those taking part, may invite persons to attend meetings of the Board and the Executive Committee who are not members of those bodies, either to listen to proceedings and/or in an advisory capacity. The Chairman of the Board of Directors, moreover, presides over and directs the General Shareholders' Meeting. Furthermore, as stated, he has the powers assigned to him by the Board, as indicated above. The Chairman normally only exercises these powers in cases of need or emergency, if the Managing Director is absent or unable to attend or, at any event, when particular circumstances make it advisable.

Treatment of confidential information

Some time ago, the Company adopted a practice, now well-established, that provides for rules of conduct for the management and treatment of confidential information and for the external communication of documents and information of a corporate nature, with particular regard to so-called price-sensitive information.

Generally, the management of confidential information concerning the Company and its own subsidiaries is entrusted to the Managing Director. Managers and employees of the Company and its subsidiaries are under an obligation of secrecy with regard to information of a confidential nature of which they may have become aware.

Any dealings with the press and other means of mass communication (or with financial advisers and professional investors), for the purposes of divulging documents and information of a corporate nature, must be expressly authorised by the Managing Director. The Company belongs to the Network Information System, organised and managed by the Italian Stock Exchange, and used for data transmission to the market.

At all events, the procedure is designed to avoid the possibility of such communications being made on a selective basis (favouring some recipients to the detriment of others), in an untimely manner or in an incomplete or inappropriate form.

In accordance with the regulatory provisions issued by the Italian Stock Exchange, the Company has adopted a special code of conduct in relation to so-called internal dealings in order to regulate the obligations of disclosure in respect of transactions concerning financial instruments realised by so-called "relevant persons", the latter being understood to be anyone who, for the purposes of the office held, has access to relevant information. The Company has moreover ensured that the relevant persons are informed of their obligations and responsibilities in regard to the transactions to which the code of conduct refers.

The code is available on the Company's website.

Again in accordance with the provisions of law and the stated regulation, the Company has produced a register of the people who, in their working and professional life or because of the functions they carry out, have access to so-called "inside" information.

In accordance with the regulation governing the offences of insider trading and market manipulation, a particular procedure has, moreover, been specified for all members of companies and which is aimed at reducing the risks which – in managing the Company's portfolio and that of the Group's companies – exist due to the Company's conduct not being in line with the regulations in force. That procedure relates in particular to:

- dealings in own shares, those of the holding company and listed subsidiaries;
- dealings in specified financial instruments;
- counter-parties with which the Company has dealings.

Appointment of Directors

During the 2006 financial year, it was still thought not expedient to set up within the Board a special committee for proposals for appointments to the post of director, given that the ownership of the Company is sufficiently concentrated that there has never been any difficulty on the part of the shareholders in preparing such proposals for nomination, after being provided with a prior selection of candidates.

At the time of appointing directors, shareholders who intend to put names forward are recommended to file the proposal with the registered office prior to the General Shareholders' Meeting together with the curriculum vitae of each candidate.

During the meeting held on 28 April 2006, a single proposal was submitted by shareholders before the meeting, accompanied by the curricula vitae of the candidates, circulated to participants. The candidatures were accompanied by an indication of the suitability of those concerned in terms of their qualification as independents. Participants in the meeting had been made aware of this before voting.

During the meeting held to approve the 2006 accounts, the adjustments of the bye-laws required to bring the rule provided for by the Savings Law into effect, with the obligatory introduction of a list voting mechanism for the appointment of the Board of Directors, in order to guarantee the possibility of a Director being elected by a minority, will be submitted for the examination and approval of that meeting, called to an extraordinary session. The new bye-law rule will also provide for a preliminary period for filing the lists with the registered office, in line with the recommendations of the new Code.

Remuneration of directors and senior management

In the 2006 financial year, the Board of Directors again did not set up within the Board a specific committee for the remuneration of directors who hold special positions, nor of the Company's senior management.

The fees payable to directors were determined in accordance with art. 2389 of the Civil Code, having obtained the favourable recommendation of the Board of Statutory Auditors, with the abstention of the party concerned.

To date, the Board has usually determined the fee payable to directors to whom special positions are assigned at the time of their appointment. This fee has been determined as a fixed amount, without any incentive component, in that the fee relates to the performance of ordinary activities connected with the office held. Where the Board has then decided to confer on these same directors, or on other directors, the task of handling and/or completing particular transactions, the Board has assessed the results achieved, as a rule ex-post, and has where necessary, after obtaining the favourable recommendation of the Board of Statutory Auditors, determined a special fee of a fixed amount commensurate with the importance of the transactions and the results obtained.

Fees allocated to directors under any item whatsoever during the course of 2006 are shown in a special statement contained in the Supplementary Notes to the Accounts.

On 14 July 2006, the Board of Directors of Fondiaria-SAI decided to assign the options referred to in the 2006-2011 stock option plans in favour of the executive directors and management of Fondiaria-SAI, its subsidiaries and the holding company Premafin Finanziaria in order to purchase savings shares in Fondiaria-SAI itself.

The assignment by the Board took place in execution of the resolution by the Extraordinary Shareholders' Meeting of Fondiaria-SAI on 28 April 2006. With regard to the executive directors, all 8,700,000 options were assigned in favour of those concerned and according to the quantities decided by the aforementioned

meeting. With regard to the management, however, the stock option plan involves 75% of managers in service with the Group, for a total of 6,300,000 options. The number of options assigned to the individual beneficiaries takes account of the level of responsibility allotted and the impact of the function performed on the company's business and its results. The options may not be exercised before a vesting period of at least 24 months from the aforesaid assignment date has elapsed.

The Board further decided to bind exercise of the options to the achievement of the main objectives in the Group's 2006-2008 Industrial Plan.

With regard to the executive directors, it is understood to create, in this way, proportionate structuring of their total remuneration as a tool suitable for bringing their interests into line with the pursuit of the priority aim of creating value for shareholders in the medium- to long-term by achieving the objectives in the Fondiaria-Sai Group's Industrial Plan 2006-2008 presented to the financial community in April 2006. Such action is also seen as complying with the recommendation contained in the Code concerning the connection of one part of the executive directors' remuneration to the economic results of the Company and of the Group.

Otherwise, using the tool in question for management as well will contribute to providing incentives for and developing their loyalty, furthermore contributing towards creating the right conditions for achieving the objectives of the Plan.

So, bearing in mind the adoption of the aforementioned stock option plans, the Board of Directors of Fondiaria-SAI, at the meeting on 27 March 2007, appointed from its members a Remuneration Committee, to which the following functions were assigned, with reference also to the subsidiaries:

- to submit to the Board proposals for the remuneration of the executive directors and the other directors who hold specific posts, including by parameterising it to the Company's economic results and/or to predetermined specific objectives, thus monitoring the application of the decisions adopted by the Board itself;
- to periodically assess the criteria adopted for the remuneration of the managers with strategic responsibility, see to it that they are applied according to the information provided by the Managing Director and to put forward general recommendations on the matter to the Board;
- to supervise the implementation of the stock option plans, including, if necessary, by proposing to the Board changes in the rules for the plans.

The Remuneration Committee consists of the Managing Director and two independent non-executive directors, being Dr. Enzo Mei and Mr. Oscar Zannoni, engineer.

Internal control [Internal audit]

Current legislation imposes on insurance companies the obligation to adopt adequate internal control procedures. ISVAP has in turn – already since 1999 and, eventually, in its Circular no. 577/D of 30 December 2005 – defined the system for internal control of companies and the related operating procedures, providing information aimed at encouraging, whilst respecting business independence, the production of adequate control and risk management systems, which each company shall develop taking into account its own size and method of operation and its risk profile.

The internal control system consists of all the organisational rules, procedures and structures aimed at ensuring the correct functioning and good management of the company and to guarantee, with a reasonable safety margin:

- the efficiency and effectiveness of the company processes;
- adequate risk control;
- the reliability and integrity of accounting and management information;
- safeguarding of the assets;
- the conformity of the company's business with the regulations in force, guidelines and company procedures.

Furthermore, in accordance with aforementioned Circular no. 577/D, the company must have an adequate risk management system for the size and complexity of the business, which enables the most significant risks to be identified, assessed and controlled. Significant risks are understood to mean risks with consequences which may undermine the company's solvency or constitute a serious obstacle to the realisation of the Company's objectives. The latest objective of the risk management system is to maintain the risks identified and assessed at an acceptable level, consistent with the Company's assets.

The Company has therefore, where necessary, carried out a process of organisational adjustment to the provisions of aforementioned Circular no. 577/D, in compliance with the time limits stipulated in that Circular.

Within the Fondiaria-SAI Group, the carrying out of company business and the related operating procedures now provide for control by the individual operating units (so-called "regular control" ["line control"]) as well as by those in charge of the said units.

Responsibility for verifying the adequacy, effectiveness and efficiency of the procedures adopted and of the internal control system in general forms part of the function of the Group's Internal Audit Division. This operates under the remit of the Managing Director and its activities are also directed towards correctly identifying and managing the business risks. The activities of the Internal Audit Division are therefore extended to include all the business processes of Fondiaria-SAI and the companies in the Group. The Division indicates what corrective actions are thought to be necessary and it is, moreover, responsible for following these up in order to ensure that the corrective measures have been implemented and to check on the effectiveness of the changes made to the system.

The Board of Directors is responsible for the Company's internal control system and periodically checks that it is functioning adequately and effectively, assisted in this task by the Internal Control Committee. The Managing Director has the job of establishing the policy guidelines for the internal control system, identifying the business risks and taking care of the planning, management and monitoring of the internal control system, appointing people to be in charge of the said system.

The Board of Directors annually approves the work plan that sets out the function of the Group's Internal Audit Division. This Division is provided with the appropriate resources to carry out its activities in an autonomous and independent manner, and its manager does not report to people in charge of operational areas. This function is also coordinated with the Internal Control Committee, to which its own actions are referred, the Board of Statutory Auditors and the Company's external firm of auditors.

In order for the Internal Audit Division to function properly, the managers of the company's operational areas must ensure freedom of access to all documentation relating to the business area forming the subject of the audit. In terms of its function, the Internal Audit Division has organic links with all the offices of the Company and of the companies in the Group, and the manager of the said Division is equipped with the necessary authority to guarantee its independence.

In particular, as a result of the assignment to a special Internal Control Committee of the functions which the Code provides for the latter to assume and which are specified further on in this report, and bearing in mind the fact that, included amongst the said functions, are those of assessing the work plans prepared as part of the function of the Group Internal Audit Division and of receiving periodic reports from the latter, the Division in question has prepared these reports and referred them for examination to the Internal Control Committee. This Committee has, in turn, provided the Board with its own opinion on the work plan setting out the function of the Group Internal Audit Division and on the adequacy of the internal control system.

The manager responsible for the Group Internal Audit Division has moreover reported to the Managing Director on the conclusion of each individual activity carried out.

In application of ISVAP Circular no. 577/D referred to above, the Board examined and approved the following documents, which were subsequently passed on to ISVAP:

- an assessment report on the internal control system and the risk management system;
- the company organisational chart, specifying the duties assigned to the separate business units and stating the names of their managers;
- the system for dividing up the delegated powers within the company;

- the structure of the Internal Audit Division and the number of resources dedicated to its activity, as well as their background and technical and professional experience;
- the strategic plan on information and communication technology (ICT), aimed at ensuring the existence and maintenance of an overall architecture for the systems that is highly integrated, both from the applications and from the technological points of view, and suited to the company's needs.

A Risk Management Division has also been set up, tasked with:

- managing the activity of completing the risk capital models used to help implement an effective and efficient Enterprise Risk Management system;
- defining and maintaining the enterprise risk map, with the related control procedures;
- carrying out repeated risk monitoring, informing the Internal Audit Division of the results;
- drawing up all the reports in respect of the Board of Directors, the Internal Control Committee and the managers of the operating functions in regard to risk development and any anomalies;
- performing the on-going check on the activities carried out by the various company functions in implementing procedures for resolving the problems encountered;
- forwarding the periodical reports to ISVAP in collaboration with the Internal Audit Division.

The Risk Management Division also carries out special periodic stress tests in regard to the main sources of risk and notifies the Board of Directors of the results.

The person in charge of the Risk Management Division reports directly to the Managing Director.

Internal Control Committee

The Board of Directors has set up, within the Board, an Internal Control Committee to support the Board of Directors, which was entrusted with the task of analysing problems concerning control of the company activities, it being assigned in this regard specific functions in which, moreover, its members act in a purely advisory capacity, merely making proposals, with each resolution regarding such matters remaining within the exclusive remit of the Board of Directors.

The Internal Control Committee is currently made up of three non-executive and, for the most part, independent members, namely Dr. Enzo Mei, Dr. Salvatore Spinello and Dr. Ezio Toselli. The latter also acts as the Committee's lead coordinator. The composition of the Committee guarantees that the task is carried out with professionalism and experience. The Board decided to assign a special payment to these members for carrying out this task.

All statutory auditors are invited to attend the meetings of the Internal Control Committee. Minutes are taken at the Committee's meetings.

The Internal Control Committee is in particular given the task of:

- assisting the Board with the periodic checking of the adequacy and effective functioning of the internal control system;
- assisting the Board in identifying and managing the main enterprise risks that are significantly likely to occur;
- assessing the work plan prepared by those in charge of internal control and receiving periodic reports from them;
- assessing, in conjunction with the administrative managers of the company and the external auditors, the fairness of the accounting principles used, and their homogeneity, for the purposes of drawing up the consolidated accounts;
- evaluating the proposals made by the external firm of auditors in its bid to secure the related assignment, as well as the work plan drawn up for the audit and the results set forth in the report and in any letter of suggestions that might possibly be submitted;

- as part of the report management task with the external auditors, generally monitoring the efficiency of the auditing process carried out by the external auditing firm;
- monitoring the observance and the periodic updating of the rules of corporate governance adopted by the Company and its own subsidiaries.

The Committee reports to the Board, at least every six months, when approving the accounts and the half-yearly report, on the activities carried out and the adequacy of the internal control system.

The Committee has an active role in which it makes proposals on the assessment of the Internal Audit Division's work plan and the latter's periodic reports.

The Board of Directors also approved the Internal Control Committee regulation aimed at formalising the essential procedures for it to operate. Moreover, the Board allocated an amount to enable the Internal Control Committee, if necessary, to call upon outside professionals to analyse specific problems that are particularly complex and risky for the Company.

During 2006, the Committee met 5 times in order to fulfil the functions in question.

In particular, on the occasion of the meeting prior to that of the Board of Directors called to approve the draft accounts as at 31 December 2005, the Committee made a favourable recommendation on the Internal Audit Division's and stated its belief that the Company's internal control system was, for the time being, adequate. The Committee also expressed the opinion that:

- it might be advisable, in agreement with the counterpart Committee of the subsidiary Milano Assicurazioni, for the latter also to entrust the auditing assignment to Deloitte & Touche S.p.A., taking into account also the percentage distribution of tasks between a main auditor and secondary auditor adopted by the main groups with listed issuers;
- the proposals compiled by Deloitte & Touche S.p.A. in order to be entrusted the auditing tasks by Fondiaria-SAI and Milano Assicurazioni should be considered suitable;
- for reasons of prudence, the Company should refrain from conferring consultancy tasks on Deloitte & Touche S.p.A.;
- the accounting principles used, having heard the person in charge of Company administration and the opinion of the external firm of auditors Deloitte & Touche S.p.A., based on its verifications, should be considered adequate and homogeneous for the purposes of drawing up the consolidated accounts;
- the rules of governance adopted by the Company, to the current knowledge of the Committee, should be considered to have been observed and that the updating report prepared in accordance with the regulations in force was drawn up in line with the recommendations on that provided by Assonime and Emittenti Titoli S.p.A., taking account of the new legislation introduced and stating the reasons for the choices made where these differ from those recommended by the Code.

On the occasion of a subsequent meeting prior to that of the Board of Directors called on to approve the half-year report to 30 June 2005, the Internal Control Committee confirmed its assessment of the adequacy of the internal control system.

Company statement

The company statement of the activities carried out by the Fondiaria-SAI Group in the 2005 financial year was submitted in September 2006.

That document, already drawn up with reference to the previous financial year, analyses, from a qualitative and quantitative point of view, the impact of the Group's activities on its different stakeholders, whose interests, in addition to those of the shareholders, revolve to some extent around the Company and the Group.

The Company was assisted in drawing up the company statement by the Economics Faculty of the University of Turin.

The company statement is available on the Company's website.

Organisation, management and control model pursuant to Legislative Decree no. 231 of 8 June 2001

The Company's Board of Directors decided to set up an organisation, management and control model to prevent the offences set out in Legislative Decree no. 231 of 8 June 2001 from being committed, stating – as is known - "Regulation of administrative responsibility of legal persons, companies and associations including those without legal personality, in accordance with art. 11 of Law no. 300 of 29 September 2000", which introduced corporate criminal responsibility into our system for the first time. This is additional to the responsibility of the physical person who carried out the offence in material terms.

The Board decided that the adoption of the organisation, management and control model stated in Legislative Decree no. 231/2001 as mentioned, although not compulsory, could constitute a valid instrument to raise awareness with all employees of Fondiaria-SAI and everyone else involved, so that they carry out their activities in a correct and linear way, to prevent the risk of the offences described in the decree being committed.

In accordance with the provisions of the Decree, the Model, approved by the Board of Directors on 16 February 2005, follows the principles below:

- the ability to check and document every relevant transaction for the purposes of Legislative Decree no. 231/2001;
- compliance with the principle of separating functions;
- definition of powers of authorisation consistent with the responsibilities assigned;
- allocation to a Supervisory Body of the task of promoting the efficient and correct implementation of the Model, including by monitoring the company's conduct and continually circulating information on salient activities for the purposes of Legislative Decree no. 231/2001;
- communication of important information to the Supervisory Body;
- setting up of appropriate preventive "protection", specific to the macro-categories of activities and risks connected with them, to prevent the various types of offences as stated in the Decree (ex ante control) from being committed;
- making resources available to the Supervisory Body suited to supporting it in its tasks and achieving results which can reasonably be obtained;
- checking the functioning of the Model with consequent regular updating (ex post control);
- the implementation of instruments to raise and spread awareness of the rules as defined to all levels in the company.

The Board decided to set up the Supervisory Body to which will be assigned, in general terms, the task of supervising compliance with the Model's rules by those for whom it is intended, of checking that the Model really is, in relation to company structure, efficiently and effectively capable of preventing the offences stated in Legislative Decree no. 231/2001 from being committed, and of updating the Model, where it needs to be brought into line with changes in corporate conditions. With regard to the composition of the Supervisory Body, it was considered appropriate to opt for a mixed joint composition, with two external professionals who know the situation of the Company and the Group supporting one person within the structure.

The Board of Directors finally approved the Company Code of Ethics, to confirm the fact that, in carrying out its own activity, Fondiaria-SAI is guided by criteria of transparency and propriety, in compliance with the law and the interests of the group.

Significant transactions and transactions with related parties

The Board of Directors approved specific principles of conduct for carrying out significant transactions and transactions with related parties.

Significant transactions

In giving the Chairman and the Managing Director the specific powers listed above, specifying limits in terms of amounts, the Board of Directors of FONDIARIA-SAI has outlined the criteria observed for

identifying significant transactions, the carrying out of which is subject to the examination and authorisation of the Board of Directors or the Executive Committee.

Transactions with related parties

With reference to transactions with related parties:

- transactions with related parties, even concluded through subsidiaries, are reserved to the exclusive competence and prior approval of the Board of Directors, which transactions in their subject matter, countervalue, procedures or times for realisation may have an effect on the safeguarding of the corporate assets or on the completeness or accuracy of information, including accounting information, relating to the issuer, and regarding which the issuers are obliged to make an appropriate informative document available to the public, under the terms of art. 71a of CONSOB Regulation no. 11971/1999;
- a series of transactions with related parties specifically identified by type and limit of amount (unlike transactions within the group as stated below in letter "c") are also subject to the examination and approval of the Board of Directors or the Executive Committee, usually in advance, even if they fall within the limits of value assigned to the Chairman and the Managing Director, considered both individually and accumulated with other transactions related to them within the previous twelve months;
- finally as regards transactions within the Group, these generally fall within the scope of the powers delegated by the Board to the Chairman and to the Managing Director and are therefore not reserved to the competence of the Board and/or Executive Committee, except when their value generally exceeds the limits laid down for the exercise of these delegated powers. It should be stated in this regard that:
 - according to the provisions laid down for insurance companies by the specific legislation for the sector, the transactions within the Group in which at least one of the parties is an insurance company – where these transactions are significant on the basis of quantitative parameters predetermined by sector legislation – are subject to prior authorisation by ISVAP and are only carried out after the authorisation is given by the Supervisory Body;
 - transactions within the Group concluded between two subsidiaries which are not insurance companies fall, should the presuppositions for them obtain, within those which are subject to communication to the parent company for which special resolutions by the Board of Directors or the Executive Committee have been passed in accordance with the rules of conduct referred to in the last paragraph of Section 1 above.

For the purposes of the actual implementation of the rules of conduct mentioned above, each director and statutory auditor was asked to furnish a list of their related parties. The request was also made to the statutory auditors in line with the recommendations of the new Code, which tend to equate the position of statutory auditors with that of directors with regard to the issuer's transactions in which the auditor has an interest.

A guideline was then issued by the Managing Director for the purpose of regulating the operating procedures which the offices of the Company and the subsidiaries have to follow if significant transactions are realised with the persons on those lists.

Generally, all transactions realised with related parties must comply with criteria of substantial and procedural propriety.

Where the nature, size and characteristics of the transaction so dictate, the Board of Directors ensures that the transaction is completed with the assistance of independent experts; fairness and/or legal opinions are then acquired from the latter for the purposes of evaluating the assets and the financial, legal or technical advice received.

Directors who have an interest in the transaction must inform the Board of Directors in good time and in full detail of the existence of the interest and of the circumstances under which it arose; the directors must assess, on a case by case basis, the advisability of staying away from the Board meeting when voting is taking place on the resolution or of abstaining from the vote. If it concerns the Managing Director, he shall refrain from completing the transaction.

In the cases referred to in the paragraph above, the decisions of the Board of Directors adequately justify the reasons for the transaction and its benefit to the Company.

The Board of Directors assesses what is the most appropriate decision to be taken in the event that keeping the directors away when voting is taking place on the resolution might be considered prejudicial to the continued existence of the necessary constitutive quorum.

Dealings with institutional investors and with other members

The Company has always been careful to establish an on-going dialogue with the majority of shareholders, and particularly with institutional investors, based on a mutual understanding of the reciprocal roles of each; this includes, moreover, the observance of internal procedures for the external communication of documents and information concerning the business, an aspect that we have already examined earlier in this report. The Chairman and Managing Director act accordingly.

The Company has identified the Group Investor Relations Division as the structure charged with maintaining an active dialogue with institutional investors, and it is aided in this task by the various Group and corporate divisions involved. The Group Investor Relations Division is, moreover, charged with maintaining an active dialogue with the majority of members, and it is aided in this task by the Members' Office.

The Investor Relations Division is responsible for providing the online information supplied through the Company's website, for the circulation of forecasts, dealings with the Rating Agencies and generally dealings with the institutional investors. Along with the Press Office, it is also responsible for the distribution of press releases and comments on market rumours.

The Investor Relations Division can be contacted on the telephone number 011/6657.642 and/or the e-mail address investorrelations@fondiaria-sai.it.

To promote further dialogue with shareholders, the Group's internet site has moreover been set up and its contents are constantly updated.

General Meetings

Notwithstanding the wide diversification in terms of the available means of communication with members, the Board of Directors regards the General Shareholders' Meeting as an important time in which there can be fruitful dialogue between directors and shareholders, with respect, moreover, for the regulations concerning so-called price sensitive information. As a rule, all directors attend the general meetings.

At the general meeting, the Board of Directors reports on the Company's activities and takes steps to ensure that shareholders have adequate information to enable them to take the decisions which come within the remit of the General Shareholders' Meeting in full knowledge of the facts.

It was not thought necessary to adopt specific regulations in respect of shareholders' meetings in view of the fact that the provisions currently contained in the Company's bye-laws – which confer on the Chairman the power to direct the General Shareholders' Meeting and also contain a number of specific provisions designed to define some of its *modus operandi* – are thought to be such as to permit the said General Shareholders' Meeting to proceed in an orderly and functional manner.

Thus, in exercising the powers of management and coordination of tasks relating to shareholders' meetings conferred on him by the Company's bye-laws, the Chairman informs the General Shareholders' Meeting, at the opening of the meeting, of the principles which he intends to abide by in the fulfilment of his statutory functions, establishing *ex ante* the rules for the completion of tasks relating to shareholders' meetings.

Savings shareholders' representative

On 27 April 2004, the General Savings Shareholders' Meeting appointed Dr. Sandro Quagliotti as the savings shareholders' representative for the financial years 2004/2005/2006 and, consequently, up to the approval of the accounts as at 31 December 2006.

Statutory Auditors

Following the statutory changes in due course introduced to the procedure for appointing statutory auditors as a result of the Consolidated Finance Act, the transparency of this procedure, designed to permit one statutory member of the Board of Statutory Auditors to be elected by a minority, is assured.

During the meeting to approve the accounts for the 2006 financial year, the bye-law rules for the procedures to appoint the Board of Statutory Auditors will be subject to amendment having regard to the provisions of law and those which CONSOB – in implementation of art. 148, indent 2, of Legislative Decree

no. 58/98 – will establish by its own regulation concerning the procedures for election of the Board of Statutory Auditors using a voting list.

The current Board of Statutory Auditors is made up of three permanent auditors and three alternate ones, whose names are stated elsewhere in this booklet. They were appointed by the General Shareholders' Meeting on 28 April 2006, on the occasion of which the shareholders submitted a single list for consideration, within the time limit prior to the meeting set by the Company bye-laws. This list received a majority of the votes at the meeting.

After the appointment, in accordance with the provisions in force, the Board of Directors conducted the formal check to ensure that the auditors appointed by the meeting possess the requirements called for in order to hold the post of statutory auditor, including those referred to in art. 148, indent 3, of the Consolidated Finance Act. The Board of Statutory Auditors will then conduct a periodic check to ensure that their own members continue to meet these requirements.

Again, in accordance with the Code, it should be noted that the minimum share of capital required by the Company bye-laws in order to submit lists for the appointment of Statutory Auditors will be amended downwards, also taking into account the guidelines adopted by CONSOB, in accordance with the Savings Law, concerning the minimum percentage required for submitting lists for the appointment of directors.

It is recommended that shareholders who intend to submit a list for the appointment of statutory auditors in accordance with the Company's Bye-laws provide adequate prior information on the background of the candidates by presenting a curriculum vitae for each candidate.

Firm of auditors

On 28 April 2006, the Ordinary General Shareholders' Meeting assigned the task of auditing the accounts for the financial year and the consolidated accounts for the financial years 2006 to 2011 inclusive, and the limited audit of the half-year report as at 30 June from 2006 to 2011 inclusive, to the firm of auditors Deloitte & Touche S.p.A.. That assignment comes to an end at the General Shareholders' Meeting to approve the accounts as at 31 December 2011.

Within the Group, the audit assignment for a number of the subsidiaries, including Milano Assicurazioni, is entrusted to the firm of auditors Reconta Ernst & Young S.p.A..

Three tables are appended which summarise the procedures for adopting the main recommendations of the Code:

- the first table summarises the structure of the Board of Directors and the Internal Committees;
- the second table summarises the characteristics of the Board of Statutory Auditors;
- the third, and last, table summarises the level of adjustment to the other provisions of the Code concerning the system of delegations, transactions with related parties, appointment procedures, general meetings, internal control and investor relations.

2006 Accounts

Company: **FONDIARIA – SAI**

Subscribed capital E. 168,482,219

Paid-up E. 168,482,219

Registered office in FLORENCE

Jurisdiction FLORENCE

YEAR-END ACCOUNTS

Balance sheet

Financial year 2006

(Amounts in Euros)

BALANCE SHEET

ASSETS

Amounts for the financial year

A. RECEIVABLES FROM MEMBERS FOR UNPAID SUBSCRIBED CAPITAL		1	0		
Of which recalled capital		2	0		
B. INTANGIBLE ASSETS					
1. Underwriting costs to be amortised					
a) life business	3	1,669,000			
b) non-life classes	4	0	5	1,669,000	
2. Other underwriting costs			6	0	
3. Set-up and expansion costs			7	16,097,749	
4. Goodwill			8	363,656,133	
5. Other multi-year costs			9	16,486,867	
					10 397,909,749
C. INVESTMENTS					
I - Land and buildings					
1. Buildings intended for company business			11	111,227,126	
2. Buildings for use of third parties			12	932,426,876	
3. Other buildings			13	4,678,411	
4. Other rights in rem			14	2,279,472	
5. Construction in progress and advances			15	2,618,363	16 1,053,230,248
II - Investments in Group companies and other holdings					
1. Stocks and shares in:					
a) parent companies	17	30,835,519			
b) subsidiaries	18	2,841,518,775			
c) affiliates	19	0			
d) joint ventures	20	38,483,675			
e) others	21	45,643,216	22	2,956,481,185	
2. Securities issued by:					
a) parent companies	23	0			
b) subsidiaries	24	156,360			
c) affiliates	25	0			
d) joint ventures	26	0			
e) others	27	0	28	156,360	
3. Lending to:					
a) parent companies	29	0			
b) subsidiaries	30	11,151,822			
c) affiliates	31	0			
d) joint ventures	32	0			
e) others	33	9,678,802	34	20,830,624	35 20,30,624
to carry forward					397,909,749

Amounts for the previous financial year

					181	0
	182	0				
183	2,727,000					
184	0	185	2,727,000			
	186	0				
	187	31,615,863				
	188	412,312,985				
	189	30,151,645			190	476,807,493
	191	109,9971,784				
	192	876,037,960				
	193	4,675,484				
	194	2,279,471				
	195	30,742,743	96	1,023,707,442		
197	30,835,519					
198	2,584,236,184					
199	0					
200	38,478,375					
201	46,511,023	202	2,700,061,301			
203	0					
204	156,361					
205	0					
206	0					
207	0	208	156,361			
209	0					
210	16,151,822					
211	3,000,000					
212	0					
213	0	214	19,151,822	215	2,719,369,484	
	to carry forward					476,807,493

BALANCE SHEET

ASSETS

Amounts for the financial year

				Brought forward			127,919,115
C. INVESTMENTS (continued)							
III - Other financial investments							
1. Stocks and shares							
a) Listed shares				36	1,739,439,401		
b) Unlisted shares				37	30,050,154		
c) Units				38	1,500,000	39	1,770,989,555
2. Shares in mutual funds						40	402,124,715
3. Bonds and other fixed rate securities							
a) listed				41	9,335,120,162		
b) unlisted				42	161,101,846		
c) convertible bonds				43	1,015,428	44	9,497,237,436
4. Lending							
a) loans with liens on property				45	0		
b) loans against policies				46	42,560,064		
c) other loans				47	6,815,492	48	49,375,556
5. Units in investment funds						49	0
6. Deposits with credit institutions						50	477,930
7. Sundry financial investments						51	163,195
IV - Deposits with ceding companies						53	67,970,031
						4	15,819,036,835
D. INVESTMENTS FOR THE BENEFIT OF LIFE INSURANCE POLICYHOLDERS WHO ASSUME THE RISK THEREON, AND RISK ARISING FROM PENSION FUND MANAGEMENT							
I - Investments relating to loans associated with mutual funds and market indexes						55	570,622,197
II - Investments arising from pension fund management						56	125,859,955
						57	696,482,152
D bis. TECHNICAL RESERVES FOR THE ACCOUNT OF REINSURERS							
I - NON-LIFE CLASSES				58	41,203,769		
1. Premiums reserve				59	279,614,402		
2. Claims reserve				60	0		
3. Reserve for profit-share and refunds				61	0	62	302,818,171
4. Other technical reserves							
II - LIFE BUSINESS				63	83,947,912		
1. Actuarial reserved				64	0		
2. Premiums reserve for supplementary insurance				65	3,353,504		
3. Reserve for amounts payable				66	0		
4. Reserve for profit-share and refunds				67	0		
5. Other technical reserves							
6. Technical reserves where the risk is assumed by the policyholders and risks arising from pension fund management				68	0	69	87,301,416
						0	408,119,587

Amounts for the previous financial year

Brought forward			476,807,493
216	1,491,699,231		
217	29,238,314		
218	1,500,000	219	1,522,437,545
		220	356,921,185
221	8,807,804,492		
222	237,342,840		
223	1,016,631	224	9,046,163,963
225	29,457,986		
226	42,854,351		
227	5,155,967	228	77,468,304
		229	0
		230	13,232,112
		231	936,899
		232	11,017,160,008
		233	326,285,849
		234	15,086,522,783
		235	623,936,663
		236	105,469,242
		237	729,405,905
		238	36,268,799
		239	299,051,148
		240	0
		241	0
		242	335,319,947
		243	77,749,763
		244	0
		245	1,827,740
		246	0
		247	0
		248	0
		249	79,577,503
		250	414,897,450
to carry forward			16,707,633,631

BALANCE SHEET

ASSETS

		Amounts for the financial year	
	Brought forward		17,321,548,323
E. RECEIVABLES			
I - Receivables arising from direct insurance operations relating to:			
1. Policyholders			
a) for premiums for the year	71	395,295,597	
b) for premiums for previous financial years	72	49,222,880	
	73	443,518,477	
2. Insurance intermediaries	74	584,715,660	
3. Current account companies	75	140,900,800	
4. Policyholders and third parties for sums to be recovered	76	40,457,008	77 1,209,591,945
II - Receivables arising from reinsurance operations relating to::			
1. Insurance and reinsurance companies	78	66,229,850	
2 Reinsurance intermediaries	79	85,965	80 66,315,815
III - Other receivables			
		81 666,573,568	82 1,942,481,328
F. OTHER ASSET ITEMS			
I - Fixed assets and stocks:			
1. Furniture, office equipment and internal transportation	83	11,772,518	
2. Assets recorded on public registers	84	27,384	
3. Plant and equipment	85	1,1012,234	
4. Stocks and sundry assets	86	3,007,135	87 15,819,271
II - Liquid assets			
1. Bank deposits and postal current accounts	88	155,818,999	
2. Cheques and cash balances	89	643,146	90 156,462,145
III - Own shares or units			
		91 182,200,721	
IV - Other assets			
1. Transit accounts – reinsurance assets	92	3,288,159	
2. Sundry assets	93	459,332,261	94 462,620,420 95 817,102,557
G. PREPAID EXPENSES AND ACCRUED INCOME			
1. For interest		96 131,234,895	
2. For rental costs		97 530	
3. Other prepaid expenses and accrued income		98 2,505,62	99 133,741,046
TOTAL ASSETS			100 20,214,873,254

Amounts for the previous
financial year

Brought forward		16,707,633,631	
251	419,982,188		
252	60,020,606	253	480,002,794
		254	583,410,305
		255	180,015,381
		256	42,439,901
		257	1,285,868,381
		258	61,626,148
		259	518,072
		260	62,144,220
		261	732,681,534
		262	2,080,694,135
		263	9,130,089
		264	9,508
		265	1,314,327
		266	3,002,231
		267	13,456,155
		268	217,277,259
		269	16,523
		270	217,293,782
		271	138,079,243
		272	7,181,475
		273	542,219,620
		274	549,401,095
		275	918,230,275
		276	138,611,627
		277	531
		278	1,293,789
		279	139,905,947
		280	19,846,463,988

BALANCE SHEET - LIABILITIES AND NET EQUITY Amounts for the financial
year

A. NET EQUITY				
I - Subscribed capital or equivalent fund	01	177,680,822		
II - Reserve for issue premiums	102	207,409,906		
III - Revaluation reserve	103	200,024,934		
IV - Legal reserve	104	34,622,823		
V - Statutory reserve	105	0		
VI - Reserve for own shares and those of the parent	106	213,036,240		
VII - Other reserves	107	1,714,597,868		
VIII - Profits (losses) brought forward	108	0		
IX - Profit (loss) for the year	109	272,074,150	110	2,819,446,743
B. SUBORDINATE LIABILITIES			111	650,000,000
C. TECHNICAL RESERVES				
I - NON-LIFE CLASSES				
1. Premiums reserve	112	1,346,849,401		
2. Claims reserve	113	4,965,602,449		
3. Reserve for profit-share and refunds	114	0		
4. Other technical reserves	115	7,602,327		
5. Equalisation reserves	116	12,186,698	117	6,332,240,875
II - LIFE BUSINESS				
1. Actuarial reserves	118	7,537,708,782		
2. Reserve for premiums on supplementary insurance	119	870,361		
3. Reserve for sums payable	120	127,661,729		
4. Reserve for profit-share and refunds	121	3,175,635		
5. Other technical reserves	122	61,685,735	123	7,731,102,242
			124	14,063,343,117
D. TECHNICAL RESERVES WHERE THE INVESTMENT RISK IS BORNE BY THE POLICYHOLDERS AND RESERVES ARISING FROM PENSION FUND MANAGEMENT				
I - Reserves relating to contracts on which payments are linked to investment funds and market indexes			125	570,549,892
II - Reserves arising from pension fund management			126	125,859,954
			127	696,409,846
To carry forward				18,229,199,706

Amounts from the previous financial year

		281	173,114,113		
		282	193,729,075		
		283	200,024,934		
		284	34,110,830		
		285	0		
		286	168,914,762		
		287	1,624,176,497		
		288	0		
		289	300,603,298	290	2,694,673,509
				291	500,000,000
292	1,342,537,918				
293	5,094,201,538				
294	0				
295	7,827,353				
296	10,045,023	297	6,454,611,832		
298	7,200,817,702				
299	953,181				
300	86,166,184				
301	3,390,909				
302	63,220,791	303	7,354,548,767	304	13,809,160,599
		305	623,764,350		
		306	105,469,243	307	729,233,593
	to carry forward				17,733,067,701

BALANCE SHEET - LIABILITIES AND NET EQUITY
Amounts for the financial year

Brought forward			18,229,199,706
E. PROVISIONS FOR RISKS AND CHARGES			
1. Provisions for lump sum retirement payments and similar obligations	128	3,072,097	
2. Taxation reserves	129	360,562,628	
3. Other set-asides	130	181,529,122	545,163,847
F. DEPOSITS RECEIVED FROM REINSURERS			150,743,198
G. DEBTS AND OTHER LIABILITIES'			
I - Debts arising from direct insurance business, relating to:			
1. Insurance intermediaries	133	44,880,126	
2. Current account companies	134	12,073,713	
3. Policyholders – surety and premiums	135	107,553	
4. Guarantee funds in favour of policyholders	136	166,593	57,227,985
II - Debts arising from reinsurance operations, relating to:			
1. Insurance and reinsurance companies	138	42,136,518	
2. Reinsurance intermediaries	139	816,708	42,953,226
III - Debt instruments			0
IV - Payables to banks and financial institutions			0
V - Payables with liens on property			0
VI - Sundry loans and other financial payables			350,000,000
VII - Employee severance fund			56,829,553
VIII - Other debts			
1. For taxes payable by policyholders	146	678,768,609	
2. For sundry tax payables	147	44,617,597	
3. To welfare and pensions bodies	148	4,515,699	
4. Sundry debts	149	249,104,505	367,006,410
IX - Other liabilities			
1. Reinsurance transit accounts - liabilities	151	365,987	
2. Provision for premiums being collected	152	69,937,228	
3. Sundry liabilities	153	328,175,974	328,479,189
to carry forward			20,197,603,114

Amounts for previous financial year

brought forward		17,733,067,701
	308 2,873,456	
	309 350,930,282	
	310 154,517,187	311 508,320,925
		312 153,360,084
313 65,233,204		
314 11,398,958		
315 252,435		
316 114,949	317 76,999,546	
318 65,202,049		
319 1,237,153	320 66,439,202	
	321 0	
	322 0	
	323 0	
	324 307,913,972	
	325 57,399,521	
326 70,224,508		
327 41,000,788		
328 16,221,118		
329 283,137,260	330 410,583,674	
331 5,655,977		
332 71,687,781		
333 441,823,606	334 519,167,364	335 1,438,503,279
to carry forward		19,833,251,989

BALANCE SHEET - LIABILITIES AND NET EQUITY

Amounts for the year

H. ACCRUED EXPENSES AND DEFERRED INCOME	Brought forward		20,197,603,114
	1. For interest	156 17,158,376	
	2. For rental payments	157 69,605	
	3. Other accrued expenses and deferred income	158 42,159	159 17,270,140
	TOTAL LIABILITIES AND NET EQUITY		160 20,214,873,254

BALANCE SHEET GUARANTEES,
COMMITMENTS AND OTHER OFF BALANCE
SHEET ITEMS

Amounts for the year

GUARANTEES, COMMITMENTS AND OTHER OFF BALANCE SHEET ITEMS		
I - Guarantees given		
1. Sureties	161	0
2. Endorsements	162	0
3. Other personal guarantees	163	160,000
4. Liens on property	164	8,067,403
II - Guarantees received		
1. Sureties	165	82,664,757
2. Endorsements	166	0
3. Other personal guarantees	167	1,255,226
4. Liens on property	168	198,650
III - Guarantees given by third parties in the interests of the business	169	50,000,000
IV - Commitments	170	318,469,770
V - Third party goods	171	9,899,277
VI - Assets pertaining to pension funds managed in the name of and for the account of third parties	172	0
VII - Securities deposited with third parties	173	14,616,217,814
VIII - Other off balance sheet items	174	290,477,471

Amounts for the previous year

brought forward		19,833,251,989
336	13,128,027	
337	68,480	
338	15,492	339 13,211,999
		340 19,846,463,988

Amounts for the previous year

		341 0
		342 0
		343 1,260,574
		344 6,037,465
		345 97,388,819
		346 0
		347 31,663,673
		348 32,555,436
		349 29,240,326
		350 221,278,924
		351 7,053,793
		352 0
		353 13,157,213,664
		354 33,394,652

Company: **FONDIARIA-SAI**

Subscribed capital E. 168,482,219 Paid-up E. 168,482,219

Registered office in FLORENCE

Jurisdiction FLORENCE

YEAR-END ACCOUNTS

Profit and loss

Financial year 2006

(Amounts in Euros)

PROFIT AND LOSS ACCOUNT

				Amount for the year	
I. TECHNICAL ACCOUNT FOR NON-LIFE CLASSES					
1. RELEVANT PREMIUMS, NET OF REINSURANCE CESSIONS					
a) Gross premiums booked	1	3,896,351,503			
b) (-) Premiums ceded for reinsurance	2	138,681,476			
c) Changes to the gross amount of the premium reserve	3	4,341,364			
d) Changes to the premium reserve for the account of reinsurers	4	5,700,802		5	3,759,029,465
2. (+) SHARE OF PROFIT ON INVESTMENTS TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT (ITEM III. 6)					
6 170,661,042					
3. OTHER TECHNICAL INCOME, NET OF REINSURANCE CESSIONS					
7 43,297,992					
4. CHARGES RELATING TO CLAIMS, NET OF RECOVERIES AND REINSURANCE CESSIONS					
a) Amounts paid					
aa) Gross amount	8	2,807,090,738			
bb) (-) share for the account of reinsurers	9	71,231,079	10	2,735,859,659	
b) Change to recoveries net of the share for the account of reinsurers					
aa) Gross amount	11	38,048,240			
bb) (-) share for the account of reinsurers	12	-127,569	13	38,175,809	
c) Change to claims reserve					
aa) Gross amount	14	-127,203,796			
bb) (-) share for the account of reinsurers	15	-10,351,562	16	-116,852,234	17 2,580,831,616
5. CHANGE TO OTHER TECHNICAL RESERVES, NET OF REINSURANCE CESSIONS					
18 665,601					
6. REFUNDS AND PARTICIPATION IN PROFITS, NET OF REINSURANCE CESSIONS					
19					
7. BUSINESS EXPENSES:					
a) Underwriting costs	20	605,245,173			
b) Other acquisition costs	21	86,171,538			
c) Changes to fees and other acquisition costs to be amortised	22				
d) Fees for receipt of premiums	23	12,624,379			
e) Other administrative expenses	24	142,971,080			
f) (-) Fees and participation in profits received from reinsurers	25	28,151,212			
26 818,860,958					
8. OTHER TECHNICAL CHARGES, NET OF REINSURANCE CESSIONS					
27 159,434,816					
9. CHANGE TO THE EQUALISATION RESERVES					
28 2,141,675					
10. RESULT ON THE TECHNICAL ACCOUNT FOR NON-LIFE CLASSES (Item III. 1)					
29 411,944,460					

Amounts for the previous year

[illegible]

PROFIT AND LOSS ACCOUNT

Amounts for the year

II. TECHNICAL ACCOUNT FOR LIFE BUSINESS				
1. PREMIUMS FOR THE YEAR, NET OF REINSURANCE CESSIONS:				
a) Gross premiums booked	30	1,365,611,738		
b) (-) premiums ceded in reinsurance	31	19,485,094	32	1,346,126,644
2. INVESTMENT INCOME:				
a) Income arising from stocks and shares	33	25,347,600		
(of which from group businesses)	34	10,772,135)		
b) Income from other investments:				
aa) from land and buildings	35	1,651,256		
bb) from other investments	36	300,050,231	37	1,301,701,487
(of which from group businesses)	38	8,712,870)		
c) Recovery of value adjustments on investments	39	1,651,743		
d) Realised gains on investments	40	83,864,729		
(of which from group businesses)	41)	42	412,565,559
3. INCOME AND UNREALISED GAINS RELATING TO INVESTMENTS FOR THE ACCOUNT OF POLICYHOLDERS WHO ASSUME THE RISK THEREON AND TO INVESTMENTS ARISING FROM PENSION FUND MANAGEMENT			43	52,662,443
4. OTHER TECHNICAL INCOME NET OF REINSURANCE CESSIONS			44	1,343,888
5. CHARGES RELATING TO CLAIMS, NET OF REINSURANCE CESSIONS:				
a) Sums paid				
aa) Gross amount	45	1,098,762,250		
bb) (-) Share for the account of reinsurers	46	11,594,485	47	1,087,167,765
b) Change to the reserve for sums payable				
aa) Gross amount	48	26,474,830		
bb) (-) Share for the account of reinsurers	49	1,526,410	50	40,036,155
51				1,127,203,920
6. CHANGE TO ACTUARIAL RESERVES AND OTHER TECHNICAL RESERVES, NET OF REINSURANCE CESSIONS				
a) Actuarial reserves:				
aa) Gross amount	52	492,790,392		
bb) (-) Share for the account of reinsurers	53	5,990,854	54	486,799,538
b) Premium reserve for supplementary insurance:				
aa) Gross amount	55	-82,821		
bb) (-) Share for the account of reinsurers	56		57	-82,821
c) Other technical reserves				
aa) Gross amount	58	-1,750,330		
bb) (-) Share for the account of reinsurers	59		60	-1,750,330
d) Technical reserves where the investment risk is assumed by the policyholders and arising from pension fund management				
aa) Gross amount	61	-32,823,746		
bb) (-) Share for the account of reinsurers	62		63	-32,823,746
64				452,142,641

Amounts for previous year			
	140	1,370,593,037	
	141	11,538,475	142 1,359,054,562
	143	17,416,960	
(of which from group businesses	144	6,092,573)	
	145	1,573,540	
	146	246,742,630	
(of which from group businesses	147	248,316,170	
	148	11,099,112)	
	149	10,079,173	
	150	88,586,072	
(of which from group businesses	151	2 86,802)	152 364,398,375
			153 54,854,576
			154 16,233,084
	155	859,367,462	
	156	7,289,944	
	157	852,077,518	
	158	-43,683,703	
	159	-318,683	61 896,079,904
	160	44,002,386	
	162	695,650,419	
	163	3,671,909	164 691,978,510
	165	55,862	
	166		167 55,862
	168	-1,392,301	
	169		170 -1,392,301
	171	5,296,011	
	172		173 5,296,011
			174 695,938,082

PROFIT AND LOSS ACCOUNT

				Amounts for the year	
7. REFUNDS AND PROFIT-SHARE, NET OF REINSURANCE CESSIONS				65	27,913
8. BUSINESS EXPENSES`:					
a) Underwriting costs	66	14,578,131			
b) Other acquisition costs	67	17,469,993			
c) Change in fees and in other acquisition costs to be amortised	68	-1,058,000			
d) Fees for handling monies	69	8,213,323			
e) Other administration costs	70	29,326,234			
f) (-) Fees and profit-share received from reinsurers	71	1,730,888		72	68,914,793
9. CAPITAL AND FINANCIAL CHARGES:					
a) Charges for investment management and interest payable	73	30,676,731			
b) Value adjustments on investments	74	56,003,309			
c) Realised losses on investments	75	17,792,446		76	104,472,486
10. CAPITAL AND FINANCIAL CHARGES AND UNREALISED LOSSES RELATING TO INVESTMENTS FOR THE ACCOUNT OF POLICYHOLDERS WHO BEAR THE RISK THEREON AND TO INVESTMENTS ARISING FROM PENSION FUND MANAGEMENT				77	15,718,177
11. OTHER TECHNICAL CHARGES, NET OF REINSURANCE CESSIONS				78	13,008,500
12. (-) PROFIT-SHARE ON INVESTMENTS TRANSFERRED TO THE NON-TECHNICAL ACCOUNT (ITEM III. 4)				79	10,297,305
13. RESULT ON THE TECHNICAL ACCOUNT FOR LIFE CLASSES (Voce III. 2)				80	20,912,799
III. NON-TECHNICAL ACCOUNT					
1. RESULT ON THE TECHNICAL ACCOUNT FOR NON-LIFE CLASSES (Item I. 10)				81	411,944,460
2. RESULT ON THE TECHNICAL ACCOUNT FOR LIFE CLASSES (Item II. 13)				82	20,912,799
3. INVESTMENT INCOME FOR NON-LIFE CLASSES					
a) Income arising from stocks and shares	83	200,177,200			
(of which from group companies	84	93,358,409)			
b) Income arising from other investments:					
aa) from land and buildings	85	40,812,955			
bb) from other investments	86	162,299,201			
(of which from group companies	88	5,597,130)			
c) Recovery of value adjustments on investments	89	6,054,685			
d) Realised gains on investments	90	19,726,231			
(of which from group companies	91			92	388,257,317

Amounts for the previous year

			175	404,002
	176	22,357,591		
	177	15,021,574		
	178	-1,194,000		
	179	10,281,364		
	180	34,4004,129		
	181	3,078,753	182	80,179,905
	183	12,471,567		
	184	28,853,171		
	185	21,098,827	186	62,423,565
			187	10,624,804
			188	7,561,218
			189	24,626,013
			190	16,703,104
			191	443,607,635
			192	16,703,104
	193	149,468,312		
(of which from group businesses	194	65,669,293)		
	195	37,680,441		
	196	102,550,075	197	140,230,516
(of which from group businesses	198	4,037,858)		
	199	10,804,817		
	200	30, 038,073		
(of which from group businesses	201	16,577,829)	202	330,541,718

PROFIT AND LOSS ACCOUNT

			Amounts for the year	
4. (+) SHARE OF PROFIT ON INVESTMENTS TRANSFERRED FROM THE TECHNICAL ACCOUNT OF THE LIFE CLASSES (item II. 12)			93	10,297,305
5. CAPITAL AND FINANCIAL CHARGES DEO THE NON-LIFE CLASSES:				
a) Management charges for investments and interest payable	94	60,187,275		
b) Value adjustments on investments	95	40,243,979		
c) Realised losses on investments	96	53,772,031	97	154,203,285
6. (-)SHARE IN THE PROFIT ON INVESTMENTS TRANSFERRED TO THE TECHNICAL ACCOUNT OF THE NON-LIFE CLASSES (item I. 2)			98	170,661,042
7. OTHER INCOME			99	157,286,744
8. OTHER CHARGES			100	303,901,218
9. PROFIT / LOSS FROM ORDINARY ACTIVITY			101	359,933,080
10. EXTRAORDINARY INCOME			102	48,337,322
11. EXTRAORDINARY CHARGES			103	33,186,020
12. PROFIT / LOSS FROM EXTRAORDINARY ACTIVITY			104	15,151,302
13. PRE-TAX PROFIT / LOSS			105	375,084,382
14. TAXES ON INCOME FOR THE FINANCIAL YEAR			106	103,010,232
15. PROFIT (LOSS) FOR THE FINANCIAL YEAR			107	272,074,150

Amounts for the previous year

		203	24,626,013
204	28,304,896		
205	36,032,467		
206	69,057,365	207	133,394,728
		208	148,186,145
		209	132,981,093
		210	304,202,477
		211	362,676,213
		212	68,505,881
		213	38,424,024
		214	30,081,857
		215	392,758,070
		216	92,154,772
		217	300,603,298

Notes to the Accounts

The accounts for the financial year ended 31 December 2006:

- comply with the compulsory format stipulated in Legislative Decree no. 173 of 26/5/1997;
- adopt the general regulations on the drafting of accounts and apply the valuation criteria established in art. 16 et seq. of the aforementioned Decree;
- consist of the Balance Sheet, the Profit and Loss Account and these Supplementary Notes to the Accounts, pursuant to art. 2423 of the Civil Code; they are accompanied by the full Directors' Business Activity Report, set out in the pages above.

The Balance Sheet and the Profit and Loss Account were drawn up in accordance with the formats contained respectively in appendices I and II of Legislative Decree 173/1997.

The Supplementary Notes to the Accounts, which provide the information and guidelines referred to in appendix III below, are sub-divided into the following parts:

- Part A - Valuation criteria
- Part B - Information on the Balance Sheet and on the Profit and Loss Account
and the related appendices
- Part C - Other information.

The following statements are also attached:

- Financial statement
- Change in the equity accounts
- Statement of property still owned in respect of which the monetary revaluation was carried out or the valuation criteria according to art. 2425, 3rd indent of the Civil Code (in accordance with art. 10 of Law no. 72 of 19/3/1983) were waived
- Statement of property showing the changes for the financial year
- Statement of property showing the situation as at 31/12/2006.

The accounts were audited by the firm of auditors Deloitte & Touche S.p.A pursuant to art. 155 et seq. of Legislative Decree 58/98, in implementation of the resolution of the meeting held on 28/04/2006, which entrusted the audit assignment and the task of issuing the auditors' report to this company for the 2006-2011 period.

Part A - Valuation criteria for balance sheet items

Section 1 – ILLUSTRATION OF THE VALUATION CRITERIA

The valuation criteria used, unchanged from the previous financial year, comply with the provisions of law and refer, for interpretation, to the accounting principles issued by the Organo Italiano di contabilità [Italian Accountancy Authority].

Intangible assets

The total amount of pre-calculated commission due to intermediaries for the purchase of multi-year [long-term] policies is charged in full to the profit and loss account for the financial year.

Purchase commission in the Life business, relating to the former La Fondiaria S.p.A. portfolio and already undergoing amortisation at the start of the financial year, complies with the original amortisation plan, equal to the effective term of the contracts and within the limits of life policy loading charges and, in any case, over a period of no more than 10 years.

Any other charge incurred for the acquisition and management of risks relating to multi-year contracts is shown in the profit and loss account for the financial year in which it is incurred.

"Start-up and expansion costs" and "other long-term costs", considered entirely for use over many years, are recorded at purchase cost and amortised in relation to their likely residual useful life.

The goodwill acquired in exchange for a consideration is recorded under the assets and systematically amortised over a limited period of time considered appropriate in relation to its useful life, taking account of the prospective return on the companies to which it relates; in particular the amount of € 230,494K relates to the remainder of the loss from cancellation of the investment in La Fondiaria S.p.A., net of the share attributed to an increase in the value of the property and controlling shareholdings.

Land and buildings

Property assets are shown in the accounts at the acquisition or construction cost increased by ancillary costs, higher expenses and by any revaluations carried out, including at the time of allocating merger deficits and net of the related provisions for depreciation and write-downs effected in previous financial years.

Depreciation relates in any case to all the company's operational properties, whereas those used by third parties are depreciated in accordance with prudential considerations when they record capital losses compared with their current value and providing that the capital loss does not represent a long-term loss in value [impairment].

The economic-technical rate of 3% is applied in most cases, considered to be entirely prudent with reference to capital assets for appropriation and their likely residual useful life.

Long-term financial investments

Pursuant to art. 16, indent 3 of Legislative Decree no. 173/1997, Italian and overseas shareholdings and debentures classified as "long-term" are valued at the lesser between the purchase cost, which may have been adjusted in previous financial years, and the cost which is shown to be lower in the long-term at the closing date for the financial year. Debit instruments and equities [capital securities], if they originate from the short-term portfolio, are recorded at the value resulting from applying the sector of origin at the time of transferring the valuation criteria.

Reductions in value are readjusted in subsequent financial years, as and when the reasons for the rectifications made no longer apply.

The purchase cost is taken as the cost determined by the weighted continuous average method, adjusted following the calculation of the issue and trading spreads and in the case of previous alignments, revaluations of the original cost and the allocations of merger deficits.

For securities issued or acquired without coupons, the original purchase cost is increased pro-rata, on an annual accruals basis, by the difference between the purchase cost and the nominal value collectable at maturity.

The following are taken as the value at the closing date for the financial year:

- in the case of listed fixed income securities, the value produced by the arithmetic mean of the prices for the last half of the year;
- in the case of listed shareholdings, that shown by the analyses intended to determine their recoverable value, even if not in the short-term.
- in the case of unlisted shareholdings, the normal value determined by also taking account, pro-rata, of the equity reductions stated in the most recent accounts;
- in the case of unlisted debentures, the normal value determined with reference to the price of securities with similar characteristics or on the basis of other objective elements.

Short-term financial investments

Pursuant to art. 16 indent 6 of Legislative Decree 173/1997, Italian and overseas shareholdings and debentures which constitute "short-term" investments are recorded at the purchase cost which may have been adjusted in previous financial years or at the realisation value able to be inferred from the market trend, if lower. Reductions in value are not maintained in subsequent accounts as and when the reasons for these no longer apply.

The purchase cost is taken as the cost determined by the weighted continuous average method, adjusted in the case of a previous alignment or revaluation of the original cost. The original purchase cost is also adjusted, pro-rata temporis, by the issue spreads, and the differences between the purchase cost and the nominal value collectable at maturity for implicit interest securities.

The following are taken as the realisation value:

- in the case of listed shareholdings and debentures, and for own shares, the value resulting from the arithmetic mean of the prices in the last month of the financial year;
- in the case of unlisted shareholdings, the normal value determined by taking account pro-rata of the equity reductions stated in the most recent accounts;
- in the case of unlisted debit instruments and for unit trusts, the normal value determined with reference to the price of the securities with similar characteristics or on the basis of other objective elements.

Investments for the benefit of life-business policyholders who bear the risk for such investments and investments deriving from pension fund management

These investments, relating to index-linked and unit-linked products, and the assets which are part of the special segregated "SAI QUOTA" life business management, are recorded at the existing value pursuant to art. 16, indent 8 of Legislative Decree 173/1997. Similar criteria are used for recording investments deriving from pension fund management.

Repurchase agreements

The countervalue of securities acquired "on a spot basis", with a repurchase obligation on the seller are recorded in the accounts under "Sundry Financial Investments" and securities sold "on a spot basis" under "Creditors and Other Liabilities".

Interest and differences between the "spot" and "forward" countervalues are recorded in the accounts respectively under "Income from other Investments" and "Investment management charges and interest paid"; for operations which may be current at the end of the financial year, the income is appropriated using the pro-rata temporis method.

Derivative contracts

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

When the option matures without having been exercised, the premium is charged to "Investment Income" or "Equity and Financial Charges" ["Investment Charges"] whilst for premiums exercised, the book value or the selling price is adjusted in the event of the acquisition or sale of the underlying asset; otherwise they are charged to "Investment Income" or "Equity and Financial Charges" in the event of financial adjustment of the commitment.

Existing options at the end of the financial year are valued taking account of the underlying assets in securities or currency, making reference to their recoverable value, in the case of long-term assets or to the respective prices, in the case of short-term assets. In the latter case, if there is no price, then on the basis of a prudent valuation of their likely break-up value.

Any capital losses on the valuation of current contracts are recorded in accordance with prudential considerations under "Provision for risks and costs".

Derivative operations aimed at hedging investments and financing are valued in line with the respective underlying assets.

Tangible fixed assets

These assets are shown in the accounts at the purchase cost and depreciated on the basis of their likely residual useful life; the depreciation rates applied correspond to the maximum laid down in the tax regulations considered to reflect the actual wear and tear of the assets.

Debtors

Premiums receivable from policyholders are recorded on the basis of their likely recovery value, net of write-downs, made in accordance with analytical and fixed-rate methods with reference to individual branches and the trend in collections recorded for uniform categories of debtors. Other receivables are recorded at their likely recovery value.

Technical provisions for direct business

The general rules on technical provisions, described in art. 31 of Legislative Decree 173/97, ratify the principle by which the amount of the provisions must always be adequate to enable companies to meet the commitments taken on with insurance contracts, where reasonably foreseeable. The following accounting principles derive from it:

Unearned premium reserve – Non-Life classes

Art. 32 of Legislative Decree 173/97 stipulates the obligation to record the unearned premium reserve broken down into two components "reserve for premium fractions" and "reserve for existing risks".

- Reserve for premium fractions

This is calculated in all classes, by applying the pro-rata temporis method on the basis of the gross premiums recorded, net of purchase costs, as identified by arts. 51 and 52 of the aforementioned Decree.

For hail and nuclear energy risks, the calculation is applied in accordance with the stipulations of Ministerial Decree 23/5/1981.

In the credit class, the stipulations of Ministerial Decree 22/6/82 are also applied for contracts entered into or renewed by 31/12/1991.

In the other property damage, fire, accident and goods-in-transit classes, further appropriations were made for the risks of natural disaster, proceeding in accordance with the stipulations of Ministerial Decree 15/6/84.

In the bonds class, the supplementary provision stipulated by ISVAP Instruction no. 1978/2001 was effected.

- Reserve for existing risks

This component of the unearned premium reserve is allocated, in accordance with art. 32 of Legislative Decree 173/97, to cover risks for which the company is liable after the close of the financial year, to meet all the costs of claims which might affect contracts having given rise to the formation of reserves for premium fractions.

The calculation procedure used for the appropriation to this reserve complies with the empirical method suggested by the Supervisory Authority in its circular no. 360/D of 21/1/99, applied separately for each class and, within the scope of some of these, to any type of risk included. The loss ratio employed was assessed by also taking account of a retrospective timeframe in relation to individual classes.

Provision for outstanding claims - Non-Life classes

The provision for outstanding claims represents the total amount of the sums which, from a prudent valuation made on the basis of objective elements, are shown to be necessary to meet the payment of claims outstanding at the end of the financial year, and the related settlement expenses.

The provision for outstanding claims was valued in accordance with the provisions of indent 2 of art. 33 of Legislative Decree 173/97, taking the most recent cost as a determination criterion in order to take account of all future foreseeable charges, on the basis of historical and prospective data. It also includes the estimate for claims incurred but not reported as at the closing date for the financial year.

The provision for outstanding claims recorded in the accounts is the result of a complex multi-phase technical valuation which arises from an initial valuation made by analytically examining the individual outstanding positions, followed by the process, entrusted to the company's managerial structures, which uses statistical-actuarial methods to determine the extent of the most recent cost of the claims.

In particular:

■ *Land vehicles – TPL motor*

With regard to continuously inventoried portfolios, the current generation is represented by the analytical calculation of the claims handling department, which may be supplemented by the management's valuation, for which the determining factors specifically take account of claims with average costs above the market average due to specific phenomena (physical damage and other catastrophes).

The previous generations are observed after the analytical calculation made by the claims handling department which checks the reliability of the estimates made. With regard to the claims portfolio for previous generations, subject to analytical checks by the claims handling department according to rotating criteria, the amounts of the provisions generated previously are used as data for entering an analysis model which takes account, amongst other things, of the sufficiency/insufficiency of the provisions, the percentage incidence of the "fall" in the provisions for payments, the incidence on the income provision of the balance between cancellations "without follow-up claims" and "re-opened", finally taking account of revaluations, in order to define the most recent cost of the claims.

In order to determine and make a final valuation of the most recent cost of the claims, taking account of the longer settlement period, statistical-actuarial methods were in the end used on the trend in the cost of claims based on historical and prospective elements, duly adapted to the company's specific characteristics (methods attributable to the Fisher-Lange methodology): in particular, forecast inflation and the specific dynamics of the insurance sector costs were taken into account for determining the future increase in the cost of the provision for claims pending.

In order to analyse populations of claims which are uniform between one another, separate valuations were carried out for the different divisions which make up the company's claims portfolio. For each of these, the claims were considered in terms of classification according to the year in which they were incurred.

The process leading to determination of the TPL motor provision is based on the following principles:

- The Fisher-Lange method was confirmed as a reference and control statistical-actuarial method since, also taking the number of claims into account, it makes it possible to estimate the provision without overlooking any changes in the claims settlement policies.
- It was considered advisable to use another three statistical-actuarial methods to support the Fisher-Lange method: the Chain Ladder, the Bornhuetter-Ferguson and the Taylor separation method. These methods were used to weigh and, where necessary, supplement the estimate obtained by the Fisher-Lange one. These methods, however simple to apply in relation to the sparse information called for, conversely require that the basic hypothesis of consistency in the sequence of accumulated payments be observed over time.
- The provision determined by these methods includes the provision for IBNR claims.

- As far as the distribution of this amount over the various generations is concerned, we would point out that:
 - a. the generation provision is determined at average cost based on the cost of the generation itself, from which the paid amount is deducted.
 - b. the reference for the provision for previous generations is the provision stated by the supplementary claims handling network based on what is thrown up by statistical-actuarial projections.

Finally, based on the four basic hypotheses employed for the Fisher-Lange method (speed of settlement, rates of claims with follow-up, average basic costs, future inflation of the average costs) various scenarios were considered in order to conduct a sensitivity analysis of the results arrived at by the method.

■ *Other Non-Life classes*

The valuations are made analytically claim by claim by the claims handling department. These valuations were adjusted by the management on the basis of the results of special valuation models aimed at determining the most recent cost of the claims, models which take past experience into account, both in regard to the reduction in the provision for claims pending and to the trend in and effective manifestation of late claims.

Other technical provisions

In accordance with the provisions of art. 25 of Decree with the force of law 175 of 17/3/1995, these include the provision for old age formed for insurance contracts against long-term illnesses and for which the company has waived the right of withdrawal; the provision was calculated in accordance with the stipulations laid down by indent 3 of that article.

Equalisation provisions

These contain the sums earmarked in implementation of art. 12, indent 1 of Legislative Decree no. 691 of 19/12/1994 concerning the procedures for forming the provision for balancing the risks of natural disasters. With reference to contracts with the characteristics referred to in art. 1 of the regulation implementing former Ministerial Decree no. 705 of 19/9/96, the provision was formed in accordance with the stipulations of the regulation. They include, amongst other things, the provision for offsetting the credit class referred to in art. 24 of Legislative Decree no. 175/95.

Technical provisions - Life business

The actuarial provision for direct insurance policies in the life business was calculated analytically for each contract, on the basis of the pure commitments without reductions for policy purchase costs and making reference to the actuarial assumptions (technical interest rates, demographic assumptions of cancellations due to death or incapacity and operating expenses) used to calculate the premiums for the existing contracts. In any case, the actuarial provisions are not lower than the surrender values. The ratio of premiums to the share of annual premiums in the next financial year was included in the technical provisions.

The actuarial provisions also take in the additional provision for contracts with revisable payments as laid down in ISVAP Instruction 1801-G of 21/02/2001 and stated in art. 25, indent 12 of Legislative Decree 174/95, and the additional provision for technical bases to take account of the higher cost that the company will need to incur to meet the difference between the interest rate issued to policyholders and the trend in the foreseeable yields by the separate operations over the next four years.

As stipulated in Legislative Decree 174/95, the actuary's report states the principles and technical procedures used to determine the provisions and confirms that they are adequate.

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

The provisions for all products with the characteristics stated in art. 30, indents 1 and 2 of Legislative Decree 174/95 come within this category. Their calculation, being analytical by contract, follows the general

procedures for the other technical provisions in the Life business. These provisions represent the underlying assets as accurately as possible.

Reinsurers' technical provisions

Reinsurers' provisions include the relating amounts determined in accordance with contractual reinsurance agreements, based on the gross amounts of the technical provisions.

In particular, the reserve for unearned premiums on proportional transfers is calculated on the basis of the stipulations of art. 32 of Legislative Decree 173/97 for the gross unearned premium reserve.

Inward reinsurance

For reinsured risks, the premiums and costs already communicated by the transferor companies, excluding the companies which are part of the Group and any portfolios managed by your Company, are partly recorded in the equity accounts and charged to the profit and loss account in the next financial year; the reason for that time difference is that it is impossible to have all the data available in time to produce the accounts. The technical provisions are recorded in the accounts on the basis of the information from the transferor companies. In accordance with the stipulations of indent 2 of art. 39 of Legislative Decree 173/97, this information is subject to careful and independent assessment and, where past experience shows any deficiencies, the appropriate adjustments are made to guarantee adequate appropriations to provisions.

Provision for future risks and charges

This is formed to meet non-technical insurance risks, for which the amount and date of occurrence have not been determined.

Provision for old age pursuant to art. 30 NCWA

The provision is formed for all employees who have completed twenty or thirty years of service with the company at the end of the financial year based on their annual pay as at 31/12/2006 and proportional to the bonus payable on the 25th and 35th year of service. The provision is used for bonuses awarded and re-determined at the end of each financial year.

Provision for property maintenance

The provision includes the costs, relating to the current and previous financial years, not yet incurred because the relevant works, for technical and economical reasons, are carried out at periodic intervals.

The overall review of the provision is made, on the basis of expert recommendation, exclusively with regard to property used for both residential and non-residential purposes.

No appropriations are made either for property which it is planned to dispose of or completely restructure before the normal maintenance cycle has been completed or for individual jointly-owned properties which, considered as a whole, show annual maintenance costs uniformly distributed over time.

Reserve for employee termination indemnities

This reserve is made on the basis of existing employment contracts and the criteria stipulated in article 5 of Law no. 297 of 29/5/1982 governing employee termination indemnities.

The charge resulting from contract renewals, with retroactive effect, is recorded in the accounts when these agreements come into force.

Accrued incomes and deferred charges

Accrued incomes and deferred charges are calculated on a time basis so as to reflect the accruals principle in the accounts.

Guarantees, commitments and other memorandum accounts

These are recorded in the accounts at the equivalent value of the commitments taken on or the guarantees provided or received.

Premiums written

Pursuant to art. 45 of Legislative Decree 173/97, gross recorded premiums written include amounts accrued during the financial year for insurance contracts.

Other technical costs

These are recorded in the profit and loss account net of the reinsurance transfers. For Non-Life classes they include, amongst other things: the write-downs due to the unrecoverability of amounts due from policyholders for premiums for the year made at the close of that financial year, the write-downs of amounts due from policyholders for premiums for previous years together with cancellations of amounts due from policyholders for premiums for previous years, however much it exceeds the relevant provision. For life business they include, amongst other things: the write-downs of unrecoverable amounts due from policyholders for first year premiums for the year made at the close of that financial year, write-downs of unrecoverable amounts due from policyholders for first year premiums issued in previous years and cancellations of amounts due from policyholders for first year premiums issued in previous years, however much it exceeds the relevant provision.

Other technical income

For Non-Life classes this income includes, amongst other things, contingent profits on amounts due from policyholders for premiums for previous years, previously written-down. For life business this income includes, amongst other things, contingent profits on amounts due from policyholders for first year premiums previously written-down or cancelled.

Income from debit instruments and equities

Interest receivable accrued, issue spreads and spreads between the purchase cost and nominal value collectable at maturity are recorded in the profit and loss account on an annual accruals basis.

Dividends are recorded in the financial year in which they are paid.

Dividends from subsidiaries are recorded on the basis of the "maturity" principle, that is, in the financial year in which the profits are produced by the subsidiary and in respect of which the relating decision to distribute them is taken prior to that by the Parent Company.

Capital gains or capital losses from trading securities present in the company's portfolio are recorded in the profit and loss account for the financial year in which the relevant contracts of sale are entered into.

The gain on any forward sales of debit instruments is recorded at the time of the financial adjustment.

Corporate income tax

Income tax is determined on the basis of the valuation of the fiscal charge, both current and deferred. Direct taxation in the period is calculated on the basis of the fiscal regulations in force.

However, when there are temporary differences between the financial year result and the taxable income, the tax temporarily deferred is calculated by taking account of the nominal tax rate, making appropriate adjustments in the event of a change in the rates for the current financial year.

Advance tax is recorded only if its recovery is reasonably certain in relation to the amount of the expected taxable income.

Liabilities for deferred taxation are at any rate recorded in the accounts if they arise out of temporary tax differences. In accordance with prudential considerations, deferred tax is appropriated to the provisions, relating to the higher values not recognised for tax purposes, for write-ups of investments made against the allocation of the untaxed merger deficit which arose from the acquisition of Fondiaria Assicurazioni S.p.A., where it is likely that these higher values will generate higher taxable amounts.

No provisions were made for taxation against net taxable equity reserves in the event of a distribution since that distribution is unlikely. Conversely, it is planned to allocate the deferred taxes against those deferred tax provisions charged to the share capital in respect of the part which it is assumed will be subject to taxation on the basis of decided or planned reductions in that capital.

Deferred tax is recorded in the accounts under corporate income tax and is offset against the equity under "Other assets" or "Provisions for taxation".

Deferred tax paid arising as a result of the possibility of deducting the projected negative components referred to in art. 109, indent 4, letter b) of the new Consolidated Income Tax Act (as amended by Legislative Decree 344/03) from the taxable income is also recorded.

The deferred tax assets and liabilities also include the previous balances and those arising in the course of 2006 relating to participating interests which opted for the taxation system stipulated in art. 115 of the Decree of the President of the Republic 917/1986. In such a case, the deferred taxation of the participating interest is recorded in the accounts in proportion to the percentage shareholding held.

Finally, the taxes include any tax saving (or higher charge) resulting from application of the national tax consolidation regime pursuant to art. 117 et seq. of the Decree of the President of the Republic 917/1986 in respect of the part for which the Company is responsible according to the agreements entered into with each of the participating subsidiaries.

Foreign currency transactions

Transactions denominated in foreign currencies are recorded in the accounts by using multi-currency accounting. Therefore, the balances on the accounts stated in foreign currency are set out in the accounts by converting them into euros applying the exchange rates in force at the closing date for the financial year. The relevant effects are charged to the profit and loss account under "Other income", if positive or "Other charges", if negative.

Only shareholdings considered to be long-term are maintained at the historical exchange rate provided that the exchange rate does not express permanent impairment.

Apportionment of claims settlement expenses not directly chargeable to the Government

On the basis of analytical accounting evidence, the settlement expenses are apportioned between the "Motor" and "Other Non-Life classes" sectors.

The apportionment for each class in law is made in proportion to the arithmetic mean of the percentage incidences of the numbers of claims settled and the amounts; the latter take into account any particularly serious events.

All the values set out in the appendices to the accounts are stated in euros. The figures in the Supplementary Notes to the Accounts are stated in euros with an accurate indication in cases where amounts in thousand or million euro are used with the normal rounding.

**Part B - Information on the balance sheet and
profit and loss account**

BALANCE SHEET - ASSETS

Information on the changes in the items in the Balance Sheet and the corresponding values for the previous financial year are set out below.

The necessary adaptations were made where the items for the previous financial year were not comparable with those for the current financial year. The comment to the individual items in any case shows non-comparability, any adaptation or the impossibility of adaptation.

Section 1 - INTANGIBLE FIXED ASSETS (Item B)

The intangible fixed assets, considered as a whole to be long-term, amount to € 397,910K and are stated net of amortisation.

The intangible fixed assets are systematically amortised in relation to their likely residual useful life. No situations emerged during the financial year such as to show evidence of write-downs due to long-term impairments.

The changes in the financial year are summarised in appendix 4, to which please refer.

(€K)	31/12/2006	31/12/2005	Change
Purchase commission for amortisation:			
Life business	1,669	2,727	(1,058)
Non-Life classes	-	-	-
Start-up and expansion costs	16,098	31,616	(15,518)
Goodwill	363,656	412,313	(48,657)
Other multi-year costs	16,487	30,151	(13,664)
	397,910	476,807	(78,897)

Purchase commission for amortisation:

This item refers entirely to the former La Fondiaria portfolio and complies with the original amortisation plan, equal to the effective term of the contracts which make it up. The amortisation period is contained within the limits of the policy loading charges and in any case within a period not exceeding ten years.

The multi-year commission, in both the life business and Non-Life classes, arising during the financial year was charged, in accordance with prudential considerations, entirely to the profit and loss account.

Start-up and expansion costs

The "Start-up and expansion costs" item includes:

- € 3,246K for the expenses involved in the merger through acquisition of La Fondiaria S.p.A., becoming Fondiaria-SAI S.p.A., and amortised over 5 years;
- € 10,425K concerning charges incurred for the raising of subordinate loans and amortised over 5 years;
- € 2,427K relating to the cost of the loan granted by the subsidiary Sainternational S.A., amortised over five years.

Goodwill

The "Goodwill" item consists of:

- € 230,494K from the deficit from cancellation arising out of the merger through acquisition of La Fondiaria S.p.A., becoming Fondiaria-SAI S.p.A., which took place in 2002, net of the share charged to property and shareholdings: these costs are amortised over 20 years;

- € 92,961K from goodwill from the company merged through acquisition, Fondiaria Assicurazioni, and relating to the company transfer operation in 1990, and amortised over 20 years;
- € 37,422K relating to the absorption of Fondiaria Assicurazioni which took place in 1995, and amortised over 16 years;
- € 2,779K for the transfer, in 2001, of the portfolio from the subsidiary BIM Vita and the company Profilo Life. This portfolio is amortised over 10 years.

Other multi-year costs

"Other multi-year costs" are as follows:

(€K)	31/12/2006	31/12/2005	Change
- Research and development costs	15,791	29,120	(13,329)
- User licences for computer products	669	998	(329)
- Improvements to third party assets (assessment centres and agencies)	8	12	(4)
- Trademarks	19	21	(2)
Total	16,487	30,151	(13,664)

With effect from 2005, the role of the subsidiary Uniservizi S.c.r.l. was strengthened. All resources management activities, existing and newly acquired goods and services in the areas of ICT, Services, Group Purchasing and Logistics and Organisational Services were concentrated in this subsidiary.

The activity of the consortium company consists of the centralised management of all activities of joint interest to all the companies in the Group, in the ICT departments, Group purchasing (plant, equipment, fittings, consumables), and in the management of information flows to all the companies concerned, for the distribution and transfer of the costs incurred. Consequently, the research and development costs, as well as other operating costs, are incurred on the part of the subsidiary Uniservizi, for the duration of the relating cost, whilst the Parent Company exclusively absorbs previous amortisation.

With reference to the change of € 13,329K, this results from costs capitalised during the financial year for € 2.1K relating to management consultancy activities, and from amortisation rates for the year for € 15.4K.

The capitalisation of these amounts produces future profits which it is considered can be derived from the aforementioned activities. The residual value of the research and development costs recorded under the assets allows dividends to be distributed as there are sufficient equity reserves available to cover the amount of the non-amortised costs.

All other multi-year costs were recorded under the assets in view of the fact that they are long-term and are amortised over three years for computer product usage licences and over five years for improvements to third party assets.

As at 31 December 2006, the trademarks recorded in the accounts are represented by "Principi in Piedmont" for € 14K and by "Finanza & Previdenza" for € 5K. The amortisation period is ten years.

Section 2 – INVESTMENTS (Item C)

Land and buildings

(€K)	31/12/2006	31/12/2005	Change
Property intended for use by the company	168,795	162,934	5,861
Property for third party use	985,836	953,764	37,072
Other property	4,682	4,679	3
Other rights of ownership	2,279	2,279	0
Gross total	1,161,592	1,123,656	37,936
Provision for depreciation	(108,362)	(99,949)	(8,413)
Net total	1,053,230	1,023,707	29,523
Current value	1,495,984	1,380,230	115,754

As well as the property for instrumental use and residential use, "Other property" also includes fixed assets in progress.

"Other property" includes the Montepulciano farm-holding and some land in Turin (Corso Giulio Cesare), in Florence (Via S. Leonardo 38-40-42) and Sanremo and property in Modena (V. Buonarroti) and in Rome (Tor Carbone).

"Other rights of ownership" includes a number of car spaces in Florence.

The increase of € 38m in the investments in land and buildings, gross of the provisions for depreciation compared with the figures as at 31/12/2005, is due to:

(€K)	31/12/2006	31/12/2005	Change
- Purchases	30	-	30
- Incremental costs and improvements	50	25	25
- Fixed assets in progress	(28)	23	(51)
- Sales	(14)	(10)	(4)
Total	38	38	-

During the year, a prestigious building was purchased for instrumental use in the centre of Turin (Corso Vittorio Emanuele II) and in Moncalieri (Strada Ferrero di Cambiano), the latter intended for use by the company.

The significant extent of the incremental costs can be attributed almost exclusively to the restructuring costs paid out on the property in Turin which accommodates the Hotel Principi in Piemonte.

The reduction in the fixed assets in progress was due to completion, during 2006, of the purchase of the property located at Corso Vittorio Emanuele II in Turin, for which the payment on account had already been made in 2005.

The disposals of property assets effected during the financial year produced capital gains, gross of selling costs, of € 2.6m, whilst the capital losses recorded in the profit and loss account come to € 0.3m.

The Company determined the current value of the land and buildings it owns in implementation of the provisions of art. 18 of Legislative Decree 173/97 and ISVAP Instruction no. 1915-G of 20 July 2001, and on the basis of valuations by independent experts.

The market value was determined by the separate valuation of each asset, by applying equity-type methodologies, supplemented by information which takes account of the earning power of the property, in line with the regulations of the Supervisory Authority.

In total, the current value of the property is approximately € 443m higher than its book value. Gross appreciation amounts to € 445m, whilst drops in value come to € 2m. The appendix to the Supplementary Notes to the Accounts set out the amount of the current value, separately for wholly-owned property and cumulatively for jointly-owned units. The negative differences between the book value and current value, relating to just one owned property, were not considered to show long-term impairment.

The property-related assets are all considered to be long-term.

Appendix 4 sets out the detail of the changes in the financial year.

Investments in Group companies and in other participating interests

(€K)	31/12/2006	31/12/2005	Change
- Company shares and interests	2,956,481	2,700,061	256,420
- Debentures issued by companies	156	156	0
- Corporate financing	20,831	19,152	1,679
	2,977,468	2,719,369	258,199

Class C. II. of the Balance Sheet includes short-term listed assets, represented by the shareholding in the holding company Premafin Finanziaria S.p.A. - Holding di Partecipazioni for a book value of € 30,836K.

Company shares and interests

The shareholdings listed in item C.II.1 of the Balance Sheet amount in total to € 2,956,481K after write-downs of € 15,846K, relating entirely to shareholdings classified under "Other long-term assets". This allocation is in accordance with the relating stipulations of the resolution of the Meeting on the purchase and disposal of shares in the holding company.

This item is as follows:

(€K)	31/12/2006	31/12/2005	Change
- Holding company	30,836	30,836	0
- Subsidiaries	2,841,519	2,584,236	257,283
- Associated companies	38,483	38,478	5
- Other	45,643	46,511	(868)
	165		

	2,956,481	2,700,061	256,420
--	-----------	-----------	---------

The book value of the listed companies set out under item C.II.1 of the Balance Sheet is € 747,167K lower than the market value, determined on the basis of the arithmetic mean of the list prices for the month of December 2006; € 12,704K of this difference relates to the holding company Premafin Finanziaria S.p.A., € 624,868K to the subsidiary Milano Assicurazioni S.p.A. and € 109,595K to the subsidiary Immobiliare Lombarda S.p.A..

The other detailed information on the shareholdings referred to in item C.II.1 of the Balance Sheet is set out in Appendices 5-6-7 of these Supplementary Notes to the Accounts.

The increase relating to the subsidiaries can be related mainly to the following transactions:

- BANCASAI S.p.A.: subscription to the capital increase for € 61,538K;
- BANCA GESFID S.A.: purchase shares for € 34,016K;
- CAPITALIA ASSICURAZIONI S.p.A. : purchase shares for € 56,000K;
- ITALIBERIA INVERSIONES FINANCIERAS SL: subscription to the capital increase for € 60,179K;
- LIGURIA SOCIETA' DI ASSICURAZIONI S.p.A.: purchase shares for € 151,157K;
- MANTEGNA S.r.l.: purchase and contribution capital increase for € 66,129K;
- MILANO ASSICURAZIONI ORD.: purchase of 4,964,254 shares for an outlay of € 30,999K and sale of 4,664,254 shares, realising a capital gain of € 16,341K. The direct shareholding percentage is 57.205%.
- NUOVE INIZIATIVE TOSCANE S.r.l.: contribution capital increase for € 23,203K;
- CASA DI CURA VILLA DONATELLO S.p.A.: contribution capital increase for € 13,400K;
- Vice versa, the subsidiary FONIDARIA NEDERLAND B.V. distributed capital reserves for € 250,333K.

As laid down in art.16, point 4 of Legislative Decree no.173/97, the following table is provided, relating to shareholdings in subsidiaries and associated companies, classified as "long-term", with a book value greater than the net equity, calculated according the methodology set out in point 5 of the aforementioned article.

(€K)	% shareholding	Book values	Valuation using the equity method	Difference
Subsidiaries				
EFFE VITA S.p.A.	100.00	15,000	12,667	2,333
LIGURIA Società di Assicurazioni S.p.A.	99.97	151,053	45,046	105,447
CAPITALIA ASSICURAZIONI S.p.A.	51.00	56,000	5,398	50,602
BANCA GESFID S.A.	60.00	33,911	23,009	10,902
NUOVE INIZIATIVE TOSCANE S.r.l.	96.88	185,605	175,576	10,029

These differences can be attributed to: existing surpluses on property owned by the company (Nuove Iniziative Toscane), the value of the Value in Force of the Vita portfolio (Effe Vita), the Voba (Value of Business Acquired) value paid on acquisition together with the higher value of the fair value of assets and liabilities compared with the book values (Banca Gesfid and Liguria Assicurazioni), as well as the goodwill paid on acquisition (Liguria Assicurazioni and Capitalia).

Company-issued debentures

The fixed-income securities listed under item C.II.2 come to a total of € 156K and are not listed on the regulated markets.

The item, which has not undergone any changes during the year, relates entirely to debentures issued by the subsidiary SCAI S.p.A..

Corporate financing

The situation of "Loans to other companies in the group and other participating interests" is as follows with regard to the beneficiaries:

(€K)	31/12/2006	31/12/2005	Change
Holding company	11,152	16,152	(5,000)
Affiliates	-	3,000	(3,000)
Other	9,679	-	9,679
TOTAL	20,831	19,152	1,679

The loans granted to subsidiaries are broken down as follows:

(€K)	31/12/2006	31/12/2005	Change
Sasa S.p.A.	10,000	10,000	-
Uniservizi S.c.r.l.	-	5,000	(5,000)
Villanova S.r.l.	1,152	1,152	-
	11,152	16,152	(5,000)

The loan to Sasa S.p.A. was granted to enable the company to improve the component items of the subsidiary's solvency margin. That subordinate loan provides for a ten-year term, with the option of even partial repayment with effect from the twenty-fourth month. Interest was set at the Euribor six-month rate increased by 2.80% to be paid half-yearly.

The loans granted to affiliates are broken down as follows:

(€K)	31/12/2006	31/12/2005	Change
International Strategy S.r.l.	0	3,000	(3,000)
	0	3,000	(3,000)

The loan to International Strategy S.r.l. matured on 31/12/2006 and the interest paid was equal to the the Euribor 3-month rate increased by 1.25%.

The loans granted to other companies in the Group can be broken down as follows:

(€K)	31/12/2006	31/12/2005	Change
Ex VAR s.c.s.	9,679	0	9,679
	9,679	0	9,679

The loan relating to former VAR s.c.s. matures on 12/04/2011 and is intended to finance property projects. The extent of the interest to be paid is equal to the Euribor 1-month rate increased by 0.40%.

The change is set out in Appendix 5.

Other financial investments

(€K)	31/12/2006	31/12/2005	Change
Stocks and shares	1,770,990	1,522,438	248,552
Unit trust holdings	402,125	356,921	45,204
Debentures and other fixed-income securities	9,497,237	9,046,164	451,073
Loans	49,375	77,468	(28,093)
Deposits with banking institutions	478	13,232	(12,754)
Sundry financial investments	163	937	(774)
	11,720,368	11,017,160	703,208

Stocks and shares included under Other Financial Investments

This item is as follows:

(€K)	31/12/2006	31/12/2005	Change
Listed shares	1,739,439	1,491,699	247,740
Unlisted shares	31,551	30,738	813
	1,770,990	1,522,437	248,553

The shareholdings showed capital losses due to an alignment of € 3,336K relating entirely to investments in listed companies.

The increases in value amount to € 6,906K relating to listed shareholdings for € 6,156K and to unlisted shareholdings for € 750K.

The book value of listed companies is € 626,200K less than the market value determined on the basis of the arithmetic mean of the list prices for the month of December and the year-end exchange rates.

The most significant operations involving item C.III.1 are as follows:

- BANCA POPOLARE DI MILANO: purchase of 910,000 shares for an outlay of € 9,372K. The direct shareholding percentage is 0.36%.
- CAPITALIA: purchase of 19,932,105 shares for an outlay of € 116,048K and sale of 1,636,240 shares realising a capital gain of € 5,389K. The direct shareholding percentage is 2.61%.
- EDISON: purchase of 10,912,602 shares for an outlay of € 18,447K. The direct shareholding percentage is 0.262%.
- FIAT ORD: sale of net 505,742 shares realising a capital gain of € 2,709K. The direct shareholding percentage is 0.001%.
- GEMINA ORD.: purchase of 4,942,316 shares for an outlay of € 12,671K and sale of 3,577,876 shares realising a capital gain of € 4,411K. The direct shareholding percentage is 4.053%.

- GENERALI: purchase of 2,496,125 shares for an outlay of € 76,583K and sale of 2,250,000 shares realising a capital gain of € 6,801K. The direct shareholding percentage is 1,253%.
- LOTTOMATICA: purchase of net 122,500 shares and subscription to the capital increase for 4,685 shares; the total outlay was € 3,638K. The direct shareholding percentage is 0.084%.
- MEDIOBANCA: purchase of 1,327,286 shares for an outlay of € 20,317K. The direct shareholding percentage is 3,274%.
- MILANO ASSICURAZIONI ORD.: purchase of 4,964,254 shares for an outlay of € 30,999K and sale of 4,664,254 shares realising a capital gain of € 16,341K. The direct shareholding percentage is 57.20%.
- MONTE DEI PASCHI DI SIENA: sale and subsequent repurchase of 2,981,000 shares realising a capital gain of € 5,382K. The direct shareholding percentage is 1.437%.
- RCS MEDIAGROUP ORD.: purchase of 600,000 shares for an outlay of € 2,564K and sale of 306,000 shares realising a capital gain of € 207K. The direct shareholding percentage is 1.996%.
- SNAI ORD.: purchase of 1,055,000 shares and subscription to capital increase for 1,493,576 shares for a total outlay of 13,570; the sale of 312,000 [shares] produced a net capital gain of € 79K. The direct shareholding percentage is 1.352%.

Cash purchase and forward sale transactions were carried out during the financial year on shares listed together with the ex-dividend date; the aforementioned transactions produced financial income for € 53,860K, represented by dividends received and capital losses from realisation for € 49,420K. This particular activity, limited to the dividend-distribution period, was considered an alternative to using the money market.

The shares involved in the aforementioned transactions were as follows:

Security	Number Shares
Intesa Sanpaolo	37,000,000
Enel	32,000,000
Eni	21,200,000
Mediaset	6,000,000
Telecom Italia	75,000,000
Unicredit Banca	39,000,000

Investment trust holdings

(€K)	31/12/2006	31/12/2005	Change
Investment trusts	402,125	356,921	45,204
	402,125	356,921	45,204

The main funds in this sector are, amongst the property funds, the Tikal Fund for € 215,456K (€ 203,126 as at 31/12/2005), the Fondo Immobili Pubblici (Public Property Fund) for € 83,840K (€ 74,168K as at 31/12/2005) and the Atlantic-1 Fund for € 10,000K acquired during the 2006 financial year. The remainder for € 93,029K is mainly made up of open-end securities trusts.

The capital losses recorded due to alignment amount to € 970K whereas compulsory increases in value amount to € 419K.

Debentures and other fixed-income securities

(€K)	31/12/2006	31/12/2005	Change
Listed	9,335,120	8,807,804	527,316
Unlisted	161,102	237,343	(76,241)
Convertible debentures	1,015	1,017	(2)
	9,497,237	9,046,164	451,073

During the financial year, € 34,107K was charged for issue spreads and conversions to current values, with a negative impact on the profit and loss account, and € 741K, with a positive impact, for trading spreads. The drop in value, due to alignments with market values below the accounting charge recorded in the profit and loss account, amounts to € 67,081K; compulsory increases in value amount to € 381K. Listed securities are recorded in the accounts for a total value of € 83,932K lower than the market value determined on the basis of the arithmetic mean of the list prices in the last six months of 2006 for securities classified under "long-term assets" and the arithmetic mean for December 2006 for securities classified under "short-term assets", and the year-end exchange rates.

The positions of significant amount are set out below broken down by issuer:

Issuer (€K)	2006	2005
Italian State	6,636,928	4,577,459
State of Germany	217,900	1,040,396
State of Greece	390,059	574,314
State of the Netherlands	406,625	414,203
State of France	78,981	206,774
State of Belgium	105,956	137,453
ENEL	112,714	125,608
Bear Stearns	57,899	82,443
State of Portugal	56,479	73,680
State of Spain	81,076	69,986
Morgan Stanley	20,474	56,507
BEI Banca Europea Investimenti	36,581	51,499
Allianz Finance	28,718	47,963
Mediobanca	24,734	44,073
State of Austria	45,213	38,351
Telecom Italia	46,692	37,264
Citigroup	32,946	33,657
Commerzbank	36,156	29,437
Banca Intesa Sanpaolo	20,015	28,949
Savings and Loans Bank	25,453	-
Other issuers	1,035,638	1,376,148
Grand total	9,497,237	9,046,164

During 2006, the average duration of the life business securities was increased and, within the context of the government securities in the Euro zone, the positions on fixed-rate and long-dated Italian State securities were increased because, for the same duration, they have higher returns compared with the government securities of the other countries in the Euro zone. Consequently, there was a major withdrawal from German, French and Greek government securities. In the Non-Life classes, however, the duration of the securities is falling and variable-rate Italian government securities were therefore purchased.

As at 31/12/2006, the following positions are shown in the portfolio relating to securities with subordination clauses, for a total equivalent book value equal to approximately € 273m. (€ 241m as at 31/12/2005):

(€K) Section	Beneficiary	Book value	Nominal value	Redemption date	Level of subordination	Interest rate	Early repayment
C.III.3	ABN AMRO BANK	2,390	2,500	perpetual	Tier 1	4.3100% Euribor	10-Mar-16
C.III.3	ANGLO IRISH BANK	2,494	2,500	21-Jun-16	Lower Tier 2	3m+30	21-Jun-11
C.III.3	ASSURANCE GEN.DE FRANCE	3,410	3,500	perpetual	Tier 1	4.6250%	10-Jun-15
C.III.3	AVIVA	5,330	5,400	perpetual	Tier 1	4.7291%	28-Nov-14
C.III.3	AVIVA	5,308	5,000	14-Nov-21	Lower Tier 2	5.7500%	14-Nov-11
C.III.3	AXA	7,313	7,000	perpetual	Tier 1	5.7770% Euribor	06-Jul-16
C.III.3	BANCA ANTONVENETA	101	100	23-Apr-13	Lower Tier 2	3m+90	23-Apr-08
C.III.3	BANCA CARIGE	4,993	5,000	07-Jun-16	Lower Tier 2	3m+42	07-Jun-11
C.III.3	BANCA INTERMOBILIARE	997	968	29-Jul-15	Lower Tier 2	1.5000% Euribor	29-Jan-07
C.III.3	BANCA ITALEASE	4,991	5,000	15-Oct-14	Lower Tier 2	3m+50	15-Oct-09
C.III.3	BANCA LOMBARDA	2,994	3,000	30-Jun-14	Lower Tier 2	3m+45	30-Jun-09
C.III.3	BANCA POPOLARE EMILIA ROMAGNA	4,015	4,000	28-Jun-12	Lower Tier 2	3m+90	28-Jun-07
C.III.3	BANCA POPOLARE EMILIA ROMAGNA	300	300	23-Mar-16	Lower Tier 2	3m+40	23-Mar-11
C.III.3	BANCA POPOLARE DI VERONA E NOVARA	500	500	15-Jun-16	Lower Tier 2	3m+40	15-Jun-11
C.III.3	BANCHE POPOLARI UNITE	5,002	5,000	07-Dec-15	Lower Tier 2	3m+40	07-Dec-10
C.III.3	BANCO BILBAO VIZCAYA ARG.	2,010	2,000	20-Oct-19	Lower Tier 2	4.3750%	20-Oct-14
C.III.3	BANCO BILBAO VIZCAYA ARG. INTL.	3,500	3,500	perpetual	Tier 1	4.9520% Euribor	20-Sep-16
C.III.3	BANCO SABADELL	4,994	5,000	25-May-16	Lower Tier 2	3m+30	25-May-11
C.III.3	BARCLAYS BANK	15,672	17,500	perpetual	Tier 1	4.7500% Euribor	15-Mar-20
C.III.3	BCP FINANCE BANK	1,008	1,000	28-Oct-13	Lower Tier 2	3m+55	28-Oct-08
C.III.3	CASSA RISPARMIO FIRENZE	1,992	2,000	5-Dec-13	Upper Tier 2	3m+95	no
C.III.3	CASSA RISPARMIO FIRENZE	6,995	7,000	15-Dec-14	Lower Tier 2	3m+40	15-Dec-09
C.III.3	COMMERZBANK	12,489	12,500	21-Apr-09	Lower Tier 2	4.7500%	no
C.III.3	COMMERZBANK	4,960	5,000	13-Sep-16	Lower Tier 2	4.1250%	13-Sep-11
C.III.3	COMMERZBANK CAP FUND	11,256	11,500	perpetual	Tier 1	5.0120%	12-Apr-16
C.III.3	CREDIT AGRICOLE	2,408	2,500	perpetual	Tier 1	4.1300% Euribor	9-Nov-15
C.III.3	CREDITO EMILIANO	2,509	2,500	26-Nov-14	Lower Tier 2	3m+50	26-Nov-09
C.III.3	DANSKE BANK	984	1,000	16-Mar-18	Upper Tier 2	4.1000%	16-Mar-15
C.III.3	DEUTSCHE BANK	2,616	2,500	31-Jan-13	Lower Tier 2	5.1250%	no
C.III.3	DEUTSCHE CAP TRUST	2,079	2,000	perpetual	Tier 1	5.3300%	19-Sep-13
C.III.3	DONG ENERGY	7,505	7,500	perpetual	Tier 1	5.5000%	29-giu-15
C.III.3	ERSTE CAPITAL FINANCE	3,000	3,000	perpetual	Tier 1	5.2940%	28-Sep-16
C.III.3	ERSTE FINANCE 6	1,696	1,750	perpetual	Tier 1	5.2500%	23-Sep-10
C.III.3	FORTIS BANK	4,941	5,000	perpetual	Tier 1	4.6250%	27-Oct-14

C.III.3 GENERALI	2,500	2,500	20-Jul-22	Lower Tier 2	6.9000%	20-Jul-12
C.III.3 GENERALI FINANCE	13,930	14,000	perpetual	Tier 1	5.3170%	16-Jun-16
C.III.3 GÖTHAER ALLG VERSICHERUNG	5,000	5,000	29-Sep-26	Lower Tier 2	5.5270%	29-Sep-16
C.III.3 HBOS	3,033	3,000	perpetual	Upper Tier 2	5.1250%	14-Oct-15
C.III.3 HBOS CAPITAL FUNDING	5,040	5,000	perpetual	Tier 1	4.9390%	23-May-16
C.III.3 HSBC	7,518	7,500	18-Mar-16	Lower Tier 2	4.2500%	18-Mar-11
C.III.3 HSBC HOLDINGS	2,005	2,000	22-Sep-14	Lower Tier 2	Euribor 3m+30	22-Sep-09
C.III.3 HT1 FUNDING	4,216	4,000	perpetual	Tier 1	6.3520%	30-Jun-17
C.III.3 HVB FUNDING TRUST VIII	2,783	2,500	perpetual	Tier 1	7.0550%	28-Mar-12
C.III.3 INTESA BANK OVERSEAS	6,639	6,603	10-Jun-08	Lower Tier 2	Euribor 3m+62.5	no
C.III.3 JP MORGAN CHASE	1,502	1,500	12-Oct-15	Lower Tier 2	Euribor 3m+40	no
C.III.3 MIZUHO CAPITAL INVEST	2,005	2,000	perpetual	Tier 1	5.0200%	30-Jun-11
C.III.3 MONTE DEI PASCHI DI SIENA	451	450	30-Nov-17	Lower Tier 2	Euribor 3m+40	30-Nov-12
C.III.3 MONTEPASCHIVITA	17,150	17,150	1-Dec-09	Altres clauses	Euribor 3m+80	01-Jun-07
C.III.3 NATEXIS BANQUES	1,499	1,500	26-Jan-17	Lower Tier 2	Euribor 4m+25	26-Jan-12
C.III.3 RAIFF ZENTRALBK OEST	2,495	2,500	22-Jun-16	Lower Tier 2	Euribor 3m+33	22-Jun-11
C.III.3 SANPAOLO IMI	5,010	5,000	28-Jun-16	Lower Tier 2	Euribor 3m+30	28-Jun-11
C.III.3 SANPAOLO IMI	498	500	20-Feb-18	Lower Tier 2	Euribor 3m+25	20-Feb-13
C.III.3 SANTANDER PERPETUAL	9,874	10,000	perpetual	Lower Tier 2	4.3750%	10-Dec-14
C.III.3 SNS BANK NEDERLAND	2,725	2,500	perpetual	Tier 1	5.7500%	22-Jul-13
C.III.3 SOCIETE GENERALE	14,608	15,000	perpetual	Tier 1	4.1960%	26-Jan-15
C.III.3 SOCIETE GENERALE CAPITAL TRUST III	3,161	3,000	perpetual	Tier 1	5.4190%	10-Nov-13
C.III.3 STANDARD CHARTERED	14,548	15,000	3-Feb-17	Lower Tier 2	3.6250%	3-Feb-12
C.III.3 VATTENFALL TREASURY	2,474	2,500	perpetual	Tier 1	5.2500%	29-Jun-15
C.III.3 VITTORIA ASSICURAZIONI	18	17	1-Jan-16	Lower Tier 2	5.5000%	01-Jan-11
	273,433	275,237				

Loans

(€K)	31/12/2006	31/12/2005	Change
Loans with collateral security	0	29,458	(29,458)
Loans on policies	42,560	42,854	(294)
Other loans	6,815	5,156	1,659
	49,375	77,468	(28,093)

The cancellation of the loans with collateral security follows exclusively from the early repayment, in November, of the residue of the so-called mezzanine loan for € 28,935K granted to Ganimede S.r.L. as a result of the spin-off property transaction which took place in 2003. That loan was backed by a second mortgage on the property transferred to Ganimede; the repayment of the capital and interest was subject to meeting the debtor's payment obligations as defined by the "senior" loan acquired by it, at all times in relation to the transaction described; the original term was December 2010.

"Loans on policies" for life insurance decreased by € 294K compared with the 2005 accounts due to new financing for € 11,913K and repayments of € 12,207K.

"Other loans" consist mainly of loans granted to employees on which no guarantees are given.

Deposits with banking institutions

These decreased by € 12,754K from € 13,232K in the 2005 accounts to € 478K. The amount includes only bank deposits, drawings from which are subject to time constraints of more than 15 days.

Appendix 10 sets out the change in loans and deposits with banking institutions during the financial year.

Sundry financial investments

These amount to € 163K (€ 937K in 2005).

The decrease compared with the previous financial year is due mainly to the closing of the options in existence as at 31/12/2005.

DERIVATIVE FINANCE OPERATIONS

Pursuant to the stipulations of art. 7, point 3 of ISVAP Instruction no. 297 of 19/07/1996, it is reported that, during the 2006 financial year, the Company entered into derivative finance agreements as specified in more detail below; the activity was carried out in full compliance with the framework resolution of the Board of Directors dated 23 March 2005 on the utilisation of derivative and structured financial instruments making use of the control and monitoring tools, including preventive ones, which exist within the scope of the company's organisation for verifying both the consistency between the transactions carried out and the set strategy and the effectiveness of hedging operations within the adopted limits; furthermore, for each hedging operation, the related "Hedging Relationship Documentation" provided for in the aforementioned resolution was produced in accordance, also, with the stipulations on the matter in the international accounting standards.

Open positions

Open positions in derivative instruments at the end of the financial year relate to :

- Hedging operations on listed shareholdings by forming a portfolio of combined options (put purchases – call sales). The quantity of shares in the hedged portfolio consists of 8,500,000 Mediobanca shares, 72,000,000 Pirelli & C. ord. shares, 19,000,000 Monte dei Paschi di Siena shares, 33,700,000 Capitalia shares, 3,750,000 RCS Mediagroup ord. shares. This strategy was undertaken as a hedge against a substantial part of the negative market fluctuations in the listed share section by arranging settlement on expiration of the differential as soon as the underlying security is handed over;
- Range Accrual Swap on a notional € 10,000,000 with JP Morgan with expiration 15 November 2007 and a notional € 10,000,000 with Calyon with expiration 20 November 2007; with these contracts, the counterparts always collect the 3-month Euribor rate and pay the 3-month Euribor increased by 110 bps on confirmation of the condition which, for calculation purposes, takes account only of the days on which the difference between the 12-month Euribor and the 3-month Euribor is positive. The flow follows a quarterly interval.
- Interest Rate Swap with expiration 23 July 2013 carried out with Mediobanca on a nominal amount of € 200,000,000 to cover the tax risk on part of the first subordinate loan entered into in 2002; with this contract, the counterpart collects the fixed rate of 3.97%, paying the 6-month Euribor.
- Purchase and sale of Forward Variance Swap contracts on the Eurostoxx50 index; purchase of 1,139,6 Goldman Sachs variance units expiration 21 September 2007, purchase of 3,000 Société Générales variance units with expiration 18 December 2009 and contemporaneous sale of 3,000 Goldman Sachs variance units with the same expiration date. The purchase of Forward Variance Swap contracts makes it possible to assume a bull position on the volatility of the underlying asset.
- Equity Swap on 70,177,902 Immobiliare Lombarda shares with Scntofin counterpart and expiration 14 June 2007 deferrable on the basis of contractual conditions for a further 60 working days. With this contract, the counterpart pays in the event of a rise in the underlying shares at the price of € 0.215 and collects in the event of a fall. The counterpart is, at any rate, paid an amount equal to the 3-month Euribor on the reference notional amount compared with the duration of the contract.
- Credit Default Swap on a nominal amount of € 31,500,000 with Morgan Stanley and a nominal € 15,000,000 with JP Morgan; both contracts have an expiration date of 20 September 2009 and are

designed to cover the risk of the issuer Telecom Italia. The premiums paid and reimbursed in 2006 come to € 55K.

- Purchase options linked to a basket of international share indexes for a premium countervalue of € 163K (€ 937K in 2005); the reduction compared with the previous financial year is due to the sales made during 2006.

On the valuation as at 31/12/2006, the open position on the Equity Swap with Scontofin is down in value by € 521K with regard to the interest payable on the reference notional amount. This drop in value is offset in the reserves for risks and costs.

Closed operations

The following operations were concluded during the financial year:

- sale of call options on 400,000 Fiat ordinary shares; on expiration, having been exercised by the counterpart, they were recorded in the accounts to increase income from the sale for € 229K;
- credit default swap for the purposes of covering the risk of the issuer Morgan Stanley, with premiums paid at a cost of € 197K.

Long-term equity

ISVAP, in its Instruction no. 893-G dated 18/06/1998, issued stipulations on the classification and valuation of the securities portfolio of insurance companies, in particular with regard to the identification of the essential characteristics, in terms of quality and quantity, of the long-term investments and short-term investments sections.

Pursuant to art. 15 of Legislative Decree 173/97, equity intended to be maintained in the company's equity for the purposes of a stable investment is allocated to the "Long-term equity" section.

These are Class B investments "Intangible assets", C.I "Land and buildings" and class C.II and C.III "Securities", the latter within the limits of the "framework resolution" approved by the Board of Directors on 24/09/1998 and stated in the Supplementary Notes to the Accounts - Part B of the Accounts for the 1998 financial year, as amended by the Board of Directors on 29/09/1999; by the resolution dated 26/03/2004, the Board of Directors redefined the guidelines in order to re-balance the structure of the securities portfolio to contain the level of capitalisation of the assets and risks deriving from their composition, in line with portfolio management planning and the time profile of the commitments to policyholders. In particular, the resolution provides that the securities belonging to the "Long-term investments" section should be those held in the company's equity as a "stable investment", and this requirement must continue to be met at the time the security is allocated to the section.

Furthermore, another condition for capitalisation of the security is that it should be backed by a rating at least equal to BBB- or equivalent.

The new guidelines were applied to allocations to sections made after 1/1/2004.

By a resolution dated 10/05/2006, the Board of Directors approved the transfer to the long-term assets section of a number of debit instruments already assigned to the short-term section.

The transfer, carried out with reference to the quantity held as at 31/03/2006, related to all government securities in the Euro zone which mature after 31/12/2013, thus characterised by a very long duration.

The reasons for the transfer are consistent with the change taking place in the policy for managing the fixed-income securities portfolio: in particular, managerial decisions are being implemented in the Non-Life classes designed to immunise the medium- to long-term investments within the context of a debenture portfolio strategy aimed at an overall increase in the duration, having regard to the current composition of this portfolio which is focused on short maturity dates.

In the life business, the transfer decision results from managerial decisions arising out of a dynamic management strategy concerning duration consistent with the principles of asset liability management.

In addition, with regard to the life business, the lack of homogeneity in economic terms determined by the differences between the accounting standards applied to the rules for the separate operations and the statutory accounting standards, and the extending of the average life of the securities managed in these

operations, made necessary in order to ensure compliance with the commitments contractually undertaken with policyholders, have required the transfer to the long-term sector of securities with a medium- to long-term due-date already assigned to the short-term section. Moreover, this operation makes it possible to more accurately determine the technical balance of the Company's life business.

Furthermore, the securities subject to transfer, together with the other purchases already capitalised during the quarter, are held for the purpose of being kept for an indefinite period and represent a stable investment aimed at increasing the return on the portfolio in the medium-term.

In compliance with the stipulations of ISVAP Instruction no. 893G/98, the transfer of securities from one section to another must be carried out on the basis of the book value of the security at the date of the operation, determined according to the criteria for the class of origin.

It therefore follows that the transfer involved the recording of value adjustments for € 11,991K, having regard for the market trend during March 2006.

The book value of these securities came to € 967,913K.

Long-term assets represented by securities and shareholdings amount to € 7,588,390K as at 31/12/2006, corresponding to 51.88% of the company's securities portfolio (classes C.II and C.III), as follows:

(€K)	31/12/2006	31/12/2005	Change
Shareholdings and funds	4,415,079	3,994,852	420,227
Fixed-income securities	3,173,311	1,443,940	1,729,371
	7,588,390	5,438,792	2,149,598

The comparison between the book value of the listed securities included in the long-term assets section and their market value determined on the basis of the arithmetic mean of the list prices for December 2006 for shareholdings and the arithmetic mean of the list prices in the last six months of 2006 for fixed-income securities highlights net capital gains not shown of € 1,372,450K, including € 1,303,101K relating to net capital gains on shareholdings and € 69,349K relating to net capital gains on fixed-income securities.

In particular, shareholdings in the following listed companies are included under long-term equity:

Company	Number of shares	Book value (€K)
Aem	6,150,158	10,799
Banca Intermobiliare	2,683,400	18,991
Capitalia	67,911,042	283,863
Gemina	14,737,453	27,970
Generali	16,007,225	451,122
Immobiliare Lombarda	2,057,550,000	325,782
Intesa Sanpaolo	44,184,083	181,537
Mediobanca	26,765,972	159,219
Meliorbanca	7,700,000	29,067
Milano Assicurazioni ord.	249,716,878	911,726
Milano Assicurazioni risp.	450,000	2,910
Monte dei Paschi di Siena	35,255,250	106,158
Pirelli & C.	223,543,498	159,918
Rcs Mediagroup	14,623,502	53,742

Overall, long-term assets recorded capital losses due to alignment with the amount charged to the profit and loss account for € 15,847, relating entirely to shareholdings in unlisted subsidiaries.

Compulsory increases in value of € 4,860K were also recorded, relating entirely to listed shareholdings.

Changes in the long-term assets during the financial year under items C.III.1, C.II.2, C.III.3 and C.III.7 are set out in appendices 8 and 9.

The main changes in the financial fixed assets as at 31/12/2006 and those as at 31/12/2005 in accordance with the approved guidelines can be summarised as follows:

Total as at 31/12/2005	5,438,792
- acquisitions and mergers	1,724,292
- capital transactions	9,108
- transfers from class D1	22
- transfers from short-term section	967,913
- conversions to current values	4,378
- sale and mergers	(545,133)
- value adjustments	(10,982)
Total as at 31/12/2006	7,588,390

Deposits with transferor companies

These were down by 258,316K from € 326,286K as at 31/12/2005 to € 67,970K as at 31/12/2006: of this, € 33,575K relates to the subsidiary Milano Assicurazioni.

It is pointed out that the extent of the change is due mainly (€ 257,442K) to the break in reinsurance relations with the subsidiary Novara Vita, with the contemporaneous cancellation, in the accounts in question, of the equity transactions accrued right up to 31/12/2006, and the consequent settlement of the residual loan, for € 1.3m, credited to Fondiaria-SAI, early in 2007.

Section 3 – INVESTMENTS FOR THE BENEFIT OF LIFE-BUSINESS POLICYHOLDERS WHO BEAR THE RISKS OF SUCH INVESTMENTS AND INVESTMENTS DERIVING FROM PENSION FUND MANAGEMENT (Item D)

These amount in total to € 696,482K and relate, for € 570,622K, to class D.I. investments and, for € 125,860K, to Class D.II. investments (as at 31/12/05 € 729,406K, including € 623,937K relating to class D.I.).

In accordance with the stipulations of ISVAP Circular no. 360/D of 21/1/1999, transfers were made from class D to class C for a total of € 13,339K due to payments of advance surrenders of policies and withdrawals from contracts.

Transfers for a value of € 70K between class C and class D were made during the financial year because new contracts were issued, for which the payments were covered by securities already held in the portfolio. Appendix 11 sets out, separately for each type of class D.I. product, the composition by type of investments in question.

Investments deriving from pension fund management are stated in Appendix 12. Their composition is set out briefly by type and section; please refer to the specific Datement attached to the accounts for more details.

SAI Open-end Pension Fund

(€K)	<u>Previ-mix</u>	<u>Previ-gest</u>	<u>Previ-bond</u>	<u>Previ-capital</u>	<u>Previ-europa</u>	<u>Previ-global</u>
Management lines						
Stocks and shares	9,201	763		25	233	239
Fixed-income debentures and securities	8,787	3,681	2,098	137	63	65
Other assets	1,045	377	271	22	78	27
	19,033	4,821	2,369	184	373	331

Fondiaria Previdente Pension Fund

(€K)	Share line	Balanced line	Debenture line	Currency line	Guaranteed currency line
Management lines					
Stocks and shares	29,595	11,883			
Fixed-income debentures and securities	6,480	11,400	7,962	2,026	2,321
Other assets	280	503	278	82	39
	36,356	23,786	8,240	2,108	2,360

Previdenza Pension Fund

(€K)	Share line	Balanced line	Debenture line	Guaranteed currency line
Management lines				
Stocks and shares	3,707	5,349		
Fixed-income debentures and securities	829	4,901	3,915	6,376
Other assets	86	486	178	74
	4,621	10,736	4,093	6,450

Section 4 - REINSURERS' TECHNICAL PROVISIONS (Item D bis)

These decreased in total by € 6,779K, as shown in the table below:

(€K)	31/12/2005	31/12/2004	Change
NON-LIFE CLASSES			
Unearned premium reserve	41,204	36,269	4,935
Provision for outstanding claims	279,614	299,051	(19,437)
TOTAL	320,818	335,320	(14,502)
LIFE BUSINESS			
Actuarial provisions	83,948	77,750	6,198
Provisions for sums payable	3,354	1,828	1,526
TOTAL	87,301	79,578	7,723
GRAND TOTAL	408,119	414,898	(6,779)

Reinsurers' provisions for unearned premiums in the Non-Life classes are recorded analytically for voluntary and claims excess agreements, whereas, for proportional agreements, the same criterion was used to determine the unearned premium reserve in the direct business.

Section 5 - DEBTORS (Item E)

(€K)	31/12/2006	31/12/2005	Change
Debtors arising out of direct insurance operations	1,209,592	1,285,868	(76,276)
Debtors arising out of reinsurance operations	66,316	62,144	4,172
Other debtors	666,573	732,682	(66,109)
	1,942,481	2,080,694	(138,213)

Debtors arising out of direct insurance operations

(€K)	31/12/2006	31/12/2005	Change
Premiums receivable from policyholders	443,518	480,003	(36,485)
Insurance intermediaries	584,716	583,410	1,306
Companies' current accounts	140,901	180,015	(39,114)
Policyholders and third parties for amounts recoverable	40,457	42,440	(1,983)
	1,209,592	1,285,868	(76,276)

A total of € 34,060K (€ 29,126K for premiums written in the current year and € 4,934K for premiums written in previous financial years) was appropriated to the Provision for Bad/Doubtful Debts for possible non-payment by policyholders in respect of the gross total amount of € 477,578K for premiums receivable from policyholders (including € 423,421K for premiums written in the current year and € 54,157K for premiums written in previous financial years).

The apportionment of the aforementioned Provision for Bad/Doubtful Debts is set out in respect of possible cancellations and non-payment by policyholders, for the main branches concerned:

(€K)	31/12/2006	31/12/2005	Change
Motor TPL	8,097	8,097	0
Health	6,920	6,920	0
General TPL	5,003	5,003	0
Fire	3,696	3,696	0
Accident	2,174	2,174	0
Other property damage	2,277	2,277	0
Land vehicles – own damage	2,535	2,535	0
Bonds	2,632	2,632	0

The provision as at 31/12/2006 corresponds to the amount appropriated in the previous financial year since the losses due to non-payment by policyholders, aggregated in 2006, were re-appropriated in full.

Debtors arising from insurance intermediaries were, for the most part, settled during January. In accordance with prudential considerations, € 12,828K was recorded for amounts due but potentially unrecoverable from brokers and former agents, in respect of a gross amount of € 597,544K.

Current accounts include the items connected with co-insurance, (Direct Indemnity Agreement), payment of claims on behalf of overseas companies and the Fondo Vittime della Strada (Road Victims Guarantee Fund), and invoices payable in respect of payments for services.

The appropriation to the Provision for Bad/DoubtfulDebts was equal to € 1,931K for a gross amount of € 142,832K.

Debtors arising out of reinsurance transactions

(€K)	31/12/2006	31/12/2005	Change
Insurance and reinsurance companies	66,230	61,626	4,604
Reinsurance intermediaries	86	518	(432)
	66,316	62,144	4,172

The gross value of debtors arising out of reinsurance transactions for € 74,616K is adjusted, in accordance with prudential considerations, by the amount of € 8,300K, recorded in the Provision for Bad/DoubtfulDebts for potential losses which might affect some overseas reinsurers.

Other debtors

The most significant components of the other items making up the balance of "Other debtors", gross of the related provision for bad/doubtful debts, are set out below:

(€K)	31/12/2006	31/12/2005	Change
Amounts due from the Tax Authorities	432,468	435,471	(3,003)
Amounts due for Group Corporate Income Tax	116,199	101,922	14,277
Due from subsidiaries	79,664	127,279	(47,615)
Sundry receivables	38,802	57,434	(18,632)
Customers and rentals	15,093	21,721	(6,628)
Bad/doubtful debt provision	(15,653)	(11,145)	(4,508)
Total	666,573	732,682	(66,109)

The value of "Other debtors", equal to € 666,573K (€ 559,114K in 2005), is, in accordance with prudential considerations, adjusted by the amount of € 15,653K recorded in the Provision for Bad/DoubtfulDebts for potential losses deriving from the non-recoverability of some trade-related items.

Amounts receivable from the Tax Authorities for withholdings on account, advance tax on actuarial provisions paid pursuant to Decree-Law 209/2002, advance tax on insurance pursuant to former Decree-Law 282/2004, loans for which repayment was requested and relating interest for a total of € 432,468K were recorded under "Other debtors". € 174,855K of this relates to the amount due for Group Corporate Income Tax due to the payments on account made for the 2006 financial year and for the profits carried forward from 2005, whilst € 13,420K relates to amounts due from the Revenue transferred during that financial year to the Company which, as the consolidating company, will make settlement and payment of the Group Corporate Income Tax, as a result of compliance with the tax consolidation regime pursuant to arts. 117 et seq. of the Decree of the President of the Republic 917/1986.

Again due to the effect of adopting Group taxation, amounts due from subsidiaries and companies consolidated for tax purposes are recorded under "Other debtors" for € 116,199K relating to tax for the year in regard to the aforementioned companies relating to the transfer of positive taxable income.

That last amount is offset in the provision for taxes fully earmarked at the close of the financial year, net of the amounts due to consolidated companies which made fiscal losses in that financial year and, at all times, to the extent in which the tax saving relating to the loss is allocated to the subsidiary.

With reference to the statements set out in full in the Business Activity Report on the adoption of the tax consolidation regime, it is stressed that intragroup financial adjustments of the debtor and creditor positions set out above will be made at the same time as that set for payment of the balance of Corporate Income Tax owed for 2006.

It is pointed out that a transactive agreement was signed with the Inland Revenue – Tuscany Regional Office – at the start of 2007, aimed at hastening and optimising the collection of tax credits for which a rebate has been requested, relating to positions already set out.

The amount recognised comes to a total of € 54,149K and will be paid in equal six-monthly instalments by 31 December 2009 without the accrual of interest. As a consequence of the agreed terms, the Company has converted the expected financial flows to current values, adjusting the aforementioned amount due to € 50,532K.

The amounts owing from subsidiaries include that due from Milano Assicurazioni relating to the dividend accepted on an accruals basis for € 70,056K.

Section 6 - OTHER ASSETS (Item F)

These are divided up as follows:

(€K)	31/12/2006	31/12/2005	Change
Tangible assets and stocks	15,819	13,456	2,363
Cash at bank and in hand	156,462	217,294	(60,832)
Own stocks or shares	182,201	138,079	44,122
Other assets	462,620	549,401	(86,781))
	817,102	918,230	(101,128)

Tangible assets and stocks

(€K)	31/12/2006	31/12/2005	Change
Furniture, office equipment and internal vehicles	11,772	9,130	2,642
Movable property recorded in public registers	27	10	17
Plant and equipment	1,012	1,314	(302)
Sundry stocks and goods	3,008	3,002	6
	15,819	13,456	2,363

Stock-in-hand was depreciated as follows:

	depreciated share %
Furniture, office equipment, internal vehicles	88.87
Movable property recorded at public registries	80.36
Plant and equipment	93.98

These amounts are considered to be long-term assets and, in the course of the financial year, underwent the following changes:

(€K)	2006	2005
Purchases	5,898	112
Sales	(3,653)	(295)
Provision for depreciation	118	(4,966)
	2,363	(5,149)

The increase in purchases relates almost exclusively to the costs incurred for fitting out the Hotel Principi in Piedmont (€ 5,252K) during the restructuring works carried out in the year. Following the purchase in 2006 of the property in Moncalieri (Turin), furniture and fittings were recorded for € 227K. In addition, furnishings and fittings were bought for the owned property in Piazza della Repubblica, Milan, for a sum of € 264K.

The provision for depreciation of € 110,601K (€ 110,719K in 2005) fell by € 118K: depreciation during the year amounts to € 3,466K, whilst availment of the provision owing to sales and disposals comes to € 3,584K.

The sales made for the most part involved electronic and ordinary office equipment.

Cash at bank and in hand

(€K)	31/12/2006	31/12/2005	Change
Bank deposits and post office accounts	155,819	217,277	(61,458)
Cheques and cash in hand	643	17	626
	156,462	217,294	(60,832)

Bank deposits and post office accounts include the credit balances on the accounts, the availability of which is not subject to time constraints of more than fifteen days.

Fees of € 7,222K accrued in the financial year.

Bank deposits include € 73,615K relating to 14 current accounts opened with the subsidiary BANCASAI S.p.A..

Own stocks or shares

As at 31/12/2006, 9,490,212 ordinary Fondiaria-SAI S.p.A. shares are held, for a total amount of € 182,201K. During the financial year, 1,415,000 ordinary Fondiaria-SAI S.p.A. shares were purchased for an outlay of € 44,121K.

Detail of receivables recorded in items C and E of the assets by due-date and by type

The table below was produced as a supplement to the items shown previously in the assets and on the basis of the provisions of section 16 of Legislative Decree no. 173 dated 26/5/1997.

(€K)	Premiums receivable from policyholders	Other debtors arising out of direct insurance operations	Debtors arising out of reinsurance operations	Other loans and financing	Total
1 year term	443,518	622,509	134,286	591,148	1,791,461
2 to 5 year term	0	57,420	0	82,240	139,660
Term of more than 5 years	0	86,145	0	42,560	128,705
TOTAL	443,518	766,074	134,286	715,948	2,059,826

Receivables with a term of more than one year are made up, for € 75,425K, of amounts due from the Tax Authorities and, for the remainder, the amounts due with a residual term of more than one year are mainly represented by amounts due from agents for recoupement instalments and by loans, both on life policies and loans to employees.

Other assets

(€K)	31/12/2006	31/12/2005	Change
Interim reinsurance accounts	3,288	7,181	(3,893)
Sundry assets	459,332	542,220	(82,888)
	462,620	549,401	(86,781)

Interim assets accounts include losses of technical income relating to indirect and retroceded business, as offset against operations recorded in the accounts for reinsurance companies, that was posted in the technical account in the next financial year due to the lack of information necessary for fully determining the relating financial result.

"Sundry assets" include the "connecting account" between the life business and Non-Life classes which shows a credit balance in the life business of € 142,652K.

The sundry assets include, amongst other things, the "advance tax assets", calculated by applying, to the nominal values of the temporary differences deductible, the tax rates that will be in force when the "reversals" of those same temporary differences occur.

The amount recorded at the end of the year amounts to € 163,012K and derives from set-offs for a total of € 74,359K, of which € 4,673K relates to adjustments of excess appropriations for taxes in the previous year and from assets which arose during the financial year for € 54,331K.

"Sundry assets" include the estimated amount of the payment for tax in the actuarial provisions of the Life business pursuant to Decree-Law 209/2002.

The detail of the main "sundry assets" are set out below:

(€K)	2006	2005
Non-life/life connecting account	142,652	231,873
Assets for deferred tax received	163,012	183,044
Assessment asset items for the year	49,899	46,712
Head office/operating divisions connecting account	3,724	6,820
Tax actuarial provisions Decree-Law 209/02	18,849	17,636

The assets items for the year mainly include assessments of recoveries of costs paid for services rendered to companies in the Group.

Section 7 - ACCRUED INCOME AND DEFERRED EXPENSES (Item G)

(€K)	31/12/2006	31/12/2005	Change
For interest	131,235	138,612	(7,377)
For rental fees	1	1	0
Other accruals and deferrals	2,505	1,293	1,212
	133,741	139,906	(6,165)

The apportionment between accruals and deferrals is as follows::

(€K)	Accruals	Deferrals	Total
For interest	131,235	0	131,235
For rental fees	0	1	1
Other accruals and deferrals	223	2,282	2,505
	131,458	2,283	133,741

There were no multi-year accruals and deferrals.

Accruals for interest relate almost exclusively to debit instruments in the portfolio.

BALANCE SHEET - LIABILITIES

Section 8 - EQUITY (Item A)

(€K)	31/12/2006	31/12/2005	Change
Share capital	177,681	173,114	4,567
Issue premium reserve	207,410	193,729	13,681
Revaluation reserve	200,025	200,025	0
Statutory reserve	34,623	34,111	512
Provision for own shares and holding company shares	213,036	168,915	44,121
Other reserves	1,714,598	1,624,176	90,422
	2,547,373	2,394,070	153,303

The subscribed and fully paid-up share capital consists of 134,370,950 ordinary shares and 43,309,872 savings shares of a nominal value of € 1 each.

The share capital and equity reserves are allocated to the two insurance operations as follows (in units of euro):

	Life business	Non-Life classes	Total
Share capital consisting of ordinary shares	44,875,280	89,495,670	134,370,950
Share capital consisting of savings shares	16,789,714	26,520,158	43,309,872
Share capital	61,664,994	116,015,828	177,680,822
Equity reserves	833,175,094	1,536,516,676	2,369,691,770
TOTAL	894,840,088	1,652,532,504	2,547,372,592

The company's total equity is up by € 153,303K.

The share capital as at 31 December 2006 increased by € 4,567K, following the conversion of 11,325,288 SAI 1992-2006 Warrants and the conversion of 12,604,192 2002-2008 Warrants.

The issue premium reserve increased by € 13,681K following the aforementioned conversion, whilst the increase in the statutory reserve of € 512K was wholly due to the appropriation of the profit for the 2005 financial year.

The details of the revaluation reserves based on their sources is as follows:

(€K)	31/12/2006	31/12/2005	Change
Special reserve pursuant to art. 26 of Law no. 413 of 30/12/1991	96,837	96,837	0
Revaluation reserve for stocks and shares	58,029	58,029	0

Revaluation reserve Law no. 72 of 19/3/1983	38,215	38,215	0
Reserve pursuant to art. 10 Law no. 904 of 16/12/1997	6,944	6,944	0
	200,025	200,025	0

There were no changes in any of the revaluation reserves during the financial year.
The revaluation reserve for stocks and shares was formed on a voluntary basis

The provision for own shares and holding company shares, for € 213m, consists of € 182.2m from the unavailable provision for own shares referred to in art. 2357 ter of the Civil Code; this value represents the cost of the own shares held in the company's portfolio as at 31/12/2006 (€ 138.1m in 2005), whilst the remainder for € 30.8m is the cost of the shares in the holding company held in the company's portfolio at the same date (unchanged compared with 2005) and fulfils the stipulations of art. 2359 bis of the Civil Code, as renewed by Legislative Decree 315/94.

The unavailable provision for own shares increased by € 44,121K due to purchases of own shares during the financial year.

The same amounts are debited from the provision for own shares to be purchased.

The detail of the other provisions is as follows:

(€K)	31/12/2006	31/12/2005	Change
Special reserve	639,902	510,448	129,454
Provision for own shares to be purchased	4,821	45,342	(40,521)
Provision for the purchase of the holding company's shares	15,000	10,000	5,000
Issue premium reserve for the disposal of option rights not exercised	4,294	4,294	-
Dividend adjustment provision	2,852	2,852	-
Provision for capital gains on merger	422	422	-
Provision pursuant to Law 742/1986	113,213	113,213	-
Profit on merger from share swap	933,686	933,686	-
Shares subscribed on capital increases in progress	408	3,919	(3,511)

	1,714,598	1,624,176	90,422
--	-----------	-----------	--------

The special reserve increased in total by € 129,454K following the operations described below:

- increase of € 138,055K due to the allocation decided by the general shareholders' meeting on 28 April 2006;
- decrease of € 32,000K, with transfer to the provision for own shares to be purchased as decided by the general shareholders' meeting on 28 April 2006;
- decrease of € 15,000K, with transfer to the provision for the holding company's shares to be purchased as decided by the general shareholders' meeting on 28 April 2006.
- that provision was credited at the same time with the amount of € 38,399K, the same decision having revoked the previous one of 28 April 2006.

The provision for own shares to be purchased decreased by € 40,521K following the aforementioned appropriation for € 32,000K, decided on 28 April 2006, the contemporaneous cancelling out of the balance for € 28,399K and the transfer for purchases of € 44,122K to the unavailable provision for own shares. The reserve for the purchase of the holding company's shares increased by € 5,000K following the aforementioned appropriation for € 15,000K, decided on 28 April 2006, and the contemporaneous cancelling out of the balance for € 10,000K.

The provision for the gain on the merger was generated following the merger of La Fondiaria S.p.A. which took place during the 2002 financial year.

The "provision for shares subscribed on capital increases in progress" includes capital increases not yet completed as the recording in the companies' register took place in January 2007. The details of this are shown below:

(Euro)	Warrants Exercised	Capital	Issue premium	Provision for shares subscribed in capital inc. in progress
1992-2006 Warrants	6,000	750	5,445	6,195
2002-2008 Warrants	771,360	192,840	208,267	401,107
Total	777,360	193,590	213,712	407,302

The new share capital, consisting of 134,563,790 ordinary shares and 43,310,622 savings shares, of a nominal value of € 1 each, was deposited on 25 January 2007.

With reference to the stipulations of art. 109, indent 4 b) of the Decree of the President of the Republic 917/1986, it is stated that the free reserves recorded in the accounts are much higher than the total projected negative income components which, net of the provision for deferred taxation appropriated to the reserves and including the estimated amounts relating to the 2006 financial year, amount in total to € 140,736K.

We would point out that the the extraordinary shareholders' meeting on 28 April 2006 decided a capital increase to service the two stock option plans, thus by-passing the option right pursuant to art. 2441 of the Civil Code, by issuing 15,000,000 Fondiaria-SAI savings shares; the conditions for the plans are set out in the relevant paragraph in the Business Activity Report.

Finally, it is pointed out, again in relation to the stipulations of no. 18 of art. 2427 of the Civil Code, that the share capital is made up as follows:

Capital subscribed, paid up and deposited as at 31/12/2006	Ordinary shares 134,370,950	Savings shares 43,309,872	Total 177,680,822
Remainder on 92/2006 Warrants		750	750
Remainder on 02/2008 Warrants	1,433,156		1,433,156
Capital decided to service Warrants	1,433,156	750	1,433,906
Capital decided to service stock option plans		15,000,000	15,000,000

With regard to the capital decided, it is pointed out that the company issued 15,600,000 "Sai 1992-1996 Warrants" as per the decision of the extraordinary shareholders' meeting on 10 September 1992. These warrants, with an exercise period extended by 4 years up to 31 August 2000 by the general shareholders' meeting on 27/6/1996 and a further 4 years up to 31 August 2004 by the general shareholders' meeting on 27/4/2000, award the right to subscribe Fondiaria-SAI savings shares at the rate of one share of a nominal € 1 for every eight warrants presented at the price of € 8.26, including € 7.26 as the issue premium.

With regard to the listing of the warrants on the Italian Stock Exchange, which took place on 09/12/2003, a number of amendments were incorporated including the option to subscribe continuously on a monthly basis. The option to exercise warrants extended in the prospectus up to 31/08/2006 was decided by the general shareholders' meeting on 28/04/2004.

Following the merger which took place in December 2002 between Fondiaria and Sai, 28,296,857 "Fondiaria-SAI 2002-2008 Warrants" were issued. These warrants award the right to subscribe 1 ordinary Fondiaria-SAI share for every 4 warrants presented, at the price of € 2.08.

It will be possible for applications to be submitted on any working day from 30 June 2005 to 30 June 2008. During 2006, 11,815,440 warrants were converted: therefore, as at 31/12/2006, there were still 4,961,265 warrants to be exercised.

We would recall that the extraordinary shareholders' meeting on 4 December resolved to reduce the share capital from € 177,680,822 to € 168,190,610 by cancelling 9,490,212 own ordinary shares. This operation is designed to optimise the company's capital structure by reducing the excess capital with the objective of maximising the return on own resources for the shareholders.

We would recall that, pursuant to art. 2445 of the Civil Code, this resolution was implemented during March of this year once the ninety days from the day on which it was recorded in the companies' register had elapsed.

Analysis of the equity pursuant to art. 2427, number 7 bis, of the Civil Code

(€K)

Type/Description	Amount	Potential residual use	Share available	Share available 2005
Capital	177,681		-	-
Capital reserves:				
Share premium reserve	207,410	A, B, C	206,497	193,217
Revaluation reserves	200,025	A, B, C	200,025	200,025
Profit on merger from share swap	933,686	A, B, C	933,686	933,686
Reserve pursuant to Law 742/1986	113,214	A, B, C	113,214	113,214
Provision for capital gain on merger	422	A, B, C	422	422
Issue premium reserve for the disposal of option rights not exercised	4,294	A, B, C	4,294	4,294
Dividend adjustment reserve	2,852	A, B, C	2,852	2,852
Reserve for shares subscribed on capital increases in progress	407	-	-	-
Retained earnings:				-
Statutory reserve	34,623	B	-	-
Special reserve	639,902	A, B, C	639,902	410,448
Provision for purchase of own shares	182,201	-	-	-
Provision for purchase of shares in the holding company	30,836	-	-	-
Provision for own shares to be purchased	4,821	A, B, C	4,821	45,342
Provision for holding company shares to be purchased	15,000	A, B, C	15,000	10,000
Total			2,120,713	2,013,499
Non-distributable share (1)			32,585	61,767
Distributable share			2,088,128	1,951,731

Key:

A: for capital increase

B: to cover losses

C: for distribution to the members

(1): represents the non-distributable share intended to cover multi-year costs not depreciated as stipulated in art. 16, indent 11, of Legislative Decree 173/1997

SUBORDINATE LIABILITIES (Item B)

This item amounts to € 650,000K. The change compared with 2004 is € 150,000K, ascribable to the new subordinate loan subscribed on 14 July 2006.

Overall, this item is made up of the nominal value of the three subordinate financing loans signed with Mediobanca, issued respectively in 2002, 2005 and 2006 and all with a twenty-year maturity date.

Also, following renegotiation with the financing body in December 2005, the three subordinate loans were, with regard to the extent of the cost, aligned to the Euribor rate plus a spread of 1.80%. The amount of the related interest payment comes to € 27,797K.

Section 10 -TECHNICAL PROVISIONS - (Item C)

These increased in total, gross of the reinsurers' shares, by € 254,182K, with a rise of € 376,553K in the Life business and a decrease of € 122,371K in the Non-Life classes, as shown in the table below:

(€K)	31/12/2006	31/12/2005	Change
NON-LIFE CLASSES			
- Unearned premium reserve	1,346,849	1,342,538	4,311
- Provision for bonuses and rebates	0	0	0
- Provision for outstanding claims	4,965,603	5,094,202	(128,599)
- Other technical provisions	7,602	7,827	(225)
- Equalisation provisions	12,187	10,045	2,142
TOTAL	6,332,241	6,454,612	(122,371)
LIFE BUSINESS			
- Actuarial provisions	7,537,709	7,200,818	336,891
- Unearned premium reserve from additional insurance policies	870	953	(83)
- Provisions for amounts payable	127,662	86,166	41,496
- Provision for bonuses and rebates	3,176	3,391	(215)
- Other technical provisions	61,686	63,221	(1,535)
TOTAL	7,731,102	7,354,549	376,553
GRAND TOTAL	14,063,343	13,809,161	254,182

Non-Life classes

The unearned premium reserve in the Italian direct business is represented only by the provision for premium fractions. The positive trend in the classes, with regard to the current generation, has not required a provision to be recorded for existing risks.

In this context, two classes of modest impact in the Non-Life portfolio (Aircraft - hull and Credit) show a negative losses-to-premiums ratio, influenced also by prudent reservation. It was therefore considered advisable not to make appropriations for existing risks in view of both the minor extent of these amounts, and the modest impact of the net retention of the Aircraft - hull (the losses are almost entirely reinsured).

The table below shows the apportionment by class of the two components of the unearned premium reserve:

Classes in the accounts (€K)	<u>Direct business</u>		Total	<u>Indirect business</u>	
	Premium fractions	Existing risks		Premium fractions (€K)	Premium fractions
Accident	84,671		84,671		0
Health	60,882		60,882		0
Land vehicles – own damage	135,086		135,086		0
Railway rolling stock	1		1		0
Aircraft – hull	232		232	1	1
Marine hull	1,637		1,637	2	2
Goods in transit	2,756		2,756		0
Fire and natural events	128,001		128,001	543	543
Other property damage	88,372		88,372	50	50
Motor TPL - land vehicles	670,890		670,890	4	4
Aviation TPL	115		115		0
Marine TPL	1,270		1,270		0
General TPL	109,626		109,626	587	587
Credit	859		859	47	47
Bonds	49,169		49,169	1,605	1,605
Pecuniary losses	4,015		4,015		0
Legal protection	2,153		2,153		0
Assistance	4,275		4,275		0
Total	1,344,010	-	1,344,010	2,839	- 2,839

With regard to the bonds class, the provision for premium fractions was integrated in accordance with ISVAP Instruction no. 1978 of 2001, for an amount of € 23,132K (€ 23,135K in 2005).

The other technical provisions in the Non-Life classes exclusively comprise the provision for old age referred to in art. 25 of Legislative Decree 175/98, for € 7,602K, calculated using the analytical method on health insurance policies, in respect of which the contractual structure provides for an increase in the risk insured according to the age of the policyholder.

The equalisation provisions consist of the provision for balancing risks of natural disasters referred to in the Decree of the Ministry of Industry, Trade and Crafts no. 705 of 19/11/96.

The amount of the appropriation to the provision is € 12,187K and is distributed as follows by class in the accounts:

(€K)	31/12/2006	31/12/2005	Change
Accident	256	256	0
Land vehicles – own damage	3,088	2,289	799
Aircraft – hull	85	81	4
Marine – hull	262	249	13
Goods in transit	732	694	38
Fire and natural events	7,117	5,847	1,270
Other property damage	537	510	27
Motor TPL - land vehicles	20	20	0
Credit	0	24	(24)
Aviation TPL	4	4	0
General TPL	13	13	0

Pecuniary losses	73	58	15
Total	12,187	10,045	2,142

The provision for outstanding claims in the Non-Life classes includes, in addition to the provision for indemnities, the provision for claims settlement expenses and for claims incurred but not reported. The different components of the unearned premium reserve and the provision for outstanding claims are set out in Appendix 13.

Life Business

The actuarial provisions were determined as at 31 December 2006 in accordance with the following most important technical bases:

- annual compound interest rate determined on the basis of the various contractual clauses taking into account the minimum guaranteed rates of 4%, 3%, 2.5% and 2% according to the issue period for the cover;
- demographic assumptions based principally on Italian statistical mortality tables 1951, 1961, 1971, 1981 and 1992, and 1971 projected and selected, RG48 and RG48 selected and finally IPS 55.

They also include the additional provision for financial risks of € 55,957K, as stated in ISVAP Instruction no. 1801-G of 21/2/2001, and already regulated by art. 25, indent 12 of Legislative Decree 174/95.

The different components of the actuarial provision are set out in Appendix 14.

The detail of the "Other technical provisions" branch of the Life business is set out below. This amount consists wholly of the provision for future expenses.

(€K)	31/12/2006	31/12/2005	Change
Branch I	43,044	42,090	954
Branch III	5,330	7,828	(2,498)
Branch IV	50	39	11
Branch V	13,221	13,224	(3)
Branch VI	41	40	1
TOTAL	61,686	63,221	(1,535)

Section 11 - TECHNICAL PROVISIONS EVEN THOUGH THE INVESTMENT RISK IS BORNE BY THE POLICYHOLDERS AND PROVISIONS DERIVING FROM PENSION FUND MANAGEMENT (Item D)

These amount to € 696,410K and are down by € 32,823K. They represent the commitments deriving from insurance in the Life business on which the return is determined according to investments for which the policyholder bears the risk or according to an index and commitments deriving from pension fund management.

The details of the provisions by type of product in the portfolio are set out below:

(€K)	31/12/2006	31/12/2005	Change
- linked to the value of an Investment fund	143,529	152,163	(8,634)
- linked to the value of a share index or	427,021	471,601	(44,580)

other reference value			
- Open-End Pension Funds	125,860	105,469	20,391
TOTAL	696,410	729,233	(32,823)

With regard to Open-End Pension Funds, the figure above is broken down into the following sections:

(€K)	31/12/2006	31/12/2005	Change
SAI Open-end Pension Fund:			
- Previ-bond	2,369	1,738	631
- Previ-gest	4,821	4,256	565
- Previ-mix	19,033	16,360	2,673
- Previ-europa	373	128	245
- Previ-global	331	217	114
- Previ-capital	184	120	64
Fondiarria Previdente Pension Fund:			
- shareholding line	36,356	29,856	6,500
- balanced line	23,786	19,851	3,935
- debenture line	8,240	6,327	1,913
- currency line	2,108	1,535	573
- guaranteed currency line	2,359	1,921	438
Previdenza Pension Fund account:			
- shareholding line	4,621	4,137	484
- balanced line	10,736	11,054	(318)
- debenture line	4,093	2,511	1,582
- guaranteed currency line	6,450	5,458	992
TOTAL	125,860	105,469	20,391

Section 12 - Provision for risks and costs (Item E)

(€K)	31/12/2006	31/12/2005	Change
Reserve for severance pay and similar obligations	3,072	2,874	198
Provision for taxes	360,563	350,930	9,632
Other provisions	181,529	154,517	27,012
TOTAL	545,164	508,321	36,843

Appendix 15 sets out the changes which took place in the financial year.

The provision for severance pay and similar obligations includes amounts earmarked by the companies in previous financial years to supplement employee severance pay.

The other provisions are apportioned as follows:

(€K)	31/12/2006	31/12/2005	Change
Provision for future risks and costs	168,126	141,320	26,806
Provision pursuant to art. 7 Law	5,154	5,154	-

738/78			
Provision for old age pursuant to art. 30 NCWA	3,444	3,913	(469)
Provision for property maintenance	4,805	4,130	675
TOTAL	181,529	154,517	27,012

a) Provision for future risks and costs

The provision increased compared with the figures for the previous financial year by € 26,806K following provisions of € 41,922K and drawings of € 15,116K.

The total provision for risks and costs is adequate in regard to the estimated costs arising out of the legal disputes in which the parent company is a party, including employment disputes. It also includes future expenses in respect of employees.

In accordance with prudential considerations, the provision includes the costs estimated, and that may be incurred, by the legal department for the so-called "takeover bid" proceedings in which the Company is the defendant party, together with the other bodies bound jointly and severally with one another, due to the actions brought by a number of shareholders of the company merged through acquisition, Fondiaria Assicurazioni. The Company considered it appropriate not to release the amounts set aside, even though the recent judgement by the Milan Court of Appeal has rejected the claim for compensation by one of the plaintiff parties.

For fuller details on the dispute, please refer to the section on Current Disputes contained in the Business Activity Report.

Finally, the provision includes the tax saving originating on the Company's side following the transfer under the national tax consolidation regime of the tax losses by a number of subsidiaries which, in accordance with prudential considerations, did not make provision in their own accounts for the related deferred tax position due to temporarily not possessing the requirements for recovering the aforementioned losses. In regard, therefore, to a tax saving definitely secured in respect of the Tax Authorities, the Company considered it advisable to set aside the relating amount since the consolidation agreement duly entered into stipulates the return of the tax advantage secured to the subsidiaries if they are able to show that they are able to independently benefit from it within the period stated in art. 84 of the Consolidated Income Tax Act.

The change in the provision during the financial year is examined in the relevant section in the profit and loss account relating to other income and expenses.

b) Provision for old age pursuant to art. 30 CNWA

The provision decreased by € 469K due to the provision in the financial year for € 649K and the drawing of € 1,118K for premiums paid to employees.

c) Property maintenance fund

The increase of € 675K results from the provision in the financial year for € 4,085K and the drawing for building maintenance and engineering carried out during year of € 4,130K, limited to properties for residential use.

Composition of sub-item E (2) - "PROVISION FOR TAXES"

The provision for taxes includes the provision for corporation taxes (Corporate Income Tax [IRES] and Regional Business Tax [IRAP]) for the year. Current tax is charged to the provision as the amount which will be due to the Revenue following automatic payment based on the next tax return, both individual and consolidated, is not yet certain and/or determined.

The provision for taxes also includes liabilities for deferred taxes deriving from the deferral to taxation of positive income components which contributed to determining the result for the financial year or previous financial years, net of those set off during the year, the provision for tax at the time of assigning the merger

deficit against capital gains, not recognised for tax purposes, allocated to property and shareholdings in the previous financial year, and the provision for tax due to depreciation and tax-only value adjustments.

The composition of the balance at the end of the financial year was as follows:

(€K)	31/12/2006	31/12/2005	Change
Provision for current taxation	240,748	239,547	1,201
Provision for deferred tax liabilities	119,815	111,383	8,432
Other taxes	0	0	0
TOTAL	360,563	350,930	9,633

The changes which occurred are shown below:

(€K)	31/12/2006	31/12/2005	Change
<u>Provision for current taxation:</u>			
Drawings and other decreases	(207,833)	(205,133)	(2,700)
Appropriations	209,034	211,008	(1,974)
<u>Provision for deferred tax liabilities:</u>			
Drawings and other decreases	(22,475)	(45,043)	22,568
Appropriations	30,907	16,026	14,881
TOTAL	9,633	(23,142)	32,775

With regard to the provision for current taxation, the decreases relate, for € 164,074K, to the drawing from the provision for Group Corporate Income Tax for the 2005 financial year and, for € 21,244K, to the drawing from the provision for Regional Business tax owed by the Company alone during the same year. In addition to the aforementioned drawings, the provision decreased by € 5,800K as a downwards adjustment between the amount appropriated to the provision for taxes, again during 2005, for the Corporate Income Tax payable by the consolidated companies and the tax effectively paid by them in the consolidated tax return and for which they themselves are liable.

The remaining decrease, for € 16,715K, relates to the drawing from current taxation (Corporate Income Tax and Regional Business Tax) over-provided for in relation to the consolidating company alone.

The drawing for the payment of Corporate Income Tax owed by the subsidiaries which, together with the consolidating company Fondiaria-SAI, opted for Group taxation, is offset against the amounts which the consolidated companies paid to the company, net of the tax credits and advance payments transferred to the Group or already paid in the same tax period, consistent with the statements in its tax return and the Group return.

With regard to the drawing for current taxation over-appropriated by the Company, this relates, for € 10,411K, to the lower current taxes paid as a result of the Company having transferred the tax loss from the subsidiary Immobiliare Lombarda.

The transfer of this loss follows the view in favour obtained at the request for a hearing pursuant to art. 11 of Law 212/2000 for continuation, with that company, of consolidated taxation begun during the preceding tax period with the company merged through acquisition, Progestim. An equal amount was appropriated to the provision for risks and costs in respect of the assigned tax saving, not recordable as at the close of the last financial year, as stated fully in the Business Activity Report, to which the reader is referred, to take account of the possible repayment of the aforementioned saving, in accordance with the provisions of the agreements to join the consolidated regime.

The residual drawing for € 6,304K relates to the lower current tax position, again relating to the 2005 financial year, settled in the company's tax return in relation to the estimates made. Moreover, this last change matches a correlated effect in the adjustments effected during the financial year, and charged to the extraordinary expenses, for the deferred tax position for which provision was made in the previous financial year in relation to the same temporary tax changes.

The increase in the provision is, however, due, for € 94,000K, to the estimated Corporate Income Tax and Regional Business Tax payable by the Company for the year ending, to which is added € 115,034K for the Corporate Income Tax payable for the year by the Group's other companies relating to the transfer of the respective taxable income, positive and negative, to the Group.

The total provision for Group Corporate Income Tax for the 2006 financial year is € 185,034K.

With regard to deferred taxation, the changes which occurred compared with the initial overall amount are due to the increase in taxes arising during the financial year for € 16,129K and to adjustments for deferred taxes ascribable to previous financial years for € 14,777K.

These changes, together with the contemporaneous decrease for the taxes set off for € 22,475K, are examined in the comment to the "Taxes" item and "Income" and extraordinary charges item to which the reader is referred for fuller information.

DEPOSITS RECEIVED FROM REINSURERS (Item F)

These amount to € 150,743K and fell by € 2,617K (€ 153,360K in 2005).

Section 13 - CREDITORS AND OTHER LIABILITIES - (Item G)

These are made up as follows:

(€K)	31/12/2006	31/12/2005	Change
Creditors deriving from direct insurance operations	57,228	77,000	(19,772)
Creditors deriving from reinsurance operations	42,953	66,439	(23,486)
Sundry loans and other financial payables	350,000	307,914	42,086
Employee severance pay	56,830	57,399	(569)
Other creditors	367,006	410,584	(43,578)
Other liabilities	398,479	519,167	(120,688)
TOTAL	1,272,496	1,438,503	(166,007)

Creditors deriving from direct insurance operations

(€K)	31/12/2006	31/12/2005	Change
Insurance intermediaries	44,880	65,233	(20,353)
Companies' current accounts	12,074	11,399	675
Policyholders for deposits and premiums	107	253	(146)
Guarantee funds in favour of policyholders	167	115	(52)
TOTAL	57,228	77,000	(19,772)

The guarantee funds include € 166K of amounts payable to the Hunting Victims Fund and € 1K to the Solidarity Fund for the Purchase of Properties still to be built.

Creditors deriving from reinsurance operations

(€K)	31/12/2006	31/12/2005	Change
Insurance and reinsurance companies	42,136	65,202	(23,066)
Reinsurance intermediaries	817	1,237	(420)
TOTAL	42,953	66,439	(23,486)

Sundry loans and other financial payables

These amount to € 350,000K (€ 307,914K in 2005) and can be broken down as follows:

(amounts in €m)	Amount	Due date	Repayment terms	Interest rate
SAIFIN SAIFINANZIARIA S.p.A.	35.0	31/12/2007	One payment or single tranches giving at least 7 working days' notice of the value date	Average 3-month EURIBOR average increased by a spread of 1.05%
SAINTERNATIONAL S.A.	54.6	31/12/2006	One payment or single tranches giving at least 7 working days' notice of the value date	Average 3-month EURIBOR average increased by a spread of 1.05%
SAINTERNATIONAL S.A.	180.4	Five working days in Rome before 29/09/2010	Single payment on the due date, subject to conversions of the related convertible debentures issued by Sainternational	5.90% per annum
SIM ETOILE S.A.	23.0	31/12/2006	One payment or single tranches giving at least 3 working days' notice of the value date	Average 3-month EURIBOR average increased by a spread of 1.05%
FINSAI INTERNATIONAL S.A.	27.0	31/12/2006	One payment or single tranches giving at least 7 working days' notice of the value date	Average 3-month EURIBOR average increased by a spread of 1.05%
SAI HOLDING ITALIA S.p.A.	8.0 22.0	31/12/2006 31/12/2007	One payment or single tranches giving at least 7 working days' notice of the value date	Average 3-month EURIBOR average increased by a spread of 1.05%

It should be recalled that the financial payables listed above with a due date of 31/12/2006 were renewed up to 31/12/2007 and the interest rate spread remained unchanged at 1.05%.

Employee severance pay

This amounts to € 56,830K (€ 57,399K in 2005).

In total, the decrease of € 569K is due to provisions and other increases of € 10,060K, from drawings for payments and advance indemnities of € 10,629K.

Other creditors

(€K)	31/12/2006	31/12/2005	Change
For taxes paid by policyholders	68,769	70,225	(1,456)
For sundry tax charges	44,617	41,001	3,616
To welfare and social security institutions	4,516	16,221	(11,705)
Sundry creditors	249,104	283,137	(34,033)
TOTAL	367,006	410,584	(43,578)

"Amounts due for taxes paid by policyholders" include € 19,951K for for the contribution to the National Health Service.

€ 18,849K is included under "creditors for sundry tax charges" relating to the amount owed for tax on Life actuarial provisions as stipulated in art. 1, indents 2 and 2 bis of Decree-Law 209/2002 (converted into Law 265/2002).

Sundry creditors include, amongst others, the following items (€K):

(€K)	31/12/2006	31/12/2005	Change
Creditors for tax credits transferred to the Group	113,286	159,080	(45,794)
Other amounts due to subsidiaries	61,637	43,099	18,538
Amounts due to participating interests	22,835	0	22,835
Trade payables	19,863	51,756	(31,893)
Settlements not yet cashed by policyholders	19,413	0	19,413
Amounts due to employees	1,990	3,142	(1,152)
Guarantee deposits	4,194	3,977	217

Creditors for tax credits transferred to the Group include the amount due from the Revenue for withholdings, advance payments of tax, surpluses and other debtors transferred by the consolidated companies to the consolidating company as a result of joining the Group taxation referred to in articles 117 et seq. of the Decree of the President of the Republic 917/1986.

The amounts due to subsidiaries are formed wholly by the amount due to subsidiary Consortium Srl for the forward purchase of Generali and Mediobanca shares.

The payable for settlements not yet cashed by policyholders refers to claims for the 2006 financial year with financial manifestation early in 2007.

Detail of creditors by due-date and by type

The table below was produced to supplement the items set out above under the liabilities and on the basis of the stipulations contained in section 16 of Legislative Decree 26/5/1997 no. 173.

(€K)	Creditors deriving from direct insurance and reinsurance operations	Loans with collateral security	Sundry loans and other financial payables	Employee severance pay and other creditors	Total
1 year term	250,924	0	169,600	423,836	844,360
Term 2 to 5 years	0	0	180,400	0	180,400
Term more than 5	0	0	0	0	0

years					
Total	250,924	0	350,000	423,836	1,024,760

Other liabilities

(€K)	31/12/2006	31/12/2005	Change
Interim reinsurance accounts payable	366	5,656	(5,290)
Commission on premiums in the process of collection	69,937	71,688	(1,751)
Sundry liabilities	328,176	441,823	(113,647)
	398,479	519,167	(120,688)

Interim reinsurance accounts payable include technical income for direct and retroceded business, offset against operations recorded in the accounts registered in the name of the reinsurance companies, which are recorded in the technical account and deferred to the next financial year, because there is insufficient information to fully determine the financial result.

The main other "sundry liabilities" are broken down as follows:

(€K)	31/12/2006	31/12/2005
Non-Life classes/Life business connecting account	142,652	231,873
Assessment estimated expenditure for the financial year	94,505	84,336
Remittances from brokers awaiting connection	16,286	14,854
Head Office / Op, Man. connecting accounts	13,169	24,853
Assessment items payable to reinsurers	11,536	11,746

Section 14 - ACCRUED EXPENSES AND DEFERRED INCOME (Item H)

(€K)	31/12/2006	31/12/2005	Change
Interest	17,158	13,128	4,030
Rentals	70	68	2
Other accruals and deferrals	42	15	27
	17,270	13,211	4,059

For the 2006 financial year, the apportionment between accrued expenses and deferred income was as follows:

(€K)	Accruals	Deferrals	Total
Interest	17,158	0	17,158
Rentals	0	70	70
Other accruals and deferrals	13	29	42
	17,171	99	17,270

The accrued expenses for interest relate, for € 4,367K, to the share attributable to the financial year for the contractual financial charge on the loan granted by Sainternational S.A. to Fondiaria-SAI in September 2004 and, for € 12,791K, to the subordinate loan.

Section 17 - Guarantees, commitments and other memorandum accounts

These amount in total to € 15,408,075K (€ 13,617,087K in 2005).

(€K)	31/12/2006	31/12/2005	Change
Guarantees provided	8,227	7,298	929
Guarantees received	133,920	161,608	(27,688)
Guarantees provided by third parties on behalf of the company	30,864	29,240	1,624
Commitments	318,470	221,279	97,191
Third party assets	9,899	7,053	2,846
Securities deposited with third parties	14,616,218	13,157,214	1,459,004
Other memorandum accounts	290,477	33,395	257,082
	15,408,075	13,617,087	1,790,988

The guarantees provided include:

(€K)	31/12/2006	31/12/2005	Change
Other personal guarantees	160	1,261	(1,101)
Collateral securities	8,067	6,037	2,030
	8,227	7,298	929

Collateral securities relate to assets deposited to guarantee inward reinsurance operations.

Guarantees received include:

(€K)	31/12/2006	31/12/2005	Change
Sureties	82,665	97,389	(14,724)
Other personal guarantees	1,255	31,664	(30,409)
Collateral securities	50,000	32,555	(17,445)
	133,920	161,608	(27,688)

With reference to the guarantees received, the sureties are formed principally, for € 72,659K, by policies entered into as security for commitments taken on by agents and, for € 1,329K, by sureties provided by agents after the end of the agency mandate.

The sureties provided by tenants amount to € 3,105K, whilst those received from third parties come to € 3,202K, unchanged compared with 31 December 2005.

The other personal guarantees include letters of patronage issued by reinsurers. In September 2006, the mezzanine loan granted to Ganimede S.r.l. in 2003, in respect of which guarantees for € 29,326K had been received, was paid off.

During the course of the year, the two collateral securities were cancelled, these having consisted of deferred mortgages in respect of the aforementioned mezzanine loan, described above, and of the pledge

provided by third parties for the VAT credit owed to the company Giugno Due 87 S.r.l., recovered during the year.

It is pointed out that a guarantee was received during the year in the form of a capitalisation policy pledged, for € 50,000K, to cover any losses that might be ascribable to the previous management which Fondiaria-SAI might incur as a result of the purchase of Liguria Assicurazioni.

This guarantee also includes any amount possibly due by Liguria Assicurazioni's previous shareholder following the procedures on revising the price of the Company purchased.

Guarantees provided by third parties are made up entirely of bank guarantees for € 30,864K.

Commitments include mainly € 180,400K recorded for ordinary Banca Intesa shares, sold forward to Sainternational S.A. to service the convertible debenture loan (Mandatory). Furthermore, the hedging operations on shareholdings carried out through combined options (put purchases – call sales) included € 133,954K for the cash settlement to be paid relating to the valuations made at the end of the financial year; the exposure is, moreover, counterbalanced by the latent capital gains generated on the underlying securities from the time of entering into the hedging operation.

Third party assets include deposit books for maximum amounts insurable, and Fondiaria-SAI ordinary and savings shares. The books were deposited at banking institutions, almost exclusively with Banca SAI; the employee-owned shares deposited for safe-keeping are stated at their nominal value.

Securities deposited with third parties include the book value of the securities owned by the company placed on deposit. The main custodians are banking institutions for € 13,266,326K, subsidiaries for € 1,070,671K, associated companies for € 38,484K, other participating interests for €45,563K and other custodians for € 195,174K.

Other memorandum accounts amount to € 290,477K and are made up essentially of the notional securities underlying derived finance operations, and more specifically: € 46,500K relating to Credit Default Swap contracts on Telecom Italia, € 200,000K relating to an Interest Rate Swap contract with Mediobanca, € 20,000K relating to Range Accrual Swap contracts with JP Morgan and Calyon and € 15,088K relating to an Equity Swap contract on Immobiliare Lombarda shares with the counterparty Scontofin. Finally, € 5,991K relates to the cash settlement to be collected for the hedging operations on shareholdings carried out through combined options (put purchases – call sales).

PROFIT AND LOSS ACCOUNT

The values in the profit and loss account are analysed below compared with the corresponding amounts for the 2005 financial year.

The necessary adaptations were made where the items for the previous financial year are not comparable with those for the current financial year. The possible adaptation, non-comparability or the impossibility of either of these is, in any case, shown in the comment to the individual items.

Section 18 - INFORMATION CONCERNING THE TECHNICAL ACCOUNT FOR THE NON-LIFE CLASSES

PREMIUMS EARNED, NET OF REINSURANCE TRANSFERS

(€K)	31/12/2006	31/12/2005	Change
Premiums direct business	3,887,115	3,871,384	15,731
Premiums indirect business	9,236	10,037	(801)
Gross premiums recorded	3,896,351	3,881,421	14,930
Premiums ceded and retroceded in reinsurance	(138,681)	(104,234)	(34,447)
Change in the gross amount of the unearned premium reserve	(4,341)	(36,948)	32,607
Change in the reinsurers' provision	5,701	1,823	3,878
Total premiums for the year in the Non-Life classes	3,759,030	3,742,062	16,968

The "gross premiums recorded" item, in compliance with ISVAP Instruction no. 735 of 01/12/1998, does not include cancellations of securities issued in previous financial years, which have been allocated to "Other technical charges".

The "change in the gross amount of the unearned premium reserve" item comprises exclusively € 4,341K relating to the negative change in the provision for premium fractions. The analytical evidence for this has already been commented on at the foot of the corresponding item in "Balance sheet – Liabilities".

SHARE OF THE RETURN ON INVESTMENTS TRANSFERRED FROM THE NON-TECHNICAL ACCOUNT

The amount transferred comes to € 170,661K and is confirmed by the decisions laid down in ISVAP Instruction no. 1140-G.

OTHER TECHNICAL INCOME NET OF REINSURANCE TRANSFERS

(€K)	31/12/2006	31/12/2005	Change
Other technical income gross of reinsurance	39,861	21,652	18,209
Other technical income ceded and retroceded	3,437	1,558	1,879
	43,298	23,210	20,088

Other technical income amounts to € 43,298K and includes, amongst other things, € 1.094K for Indemnity Agreement adjustments, € 18,524K for recoveries of commission on cancellations for premiums issued in previous financial years and € 19,326K for drawings from the provision for bad/doubtful debts for premiums in the process of collection.

CHARGES FOR OUTSTANDING CLAIMS, NET OF RECOVERIES AND REINSURANCE TRANSFERS

(€K)	31/12/2006	31/12/2005	Change
Gross amounts paid	(2,807,091)	(2,832,879)	25,788
Reinsurers' share	71,231	72,113	(882)
Change in gross recoveries	38,048	46,300	(8,252)
Reinsurers' share	128	(336)	464
Change in the gross amount of the provision for outstanding claims	127,204	101,693	25,511
Reinsurers' share	(10,352)	(17,143)	6,791
	(2,580,832)	(2,630,252)	49,420

The gross amounts paid are summarised as follows:

(€K)	31/12/2006	31/12/2005	Change
Claims paid in the year	(910,318)	(857,644)	(52,674)
Claims paid in previous years	(1,595,750)	(1,670,314)	74,564
Contribution to the Road Victims' Fund	(52,917)	(52,379)	(538)
Direct expenses and settlement expenses	(248,106)	(252,542)	4,436
	(2,807,091)	(2,832,879)	25,788

The change in gross recoveries includes € 13,623K for recoveries during the financial year and € 24,425K for adjustment.

The change in the gross amount of the provision for outstanding claims can be broken down as follows:

(€K)	31/12/2006	31/12/2005	Change
Provision at the start of the year	5,094,202	5,193,967	(99,765)
Exchange rate effect	(4,232)	5,896	(10,128)
Provision for the financial year	(1,650,144)	(1,730,692)	80,548
Provision for previous financial years	(3,315,459)	(3,363,510)	48,051
Balance on portfolio operations	2,837	(3,968)	6,805
	127,204	101,693	25,511

Within the scope of the direct business, the provision existing at the start of the financial year showed a positive reduction, in line with that of last year, of approximately € 38m, as can be seen from the table below:

	2006	2005
Provision for outstanding claims existing at the start of the financial year	4,904,523	4,987,804
Compensation paid during the financial year net of recoveries	1,714,401	1,772,539
Provision for outstanding claims at the end of the financial year	3,152,134	3,174,414
Difference	37,988	40,851

It is pointed out that the only classes to show an insufficiency are the Accident (€ 9,928K), Health (€ 13,016K) and General TPL classes (€ 16,953K). In particular, these last two classes featured a strong increase in claims, both in terms of amounts and average costs.

CHANGE IN OTHER TECHNICAL PROVISIONS NET OF REINSURANCE TRANSFERS

(€K)	31/12/2006	31/12/2005	Change
Provision for old age	(225)	(304)	79

The change, of € 225K, can be attributed to the provision for old age referred to in art. 25 of Legislative Decree 175/1995, determined according to the analytical criteria stipulated in art. 25, indent three of the aforementioned decree.

OPERATING EXPENSES

(€K)	31/12/2006	31/12/2005	Change
Acquisition commission		(590,081)	(15,164)
Other acquisition expenses	(86,172)	(78,965)	(7,207)
Collection commission	(12,624)	(14,550)	1,926
Other administration expenses	(142,971)	(118,776)	
Commission and bonuses received by reinsurers	28,151	27,691	
			(605,245)
	(818,861)	(774,681)	(44,180)

Acquisition commission includes acquisition charges on multi-year contracts of € 85,706K charged in full, in accordance with prudential considerations, to the profit and loss account for the financial year.

Acquisition commission includes the costs of the sales network as defined in art. 51 of Legislative Decree 173/97.

Other acquisition expenses can be attributed mainly to the acquisition structure operating on the territory.

Other administration expenses include the share of depreciation of property of € 3,060K (€ 4,624K in 2005), and other amounts defined by art. 53 of Legislative Decree 173/97.

OTHER TECHNICAL CHARGES NET OF REINSURANCE TRANSFERS

(€K)	31/12/2006	31/12/2005	Change
Other gross technical charges	159,645	63,884	95,761
Other technical charges ceded and retroceded to reinsurers	(210)	(654)	444
	159,435	63,230	96,205

These amount to € 159,435K and include cancellations of premiums, issued in previous financial years, unrecoverable at the end of the financial year or cancelled because they were issued due to a technical error, for € 132,237K.

The important change in the amount of the other technical charges represents a non-recurring event, the result of the now-concluded project to integrate the IT platforms delegated to management and to the policy payment department.

EQUALISATION PROVISIONS – PROVISIONS AND DRAWINGS

The net change amounts to € 2,142K.

That change is shown apportioned by branch:

(€K)	2006	2005
Provision for risks of natural Disasters (direct business)		
Accident	-	-
Land vehicles – own damage	799	660
Aircraft – hull	4	2
Marine, lake and river – hull	13	15
Goods in transit	38	67
Fire	1,270	1,176
Other property damage	27	28
Motor TPL	-	-
Aviation TPL	-	-
General TPL	-	0
Pecuniary losses	15	14
	2,166	1,962
Provision for offsetting the credit branch	(24)	24
	2,142	1,986

Appendix 19 provides a summary representation by branch concerning the technical account of the Non-Life classes

Section 19 - INFORMATION CONCERNING THE TECHNICAL ACCOUNT FOR LIFE BUSINESS

PREMIUMS WRITTEN IN THE FINANCIAL YEAR, NET OF REINSURANCE TRANSFERS

(€K)	31/12/2006	31/12/2005	Change
Premiums direct business	1,343,993	1,353,127	(9,134)
Premiums indirect business	21,619	17,466	4,153
Gross premiums recorded	1,365,612	1,370,593	(4,981)
Premiums ceded and retroceded in reinsurance	(19,485)	(11,538)	(7,947)
Premiums written in the financial year net of reinsurance sessions	1,346,127	1,359,055	(12,928)

Appendix 20 sets out the composition of the premium income from the direct and indirect businesses, together with the reinsurance balance.

The "gross premiums recorded" item, in compliance with ISVAP Instruction no. 735 of 01/12/1998, does not include the technical cancellations of first year premiums and single premiums written in previous financial years, which were allocated to "Other technical charges".

INVESTMENT INCOME

In accordance with the stipulations of art. 54 of Legislative Decree 173/97, all financial equity income and expenses related to investments in the Life business are shown in the relevant technical account.

(€K)	31/12/2006	31/12/2005	Change
Income from shares	25,348	17,417	7,931
Income from other investments	301,701	248,316	53,385
Increase in the value of investments	1,652	10,079	(8,427)
Profit realised on investments	83,865	88,586	(4,721)
	412,566	364,398	48,168

The "Profit realised on investments" item includes capital gains of € 41,412K realised on long-term investments in securities allocated here consistently with the allocation of these assets to the separate operations.

This operation allows for the correct determination of the balance on the technical account.

Income from stocks and shares includes € 7,097K relating to the dividend decided by the subsidiary Milano Assicurazioni S.p.A..

The detail of the investment income is shown in Appendix 21, which also sets out the corresponding figures for the non-technical account relating to investments in the Non-Life classes.

INCOME AND UNREALISED CAPITAL GAINS ON INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR THE RISK FOR SUCH INVESTMENTS AND INVESTMENTS DERIVING FROM PENSION FUND MANAGEMENT

Class D.I. income

(€K)	31/12/2006	31/12/2005	Change
Gross income	20,303	19,634	669
Profits realised on investments	751	1,783	(1,032)
Unrealised capital gains	20,406	20,105	301
TOTAL	41,460	41,522	(62)

€ 4,248K of the amounts for unrealised capital gains relates to unit-linked policies and € 16,158K to index-linked products. The most significant capital gains show € 1,949K relating to the Fondilink Azionario product and € 5,791K to the Index Start-Up 4.

Class D.II. income

(€K)	31/12/2006	31/12/2005	Change
Gross income	3,003	2,199	804
Profits realised on investments	1,151	2,954	(1,803)
Unrealised capital gains	7,049	8,179	(1,130)
TOTAL	11,203	13,332	(2,129)

Class D.II. income refers to the "SAI Open-end Pension Fund", the "Fondiarria Previdente Open-end Pension Fund" and the "Previdenza Open-end Account Pension Fund". Appendix 22 shows the detail of Class D income.

OTHER TECHNICAL INCOME NET OF REINSURANCE TRANSFERS

(€K)	31/12/2006	31/12/2005	Change
Other technical income gross of reinsurance	1,344	16,233	(14,889)
TOTAL	1,344	16,233	(14,889)

The change for € 14,889K is due mainly to the full integration and improvement of the life business management and IT platform carried out during the previous financial year. This project to overhaul and align the technical archives had produced a positive effect on the profit and loss account for € 13,723K in the 2005 accounts, an effect which, in view of the normalised situation, is not replicated in the present financial year.

Commission of € 219K received from coinsurers is again included under the item.

CHARGES FOR OUTSTANDING CLAIMS, NET OF REINSURANCE TRANSFERS

(€K)	31/12/2006	31/12/2005	Change
Gross sums paid	(1,098,762)	(859,368)	(239,394)
Reinsurers' share	11,595	7,290	4,305
Gross change in the provision for sums payable	(41,562)	(43,684)	2,122
Reinsurers' share	1,525	(318)	1,843
TOTAL	(1,127,204)	(896,080)	(231,124)

The gross sums paid include:

(€K)	31/12/2006	31/12/2005	Change
- for claims	25,337	22,418	2,919
- for matured policies	530,351	454,473	75,878
- for surrendered policies	435,282	312,747	122,535
- for life annuities	4,692	4,582	110
- for reinsured risks	103,100	65,148	37,952
TOTAL	1,098,762	859,368	239,394

CHANGE IN ACTUARIAL RESERVES AND OTHER TECHNICAL PROVISIONS NET OF REINSURANCE TRANSFERS

(€K)	31/12/2006	31/12/2005	Change
Change in the gross amount of the actuarial reserves	(492,790)	(695,650)	202,860
Reinsurers' shares	5,991	3,672	2,319
Change in the gross amount of the unearned premium reserve for additional insurance	83	(56)	139
Reinsurers' share	-	-	-
Change in the gross amount of other technical provisions	1,750	1,392	358
Reinsurers' shares	-	-	-
Change in the gross amount of class D technical provisions	32,824	(5,296)	38,120
Reinsurers' shares	-	-	-
TOTAL	(452,143)	(695,938)	243,795

BONUSES AND REBATES TO POLICYHOLDERS OR OTHER BENEFICIARIES

The composition of these is as follows:

(€K)	31/12/2006	31/12/2005	Change
- Net rebates	(28)	(404)	376
- Bonuses net of reinsurance	-	-	-
TOTAL	(28)	(404)	376

All the rebates refer to collective direct business policies delegated to ourselves or coinsured with other companies.

OPERATING EXPENSES

(€K)	31/12/2006	31/12/2005	Change
Acquisition commission	(14,580)	(22,358)	7,779
Other acquisition expenses	(17,470)	(15,021)	(2,449)
Change in acquisition commission and expenses for amortisation	(1,058)	(1,194)	136
Collection commission	(8,212)	(10,281)	2,069
Other administration expenses	(29,326)	(34,404)	5,078
Commission and bonuses for reinsurers	1,731	3,078	(1,347)
TOTAL	(68,915)	(80,180)	11,265

Acquisition commission includes acquisition charges on multi-year contracts for € 2,907K (€ 2,590K in 2005). The change in the acquisition commission and expenses for amortisation is due to the charging to the profit and loss account of the pre-calculated commission for contracts entered into by the former La Fondiaria S.p.A..

The other acquisition expenses include, in addition to the expenses for the acquisition structure of the peripheral structures, [marketing expenses] and I.C.T. expenses attributable to the new contracts acquired.

EQUITY AND FINANCIAL CHARGES

(€K)	31/12/2006	31/12/2005	Change
Investment management charges and interest paid	(30,677)	(12,472)	(18,205)
Value adjustments on investments	(56,003)	(28,853)	(27,150)
Losses realised on investments	(17,792)	(21,099)	3,307
TOTAL	(104,472)	(62,424)	(42,048)

Appendix 23 sets out the composition of the equity and financial charges for the life business.
The investment management charges include €197K in respect of tax, including € 178K owed to ICI.

The extent of the increase in the equity and financial charges, of € 42m, results from an increase in the charges relating to the debenture component of the portfolio and to the trend in the financial markets.
The value adjustments on investments include depreciation on property for € 457K, alignments of shareholdings and unit trust holdings for € 5,860K and fixed-income securities for € 49,662K.
The alignments of shareholdings include € 3,902K relating to subsidiaries.

"Losses realised on investments" includes capital losses of € 634K realised on long-term investments in securities allocated here consistently with the assignment of those assets to the segregated businesses.

EQUITY AND FINANCIAL CHARGES AND UNREALISED CAPITAL LOSSES ON INVESTMENTS FOR THE BENEFIT OF POLICYHOLDERS WHO BEAR THE RISK FOR SUCH INVESTMENTS AND INVESTMENTS DERIVING FROM PENSION FUND MANAGEMENT

Class D.I. charges

(€K)	31/12/2006	31/12/2005	Change
Investment management charges	(3,524)	(1,295)	(2,229)
Losses realised on investments	(310)	(248)	(62)
Unrealised capital losses	(8,786)	(6,870)	(1,916)
TOTAL	(12,620)	(8,413)	(4,207)

€ 1,119K of the amount of unrealised capital losses relate to unit-linked products and € 7,667K to index-linked and other products pursuant to art.30 Legislative Decree 174/95.

Class D.II. charges

(€K)	31/12/2006	31/12/2005	Change
Investment management charges	(882)	(1,415)	533
Losses realised on investments	(1,181)	(406)	(775)
Unrealised capital losses	(1,036)	(391)	(645)
TOTAL	(3,099)	(2,212)	(887)

The Class D.II charges relate to the "Open-end SAI Pension Fund", the "Fondiarria Previdente Pension Fund" and the "Previdenza Account Pension Fund".

Appendix 24 sets out the details of the charges in question.

OTHER TECHNICAL CHARGES NET OF REINSURANCE TRANSFERS

(€K)	31/12/2006	31/12/2005	Change
Other gross technical charges	(13,008)	(7,561)	(5,447)
Other technical charges ceded and retroceded to reinsurers	-	-	-

TOTAL	(13,008)	(7,561)	(5,447)
--------------	-----------------	----------------	----------------

Other technical charges relate mainly to losses on amounts due for first year premiums and single premiums of € 10,867K.

SHARE OF THE RETURN ON INVESTMENTS TRANSFERRED TO THE NON-TECHNICAL ACCOUNT

The amount transferred comes to € 10,297K.

As stipulated in ISVAP Instruction no. 1140-G art. 6, the share of the return on investments must not be less than the amount of the profits on the investments contractually paid to policyholders in the financial year. The share is, therefore, aligned with that lower value.

Section 20 - CHANGES IN THE TECHNICAL ITEMS BY CLASS/BRANCH

Appendix 25 contains the summary of the technical accounts for each non-life class of the Italian portfolio. Appendix 27 contains the summary of the technical accounts for each life branch of the Italian portfolio.

In the Non-Life classes, the items common to several classes are represented by the operating expenses and by the share of the return on investments transferred from the non-technical account; in the Life business, the items common to several branches are represented by operating expenses and the investment income net of the share transferred to the non-technical account.

The criteria used for the apportionment of those items common to classes/branches is as follows:

- Other acquisition expenses - these go towards: the costs of the Commercial Networks and the Assistance Units, the direct charging for which is made on the basis of the relating cost centres; the remaining expenses which include the costs for the procedures relating to the ICT department, directed towards managing the acquisition of contracts. These are allocated by apportionment keys which use statistical calculations based on a sample of the staff employed in sales;
- Claims handling expenses - these relate to the settlement network's and the claims management departments' cost centres and the costs of the claims procedures of the ICT department. The allocation of expenses not directly attributable to individual classes/branches was made on the basis of the average number and amounts of the claims settled by the staff responsible for this.
- Other administration expenses - all the other costs not in the above two categories make up the other administration expenses and relate to the costs of the head office structures. The criterion used for apportionment is, in the majority of cases, based on premiums adjusted at the appropriate time, whereas for some companies the criterion was diversified due to the specific activity performed.
- Reference is made to the determinations referred to in ISVAP Instruction no. 1140-G in respect of the share of the return on investments.

Further summary information on the expanded technical items of the Non-Life classes and Life branches is set out in Appendices 26, 28 and 29 with reference to the Italian and overseas portfolio.

Section 21 - INFORMATION CONCERNING THE NON-TECHNICAL ACCOUNT

INVESTMENT INCOME FROM THE NON-LIFE CLASSES

(€K)	31/12/2006	31/12/2005	Change
Income from stocks and shares	200,177	149,468	50,709
Income from other investments	162,299	140,231	22,068
Increases in value on investments	6,055	10,805	(4,750)
Profits realised on investments	19,726	30,038	(10,312)
TOTAL	388,257	330,542	57,715

Appendix 21 sets out the detail of investment income together with the income from the life business. Income from stocks and shares includes € 62,959K relating to the dividend decided by the subsidiary Milano Assicurazioni S.p.A. and € 10,000K relating to the dividend decided by the subsidiary Sim Etoile and already collected during 2006.

SHARE OF THE RETURN ON INVESTMENTS TRANSFERRED FROM THE TECHNICAL ACCOUNT FOR THE LIFE BUSINESS

Please refer to the comments in the appropriate section of the technical account for the Life business.

EQUITY AND FINANCIAL CHARGES IN THE NON-LIFE CLASSES

(€K)	31/12/2006	31/12/2005	Change
Investment management charges and interest paid	(60,187)	(28,305)	(31,882)
Value adjustments on investments	(40,244)	(36,032)	(4,212)
Losses realised on investments	(53,772)	(69,057)	15,285
TOTAL	(154,203)	(133,394)	(20,809)

The investment management charges include taxes for € 4,368K, of which € 3,870K is owed to ICI.

The extent of the increase in the investment management charges and interest paid, for € 31m, results mainly to the increase in the charges relating to the debenture component, which is, however, balanced by a higher yield on the portfolio, and to the higher charges for non-routine maintenance paid for during the financial year in regard to the equity investments.

The value adjustments on investments include depreciation on property of € 8,533K, and alignments of shareholdings and unit trust holdings of € 14,293K and fixed-income securities of € 17,419K.

The alignments of shareholdings include € 11,944K relating to subsidiaries.

Appendix 23 sets out the detail of the equity and financial charges, with reference, also, to the Life business.

SHARE OF THE RETURN ON INVESTMENTS TRANSFERRED TO THE TECHNICAL ACCOUNT OF THE NON-LIFE CLASSES

The amount transferred comes to € 170,661K and is confirmed by the decisions laid down in ISVAP Instruction no. 1140-G.

OTHER INCOME

This amounts to € 157,287K (€ 132,981K in 2005) and is set out in detail below:

(€K)	31/12/2006	31/12/2005	Change
Interest on non-fixed term deposit bank current accounts	7,172	4,613	2,559
Interest on company current accounts	672	1,928	(1,256)
Interest on other loans	19,139	10,107	9,032
Drawings from bad/doubtful debt provision	11,190	4,778	6,412
Drawings from provisions for risks and charges	20,364	25,312	(4,948)
Recoveries by third parties of administrative costs and charges	80,273	70,933	9,340
Sundry income	13,806	9,317	4,489
Exchange rate differences	4,671	5,993	(1,322)
TOTAL	157,287	132,981	24,306

Interest on non-fixed term deposit bank current accounts includes interest of € 1,405K on the Banca Sai account, interest of € 1,196K on current accounts at other banks and € 4,571K for interest and fees on time deposits.

Interest on other loans includes principally notional interest on the non-life/life connecting account in favour of the life business for € 13,250K, interest on claims handling of the Road Victims' Fund for € 1,034K and interest on recoupments from agents for € 3,351K.

The drawings from the provision for bad/doubtful debts are ascribable to the losses recorded during the financial year relating to trade items already appropriated to the provision in previous years and to the different estimate of the likely non-collection of amounts due other than those relating to the premiums written.

The drawings from the provisions for risks and charges include the drawing of € 4,130K from the property maintenance fund, and the drawing of € 1,118K from the provision for old age pursuant to art. 30 of the CNWA.

There were also drawings of € 15,116K from the provision for risks and costs to cover charges, already provided for in previous years, for employees for holidays accrued but not taken and for the outcome of existing disputes.

"Recoveries by third parties of administrative costs and charges", which is offset in "Other charges", relates essentially to amounts charged to the Group's companies for the apportionment, based on objective criteria, of the costs for the divisions unified at Group level.

€ 841K is recorded under "Sundry income" relating to the tax credit on dividends and to the realisation and valuation of shares in securities investment trusts.

The remainder of the sundry income, for € 12,965K, relates mainly to services provided to companies in the Group. These amounts are added to those which relate simply to the recovery of costs and which are shown in recoveries by third parties of administrative costs.

OTHER CHARGES

These amount to € 303,901K (304,202K in 2005) and include, amongst other things:

(€K)	31/12/2006	31/12/2005	Change
Administrative costs and expenses on behalf of third parties	(80,273)	(70,933)	(9,340)
Interest on payables – company current accounts	(1,044)	(1,442)	398
Sundry charges due to banking institutions and credit companies	(92)	(347)	255
Interest on other amounts payable	(13,618)	(452)	(13,166)
Shares assigned to the provision for bad/doubtful debts	(11,883)	(6,855)	(5,028)
Shares assigned to the provision for risks and costs	(47,575)	(86,843)	39,268
Losses on loans	(6,334)	(4,432)	(1,902)
Share of amortisation on intangible assets	(31,905)	(38,994)	7,089
Amortisation of goodwill	(48,657)	(48,657)	0
Interest on loans	(16,482)	(14,808)	(1,674)
Interest on subordinate liabilities	(27,797)	(20,195)	(7,602)
Exchange rate differences	(5,140)	(2,308)	(2,832)
Other	(13,101)	(7,936)	(5,165)
TOTAL	(303,901)	(304,202)	301

"Administrative costs and expenses on behalf of administrative third parties", which is offset in "Other charges", relates essentially to amounts charged to the Group's companies for the apportionment, based on objective criteria, of the costs for the divisions unified at Group level.

"Interest on other amounts payable" includes principally notional interest on the non-life/life connecting account in favour of the Life Business for € 13,250K.

The shares assigned to the provision for bad/doubtful debts come from the earmarking of amounts due from agencies and brokers, coinsurance companies and other debtors, who differ from those arising from the issuing of premiums, regarded as difficult to collect.

The shares assigned to the provisions for risks and charges include € 41,922K relating to the shares appropriated to the provision for future risks and charges.

€ 17,357K of this refers to amounts earmarked against the risk of repayment of the tax saving allotted to the company and relating back to the tax losses transferred to the tax consolidation regime by some of the subsidiaries. The amount earmarked during the financial year takes account of the adjustments between the losses (and the related tax saving) estimated at the end of the previous year and those effectively determined in the income tax return.

The provision also relates to charges which the company will have to bear in relation to employees for renewing the collective employment contract and for other costs which are certain and determined, but for which the date of manifestation is still uncertain.

The remainder relates, for € 4,805K, to the property maintenance fund, for € 649K, to the provision for old age pursuant to art. 30 of the CNWA, and, for € 199K, to the provision to cover the commitments arising out of the agreement dated 14/04/1972 for supplementing legal pensions.

With regard to the amortisation share relating to goodwill, please refer to the statements made in the comments under the "Intangible assets" item.

The amortisation shares involving the other intangible assets of € 31,905K relate to sundry assets from commissions to be amortised and include € 990K for amortisation of software user rights, € 15,391K for amortisation of research and development costs, € 1,213K for the share for the financial year of capitalised costs regarding the loan granted by the subsidiary SAInternational S.A.; a further € 4,818K relates to amortisation of the costs of the Mediobanca loan. Finally, € 9,487K relates to amortisation of the merger costs, € 4K to amortisation of incremental costs on third party assets and € 2K to amortisation of trademarks.

Interest on loans includes, amongst other things, € 10,644K for the loan granted by the subsidiary SAInternational.

Interest on subordinate liabilities relates entirely to the subordinate loan granted by Mediobanca

The remainder of the charges relate mainly to costs in respect of taxes (advertising tax, registration tax, stamps for trademarks and rights) for € 623K, expenses for the use of third party premises for € 224K, payment of the costs relating to the actions brought against the Company by two plaintiff parties in regard to the probable failed takeover bid for Fondiaria for € 3,493K, and the conversion to current values of amounts due from the Revenue, which will be refunded by 2009 following the arrangement entered into with the Inland Revenue, for € 3,618K.

EXTRAORDINARY INCOME

This amounts to € 48,337K and can be broken down as follows:

(€K)	31/12/2006	31/12/2005	Change
Capital gains on sales of property	2,650	6,900	(4,250)
Capital gains on the disposal of investments in long-term securities	6,971	38,294	(31,323)
Other extraordinary income	38,716	23,312	15,404
TOTAL	48,337	68,506	(20,169)

Capital gains on sales of property are derived from the disposal of instrumental property for € 2,387K and from capital gains on sales of residential property for € 263K.

Capital gains on the disposal of long-term investments in securities were realised for € 3,407K on debentures, whereas € 3,564K related to shares.

Other extraordinary income includes, amongst other things, extraordinary income of € 38,662K. Of this, € 12,018K relates to rebates from the Inland Revenue involving credits for indirect taxes including interest due and € 16,715K to drawings from the excess provision for current taxes in relation to the amount paid in the tax return for the previous tax period. This last amount relates, in particular, to the higher tax benefits from participation in the national tax consolidation regime by a number of subsidiaries subject to obtaining a

view in favour to the question put to the Inland Revenue, the effects of which – due to the decision pending – could not be anticipated at the close of the 2005 financial year, as already indicated in the Business Activity Report on the accounts for that year. Extraordinary income also includes capital gains on securities for € 54K.

EXTRAORDINARY CHARGES

These amount to € 33,186K and are broken down as follows:

(€K)	31/12/2006	31/12/2005	Change
Expenses connected with the sale of property	165	158	7
Capital losses on the disposal of property	317	0	317
Capital losses on the disposal of investments in long-term securities	939	2,321	(1,382)
Other extraordinary charges	31,765	35,945	(4,180)
TOTAL	33,186	38,424	(5,238)

€ 143K of the expenses connected with the sale of property was derived from the disposal of instrumental property and € 22K from the sale of residential property.

€ 39K of the capital losses on the sale of property was derived from the disposal of instrumental property and € 278K from the sale of residential property.

€ 227K of the capital losses on the disposal of investments in long-term securities were realised on debentures, whereas € 712K were realised on shares.

Other extraordinary charges includes extraordinary expense of € 23,759K, including € 6,288K due to penalties imposed by ISVAP in relation to the claims settlement policy. Moreover, this phenomenon is substantially down on the last financial year, since the charge recorded relates to the permanent removal of accrued positions. The item also includes trading expenses on own shares for € 40K, costs resulting from the sale of instrumental property for € 67K, expenses for refunds to policyholders for premiums paid in excess of the amount due, following the known Antitrust decision, for € 1,585K and deferred taxes for € 6,314K.

CORPORATE INCOME TAX

This amounts to € 103,010K (€ 92,155K in 2005) and can be broken down as follows:

(€K)	31/12/2006	31/12/2005	Change
Current taxes set aside in the provision for taxation	(94,000)	(108,024)	14,024
Net deferred tax	(9,010)	15,869	(24,879)
TOTAL	(103,010)	(92,155)	(10,855)

The current taxes set aside relate to the estimated Corporate Income Tax and Regional Business Tax due in the current financial year, calculated according to the current tax rules and by applying the nominal rates of 33% for Corporate Income Tax and 4.25% for Regional Business Tax to the respective tax bases. When determining the Regional Business Tax for the year, account was also taken, in accordance with prudential considerations, of the tax increases decided by some Regions for the tax share owed by them due to the territorial apportionment of the tax base.

With regard to Regional Business Tax, the Group taxation referred to in articles 117 et seq. of the Decree of the President of the Republic 917/1986 (so-called national tax consolidation regime) continued during the 2006 financial year. This sees the Company, as the consolidating body, settle and pay the Regional Business Tax on behalf of all the subsidiaries belonging to the regime.

It follows from this that, in line with previous financial years, the Regional Business Tax charged to the profit and loss account refers only to the corresponding tax attributable to the Company on the basis of its own taxable income and taking account of the advantages to it as a result of the consolidation adjustments stipulated by the regime in question.

Conversely, provision for taxation includes the whole tax burden estimated as payable by the companies as a whole included in the national tax consolidation regime.

Provision has been made fully for current taxation and not for amounts owed for tax at the time of drawing up the accounts, as the tax return for the year has not yet been produced.

Current taxation for the financial year can be broken down as follows:

(€K)	31/12/2006	31/12/2005	Change
Current Corp. Inc. Tax gross of the benefits derived from tax consolidation	(76,339)	(91,045)	14,706
Estimated benefits derived from tax consolidation	6,339	9,021	(2,682)
Current Reg. Bus. Tax	(24,000)	(26,000)	2,000
TOTAL	(94,000)	(108,024)	14,024

The decrease in current Corporate Income Tax, calculated as an absolute value, relates mainly to the decrease in the pre-tax profit for the 2006 financial year compared with the previous year.

Conversely, there is less of a difference in the current Regional Business Tax estimated for the year compared with the previous year both since the determination of the tax base for that tax is different, it being based mainly on income components not of an extraordinary nature, and due to the effect of the lower weight of the respective nominal rate on the Regional Business Tax tax base.

The estimated net benefits of joining the aforementioned national tax consolidation regime can be attributed to the allocation of the tax losses from some consolidated companies, restricted to the share which is regarded as non-recoverable autonomously by those companies which produced it, and to the further removal of 5% of the tax on dividends within the Group from those companies which are part of the Group taxation.

The reduction in relation to similar benefits estimated during the previous financial year is essentially attributable to the fact that, during 2005, capital gains were also achieved under the system of fiscal neutrality on assets transferred to consolidated companies and consequently removed from taxation on the group tax return.

The following changes occurred in deferred tax in the financial year:

	31/12/2006	31/12/2005	Change
Deferred tax payable having arisen	(16,129)	(16,026)	(103)
Deferred tax payable cancelled	22,475	44,567	(22,092)
Deferred tax receivable having arisen	54,331	59,687	(5,356)
Deferred tax receivable cancelled	(69,687)	(72,359)	2,672
TOTAL	(9,010)	15,869	(24,879)

In accordance with the stipulations of art. 2427 of the Civil Code, point 14, the following table is provided concerning the description of the temporary differences which determined the recording of deferred tax payable and advance tax calculated by applying the nominal rates of 33% for Corporate Income Tax and of 4.25% for Regional Business Tax to those differences (the latter where applicable).

(€K)	2006		2005	
Deferred tax receivable	Temp. diff.	Def. tax	Temp. diff.	Def. tax
Non-life multi-year commission paid	57,137	21,284	57,408	21,384
Write-down of amounts receivable from policyholders for premiums	57,268	18,898	27,714	9,146
Write-down of other debtors	10,992	3,628	6,855	2,262
Appropriation to the property maintenance fund	4,805	1,586	3,697	1,220
Unrealised capital losses on stocks and shares	3,537	1,318	1,219	454
Appropriation to the provision for risks and costs	18,455	6,090	69,897	25,106
Other temporary differences	4,125	1,527	309	115
TOTAL	156,320	54,331	167,098	59,687

Deferred tax payable	Temp. diff.	Def. tax	Temp. diff.	Def. tax
Capital gains spread over several years	9,984	3,433	13,965	4,724
Unrealised capital gains on stocks shares	506	189	13,306	4,957
Tax-only amortisation and adjustments	19,882	7,406	15,981	5,953
Other temporary changes	15,457	5,101	1,191	392
TOTAL	45,829	16,129	44,444	16,026

There are no temporary differences which determined the recording of deferred tax receivable or payable to the net equity during the financial year.

Conversely, the changes recorded during the 2006 financial year, and attributable to previous years which determined that deferred taxes arose which were not charged to the profit and loss accounts for the year, amount to € 35,289K. This change results from the decision, already during the 2004 tax period, to benefit from higher fiscal amortisation of all the goodwill recorded in the accounts compared with the amount set aside in the profit and loss account in the same year. The deferred taxes relating to the aforementioned temporary difference were appropriated to the provision for a total of € 13,139K against the tax saving achieved and the tax credit due, already used to reduce subsequent tax payments.

With reference to the temporary differences which arose during the year, the recording of advance tax, for a total of € 54,331K, results mainly from the deduction over three financial years of the acquisition commission for multi-year insurance contracts in the Non-Life classes and and the deduction over nine

years of the write-downs made on loans to policyholders for premiums in excess of the share deductible pursuant to art. 106, indent 3 of the Decree of the President of the Republic 917/1986.

The other temporary changes include, for € 1,348K, the taxes set aside against the tax irrelevance of the charge recorded in the profit and loss account for the year due to the conversion to current values of amounts due from the Revenue in respect of which the relating refund, in terms of amount and future due dates, is certain. The reabsorption of this negative component, for € 3,618K, against an expected refund of amounts due, of both principal amount and interest, for a total of € 54,150K, will take place over the next three financial years.

The contained decrease in pre-paid tax which arose during the 2006 financial year compared with the previous financial year can be attributed mainly to the lower appropriations to the provision for risks and costs during the year, which are only partly offset by the higher write-downs effects on amounts receivable from policyholders for premiums.

However, the set-off of pre-paid tax recorded in previous financial years generated an increase in the tax burden of € 69,687K.

€ 33,614K of that set-off relates mainly to the set-off of the deduction of the alignments made on capitalised shareholdings pursuant to art. 1 of Decree-Law 209/2002, € 19,587K to the deduction of the multi-year commission deferred to previous financial years and € 6,958K to the set-off of the write-downs on loans to policyholders.

Added to the above is the set-off of a total of € 4,864K in pre-paid tax relating to drawings during the financial year of an amount previously appropriated to the provision for risks and costs and to the property maintenance fund.

With regard to the change in deferred tax payable, it is noted that the major differences relate to the estimated deduction from the next tax return to be submitted on depreciation of property and amortisation of goodwill effected exclusively by applying the tax rules pursuant to art. 109, indent 4, letter b) of the Decree of the President of the Republic 917/1986. With particular reference to the new developments introduced on property by Decree-Law 223/2006 (converted with amendments into Law 248/2006) and subsequently by Decree-Law 262/2006 (converted with amendments into Law 286/2006), it is pointed out that the aforementioned depreciation takes account of the tax irrelevance which occurred in the cost component that can be related to the land on which the buildings are situated or which is relevant to them.

During the 2006 financial year, the impact was considerably reduced of the deferred tax payable which arose in relation to the more contained increases in value effected, compared with the 2005 financial year, on shares and shareholdings lacking the requirements referred to in art. 87, of the Decree of the President of the Republic 917/1986.

Conversely, deferred taxes were set aside during the financial year in question for € 5,101K relating to the decided, or planned, operations to reduce the share capital by cancelling the own shares held in the portfolio at the close of the year or for future purchase. To be more specific, it is stated that the aforementioned reduction will, in forthcoming financial years, include taxation of the share of revaluation reserves charged in previous years to an increase in the share capital, due to the absolute presumption ratified by the special revaluation laws. The resulting tax burden was calculated both on the reduction in the nominal value which, already decided during the year, will be carried out after the time limit stipulated in art. 2445 of the Civil Code, and in respect of the share which, by 2008, will be carried out on the basis of the anticipated buy-back schedules contained in the most recent three-year industrial plan submitted to the financial community.

In regard to this last aspect, the reduction in the nominal share capital and related tax burden were estimated by referring to the average value of the target price suggested by the main financial operators in the market as the future market price for the company's ordinary shares.

The set-off of the deferred tax payable appropriated in previous financial years generates a reduction of the tax rate in the accounts totalling € 22,475K.

Of this, € 19,973K relates to taxation in the 2006 financial year for the share of capital gains deferred in previous financial years, whilst € 1,554K relates to the deferred tax payable cancelled due to the set-off of the increases in value of shareholdings made during the 2004 and 2005 financial years valid only under civil law.

The sizeable decrease in the deferred tax payable set off in 2006 compared with the previous financial year, with a consequent increase in the tax burden in the accounts, is essentially ascribable to the fact that, in 2005, initiatives were taken to set off, for € 19,048K, the deferred tax amounts earmarked following the reclassification of shareholdings subject to being written down for tax purposes only and as a result, again at the end of the previous tax year, of the temporary regime stipulated in art. 4 of Legislative Decree 344/2003 no longer applying.

Under the items excluded from calculation of the deferred tax position are several amounts appropriated to the provision for risks and costs against estimated charges for which it was considered appropriate, in accordance with prudential considerations, not to set aside the relevant prepaid tax in view of the objective uncertainty about the timing of the aforementioned charges and the variability of the estimations made.

The write-downs and related increases in value carried out on shareholdings in possession of the requirements referred to in art. 87 of the Decree of the President of the Republic 917/1986 were also excluded because, although theoretically able to be set off in respect of the share of the capital gain which became taxable following the changes made to the Pex rules, there are no elements able to be objectively determined which are required for their correct valuation.

The following table reconciling the tax burden recorded and the theoretical tax burden, calculated on the basis of the nominal 33% Corporate Income Tax rate in force, is provided to supplement the accounts information on the tax position for the financial year.

To make it easier to understand, no account is taken of the effect of the Regional Business Tax since the tax base for that tax differs considerably from, and is therefore not comparable to, the pre-tax profit.

(€K)	31/12/2006	31/12/2005	Change
Pre-tax profit (loss)	375,084	392,758	(17,674)
Theoretical income taxes (excl. Reg. Bus. Tax)	123,778	129,610	(5,832)
Tax effect resulting from permanent changes in taxable income	(48,777)	(41,462)	(7,315)
Other differences	4,582	(20,057)	24,639
Income taxes (excl. Reg. Bus. Tax)	79,583	68,091	11,492
Regional Business Tax	23,427	24,064	(637)
Total income taxes recorded in the accounts	103,010	92,155	10,855
Balance-sheet tax rate as a %	27	23	4

Due to the changes described above, the balance-sheet tax rate rose from approximately 23% in 2005 to 27%, attesting to levels closer to nominal taxation.

The increase in the tax burden compared with the previous financial year relates mainly to there being no similar drawing, in relation to the previous financial year, from the provision for deferred taxes set aside following reclassification in the accounts.

Added to this, although to a lesser extent, is a more contained impact of the benefits from joining the tax consolidation regime. Conversely, the effects of the increase in current taxation, due to the most recent prescriptive measures which are applied for the first time during the 2006 financial year, are less significant as they are offset by a greater incidence, compared with the previous year, of several income components which, following the Corporate Income Tax reform, are irrelevant for tax purposes.

SECTION 22 - SUNDRY INFORMATION RELATING TO THE PROFIT AND LOSS ACCOUNT

Appendix 30 is a table showing relations with companies in the Group and other participating interests and Appendix 31 is a summary table of premiums recorded for the direct business.
The table of charges for employees, directors and auditors is set out in Appendix 32.

EXCHANGE RATES

The exchange rates for the main currencies used for the conversion of the items in the accounts are set out below:

	2006	2005
United States dollar	1.317	1.1797
British sterling	0.6715	0.6853
Japanese Yen	156.93	138.9
Swiss Franc	1.6069	1.5551

Pursuant to art. 78 of the Consob Resolution no. 11971 dated 14/5/1999 and as issuers of shares, we set out below the names and, in accordance with the criteria shown in Appendix 3C, the fees paid in any respect and in any form, including by subsidiaries, to directors, auditors and CEOs:

Surname and first name	Description of post		Fees				
			Emoluments for the post	Non-monetary benefits (2)	Bonuses and other incentives	Other fees (3)	
	Post held (1)	Period				Emoluments for posts	Other
Ligresti Jonella	Chair – Board member – EC	1/1-31/12/2006	1,351,626	2,036	3,000,000	152,340	
Ligresti Giulia Maria	Vice Chairman – Board member – EC	1/1-31/12/2006	261,626	2,036		556,692	
Pini Massimo	Vice Chairman – Board member – EC	1/1-31/12/2006	278,594	23,284	200,000	116,069	
Talarico Antonio	Vice Chairman – Board member – EC	1/1-31/12/2006	273,367	16,739	1,000,000	961,543	
Marchionni Fausto	Managing Director – Board member - EC	1/1-31/12/2006	600,000	5,785		478,589	(a) 3,101,752
Broggini Andrea	Board member	1/1-31/12/2006	50,000			0	
Caruso Carmelo	Board member	1/1-28/04/2006	16,027			858	
Cerutti Mariella	Board member	1/1-31/12/2006	50,000			0	
Comoli Maurizio	Board member	28/4-31/12/2006	33,973			0	(b)
Corsi Francesco	Board member	28/4-31/12/2006	33,973			0	(c)
D'Urso Carlo	Board member	1/1-31/12/2006	50,000			15,000	(d)
La Russa Vincenzo	Board member – EC	1/1-31/12/2006	100,000			10,000	(e)
Ligresti Gioacchino Paolo	Board member – EC	1/1-31/12/2006	100,000		750,000	2,182,764	
Lo Vecchio Lia	Board member	1/1-31/12/2006	50,000			15,269	
Lombardini Siro	Board member	1/1-28/04/2006	16,027			0	
Mei Enzo	Board member I.C.C.	1/1-31/12/2006	60,000			0	
Morbidelli Giuseppe	Board member	1/1-31/12/2006	50,000			0	(f)
Rucellai Cosimo	Board member I.C.C.	1/1-31/12/2006 1/1-28/04/2006	50,000 3,205			75,169	

Severgnini Oreste	Board member	1/1- 28/04/2006	16,027			0	
Spiniello Salvatore	Board member I.C.C.	1/1- 31/12/2006	60,000			56,466	(g)
Toselli Ezio	Board member I.C.C.	28/4- 31/12/2006 28/4- 31/12/2006	33,973 6,795			0	
Zannoni Oscar	Board member	1/1- 31/12/2006	50,000			0	
Marino Benito Giovanni	Chairman of the Board of Statutory Auditors	1/1- 31/12/2006	135,000			33,000	
Mantovani Giancarlo	Permanent statutory auditor	1/1- 31/12/2006	90,000			65,500	
Spadacini Marco	Permanent statutory auditor	1/1- 31/12/2006	90,000			0	
Castellini Sergio	Alternate statutory auditor	1/1- 28/04/2006	0			0	
Di Giulio Maria Giorgio	Alternate statutory auditor	1/1- 28/04/2006	0			0	
Malerba Alessandro	Alternate statutory auditor	28/4- 31/12/2006	0			0	
Mosconi Maria Luisa	Alternate statutory auditor	1/1- 31/12/2006	0			71,009	
Rosati Pierino	Alternate statutory auditor	28/4- 31/12/2006	0			0	
MANAGERS WITH STRATEGIC RESPONSIBILITY (h)		1/1- 31/12/2006					(a) 4,869,707

(1) The abbreviation "EC" indicates that this person sits on the Executive Committee, the abbreviation I.C.C indicates that they sit on the Internal Control Committee.

(2) The estimated value is stated

(3) the reason for which they were granted is specified

* The fees for the corporate posts of Chairman, Sig.ra Jonella Ligresti, and Managing Director, Dr. Fausto Marchionni, include fees for the posts of Board Member and Member of the Executive Committee, as per the resolution of the Board of Directors of Fondiaria-SAI on 28 April 2006.

(a) Payment as employee.

(b) Professional services rendered by Studio Comoli Battuello & Associati to Fondiaria-SAI S.p.A.: € 8,012 – Professional services rendered to subsidiaries: € 22,176.

(c) Professional services rendered by Studio leg.Associato Corsi-Iozzelli-D'Angelo-Gori to Fondiaria-SAI S.p.A.: € 62,813.

(d) Professional services rendered by Studio Associato D'Urso Munari Gatti to Fondiaria-SAI S.p.A.: € 821,250 – Professional services rendered to subsidiaries: € 448,000.

(e) Professional services rendered to Fondiaria-SAI S.p.A.: € 221,498 – Professional services rendered to subsidiaries: € 48,189.

(f) Professional services rendered by Studio Legale Associato Morbidelli Bruni Righi Traina to Fondiaria-SAI S.p.A.: € 21,327 – Professional services rendered to subsidiaries: € 1,484.

(g) Professional services rendered to Fondiaria-SAI S.p.A.: € 125,000 – Professional services rendered to subsidiaries: € 110,000.

(h) The emoluments paid to managers with strategic responsibility are stated as an aggregate.

Part C - Other information

FINANCIAL STATEMENT AS AT 31.12.2006

(€K)	31/12/2006	31/12/2005
Pre-tax profit (loss) for the financial year	375,084	392,758
Change in non-monetary items	462,701	876,525
Change in the unearned premium reserve – Non-Life classes	(623)	31,986
Change in the provision for outstanding claims and other technical provisions – Non-Life classes	(107,246)	(58,398)
Change in actuarial reserves and other technical provisions – life business	336,006	730,457
Change in deferred acquisition costs	1,058	1,194
Change in appropriations to provisions	27,012	86,843
Non-monetary income and expenses derived from financial instruments, investments in property and shareholdings	22,399	10,892
Other changes (capital gains, capital losses, drawings from provisions, losses on loans, depreciation provision, intangible assets, extraordinary income/expenses, provisions for the profit and loss account)	184,095	73,551
Change in debtors/creditors generated by operating activities	144,547	92,482
Change in debtors and creditors deriving from direct insurance and reinsurance operations	(103,390)	(63,527)
Change in other debtors and creditors	247,937	156,009
Tax paid	(137,039)	(205,890)
Net liquidity generated/absorbed by monetary elements relating to the investment and financial activity	51,962	(4,178)
Investments for the benefit of life-business policyholders who bear the risk for such investments and investments deriving from pension fund management	51,962	(4,178)
TOTAL NET LIQUIDITY DERIVING FROM OPERATING ACTIVITIES	<u>897,255</u>	<u>1,151,697</u>

Net liquidity generated/absorbed by investments in property	(64,257)	(38,123)
Net liquidity generated/absorbed by shareholdings in subsidiaries, related companies and joint ventures	(212,955)	27,438
Net liquidity generated/absorbed by financing and loans	284,729	59,268
Net liquidity generated/absorbed by investments in debit instruments, equities and OCR shares	(861,789)	(1,006,889)
Net liquidity generated/absorbed by tangible and intangible assets	(8,545)	(3,472)
Other flows of net liquidity generated/absorbed by investment activity	774	14,554
TOTAL NET LIQUIDITY DERIVING FROM INVESTMENT ACTIVITY	<u>(862,043)</u>	<u>(947,224)</u>

Net liquidity generated/absorbed by the Group's capital assets	14,736	9,672
Net liquidity generated/absorbed by own shares	(44,121)	(51,900)
Distribution of dividends	(162,037)	(125,059)
Net liquidity generated/absorbed by third party capital and reserves	0	0
Net liquidity generated/absorbed by subordinate liabilities and participatory financial instruments	150,000	100,000
Net liquidity generated/absorbed by sundry financial liabilities	(68,044)	(69,748)
TOTAL NET LIQUIDITY DERIVING FROM FINANCING	<u>(109,466)</u>	<u>(137,035)</u>

Effect of exchange rate differences on liquid assets and equivalent resources	0	0
--	----------	----------

LIQUID ASSETS AND EQUIVALENT RESOURCES AT THE START OF

THE FINANCIAL YEAR	230,526	163,088
INCREASE (DECREASE) IN LIQUID ASSETS AND EQUIVALENT RESOURCES	(74,254)	67,438
LIQUID ASSETS AND EQUIVALENT RESOURCES AT THE END OF THE FINANCIAL YEAR	156,272	230,526

SOLVENCY MARGIN AND COMPONENT ITEMS

The solvency margin table is attached to the accounts, as set out by ISVAP Instruction no. 2322 of 06/12/2004. It shows that the amount of the margin to be formed is € 333m for the Life business and € 610m for the Non-Life classes in respect of component item for, respectively, € 834m and € 1,677m.

TECHNICAL PROVISIONS TO BE COVERED AS AT THE END OF THE FINANCIAL YEAR AND THE RELATING HEDGING ASSETS

The tables of the assets assigned to hedge the technical provisions of the Life business and Non-Life classes, in compliance with the provisions of the Supervisory Authorities, are attached to the accounts. The provisions to be covered, which total € 8,338m for the Life business (€ 7,642m relating to class C reserves and € 696m to class D reserves) and € 6,165m for the Non-Life classes, are invested in assets admitted under the law.

Milan, 27 March 2007

*For the Board of Directors
The Chairman*

JONELLA LIGRESTI

Reports from independent bodies

Auditors' Report

Dear Shareholders,

During the 2006 financial year, our supervisory activity has been conducted within the scope of the tasks assigned to the Board of Statutory Auditors by Legislative Decree no. 58 of 24/2/98 and by art. 2403 of the Civil Code, adapting ourselves, at the same time, to both the new laws relating to the insurance sector and to the instructions issued by the control authorities.

We would refer in particular to the new Private Insurance Companies Code (Legislative Decree 209/05) and to the terms sanctioned in the provisions on liberalisations (Law 248/06 and Law 40/07) insofar as it may concern the insurance sector.

With reference to the regulations which have already come into force, we have shown that the Company's business adapted promptly to comply with the new regulations and that it is setting in motion all relevant initiatives to comply with those that will come into force after the close of the financial year.

The Company has approved specific principles of conduct for carrying out important and related-party transactions, which are continuously monitored and updated.

In particular, in respect of the latter, the Board has always taken care to see that these transactions should meet criteria of essential and procedural fairness and not conflict with the Company's interests.

We have examined and kept a check, within the scope of our duties, on the suitability of the Company's organisational structures and compliant performance of the obligations stipulated by the various regulations, through direct observation, gathered from information from reports by the managers of the company divisions and meetings with the Independent Auditors, in respect of the aspects within their remit, for the purpose of the mutual exchange of significant data and information.

With regard to the suitability of the Company's organisational structures, which conforms to the scope and nature of the company objectives, this Board paid particular attention to the separation and contrasting of responsibilities in the duties and functions and to the clear definition of each division's delegated powers.

In particular, following the meetings with the Independent Auditors, no data, facts or information arose such as to require mention in this report or to be brought to the attention of the external auditing and supervisory bodies.

We have kept a check on the reliability of the accounting administration system to accurately represent the management events, safeguard the company equity and to anticipate or identify in good time errors and irregularities, and on the reliability of the internal control system to meet managerial requirements, always taking part in the meetings of the Committee set up for this purpose.

Supervision as to compliance with the principles of proper administration consisted of checking that the management conforms to the criteria of economic rationality, without ever, on the other hand, checking the operational appropriateness of the decisions reserved to the directors.

The operation to check that the company accounts are kept properly, the management events are accurately recorded in the accounts, the accounts for the financial year correspond to the results for the year and that the regulations set out in the Civil Code and the special laws laid down in the sector for assessing corporate accounting records are observed, is something entirely required of the Independent Auditors with whom we maintained on-going contacts. We would make it clear that Deloitte & Touche S.p.A., whom you instructed to audit the accounts, did not highlight any point having arisen during the works to furnish the opinion referred to in art. 156 of Legislative Decree 58/98, issued on 11 April 2007. We would further point out that no critical aspects arose concerning the independence of the aforementioned Independent Auditors.

Compliance with legal regulations concerning the composition and style of the accounts and Business Activity Report was confirmed through direct checks and reports undertaken by the Independent Auditors.

Furthermore, the Board carried out its own check on the adequacy, and timeliness, of the provisions issued by the Company to the Subsidiaries, in compliance with art. 114, indent 2, of Legislative Decree no. 58/98, with regard to the notification obligations stipulated by law, and in compliance with arts. 2497 et seq. of the Civil Code.

In particular, the Board, bearing in mind that the Company carries out management and coordination activities in compliance with arts. 2497 et seq. of the Civil Code in respect of most of its subsidiaries, checked compliance with the rules of conduct laid down for the latter, both in order to ensure that the coordination and control activities are carried out and to guarantee compliance with the obligations for transparency and information in regard to the public as stipulated in the regulation in force.

In regard to the internal control system and in respect of the provisions of ISVAP circular no. 366 D of 3 March 1999, recently rescinded by circular 577/D, we would inform you that we have continually monitored the internal control model designed by the Company, including through interviews and information exchanges with people in charge of the project and by taking part in Internal Control Committee meetings. In particular, with reference to functional and information connections between the Boards of Statutory Auditors within the context of the group, during 2006 his Board initiated a series of joint meetings aimed at the mutual exchange of data and information, albeit in the presence of professionals who perform this role in a number of companies belonging to the Group.

With regard to the activity carried out, we would point out that we have always taken part in Board of Directors' and Executive Committee meetings, which, during 2006, numbered 11 sessions and 4 sessions respectively and we have routinely obtained information from directors on the activity carried out and on the operations of major economic, financial and capital importance performed by the Company and Subsidiaries.

We can assure you that the operations deliberated by the Board of Directors or by the Executive Committee were undertaken in compliance and conformity with the legislative, statutory and regulatory rules governing the way that they work and were not manifestly imprudent, risky, atypical and/or unusual, in conflict with the Company's interests, in disagreement with the resolutions taken on by the General Shareholders' Meeting or such as to compromise the integrity of the company capital and reserves.

The accounts as at 31/12/2006, produced according to the formats and provisions contained in Legislative Decree no. 173 of 26/5/97 and accompanied by the Business Activity Report, closed with a profit of € 272,074K. The items more fully set out in the Business Activity Report helped contribute to the formation of this profit.

The financial year result is, moreover, influenced by the charging to expenses of € 48.7m as the amortisation quota for the year for goodwill recorded, € 23.3m of which relates to the goodwill from the company merged through acquisition, Fondiaria Assicurazioni, relating to the company transfer operation in 1990 and € 15.4K relating to the goodwill from the merger through acquisition of Fondiaria S.p.A. in 2002.

We have verified that the accounting standards adopted, described in the Supplementary Notes to the Accounts, are adequate in regard to the activities and operations entered into by the Company, and verified that the accounts conform to the facts and information of which the Board of Statutory Auditors is aware following its participation in the meetings of the Company Organs, which made it possible to obtain sufficient information about the operations of major economic, financial and capital importance performed by the Company.

The Board of Directors has subsequently updated you on the actions on disputes brought by former Fondiaria shareholders against your Company, Mediobanca and Premafin in regard to the asserted loss they have incurred as a result of the merger between SAI and Fondiaria.

In regard to the position of these proceedings, we have formally noted the considerations expressed by your Directors.

The Board made periodical checks during 19 sessions, noting amongst other things the correct position with regard to the operations carried out by the Company concerning:

- notifications in regard to movements in shares;
- observance of the provisions against money laundering in compliance with Law no. 197 of 5/7/91;
- provisions on the use of derivatives;
- provisions on classifying and valuing the securities portfolio;
- internal control system, role and responsibility of the administrative and control organs;
- checking the accuracy and regularity of the flow of information to be added to the insurance books and registers;
- checking compliance with the regulations that govern the covering of the technical provisions, with particular reference, as far as investments are concerned, to their being fully and freely owned and available, to the non-existence of constraints, to compliance with the requirement of admissibility and the limits of various kinds provided for by investment standards, and by rules on congruity;
- confirmation of the suitability of the accounting administrative procedures adopted by the company to manage the process of recording the activities for meeting the technical provisions, representing them

in the appropriate register, the tables attached to the accounts for the financial year and in those notified quarterly to ISVAP;

- proper keeping and adding to the register of complaints stipulated by Law 576/82 according to the procedures laid down by the Supervisory Body in circular no. 518/D;
- auditing of the component items of the solvency margin, both individually and at Group level;
- the setting up and keeping of the register of people with access to insider information, stipulated by art. 115-bis of Legislative Decree no. 58/98.

The Board of Statutory Auditors further acknowledges, as, moreover, adequately explained in the Board of Directors' Report and in the relevant attachments to the Supplementary Notes to the Accounts, that your Company has engaged in relations of a financial, insurance and service-provision nature with the Companies in the group and with other related parties. These transactions, carried out in the Company's interest and supported, where necessary, by both fairness opinion and legal opinion, were governed by market prices and did not give rise to any conflicts of interest, even of a potential nature.

With reference to ISVAP Instruction no. 893-G of 18/06/1998, "Stipulations on the classification and valuation of the securities portfolio of insurance companies", we would assure you that we have duly checked the consistency of the guidelines established in the "framework decision" with the reference parameters referred to in indent 2 of art. 1 of the aforementioned instruction, which are compatible with the actual and prospective conditions for your Company's economic and financial balance. The composition of the Company's securities portfolio and its sub-division into the operational appropriation sectors is consistent with the need of the company to meet any liquidity risks.

In particular, during the course of the financial year, the Company changed the guidelines for assigning financial instruments to the long-term and short-term section.

The reasons for the change are fully explained in the Supplementary Notes to the Accounts, together with the economic effects resulting from the transfer of financial instruments from one section to another, in implementation of the aforementioned guidelines.

We therefore confirm that the management actions conform with the aforementioned guidelines.

On 11/9/2006, the Board of Directors issued the Management Performance Report for the first half of the financial year, as prescribed by art. 2428, indent 3 of the Civil Code, which was duly filed at the Company's registered office. This Report did not call for comments from the Board of Statutory Auditors. The half-yearly and quarterly reports were publicised in accordance with laws and regulations, whilst the Pension Fund Business Activity Reports conform to the provisions issued by the Supervisory Commissions and to the results of the various investment lines.

Furthermore, in compliance with CONSOB notification dated 06/04/01, supplementing the comments made elsewhere in this report, we would advise you that:

- the Company has an adequate, efficient control system;
- the Board of Statutory Auditors did not, during 2006, receive any statements or complaints from shareholders pursuant to art. 2408 of the Civil Code;
- the Company did not, during the financial year, confer any other assignments of a professional nature on Deloitte & Touche S.p.A., the Independent Auditors charged with auditing the statutory accounts and consolidated accounts;
- We would further inform you that, up to now, a precise definition of the network to which the Independent Auditing firm itself belongs proves difficult due to CONSOB not having issued the regulation stipulated in art. 160 of the Consolidated Finance Act which should specify the criteria for establishing an entity's membership of the Independent Auditing firm's network. Having stated this, we would advise you that during the 2006 financial year, your Company did not confer other assignments of a professional nature on anyone associated with Deloitte & Touche S.p.A. on a permanent-relationship basis;
- the Company approved the Corporate Governance Report and brought its own conduct into line with the Code of Self-Discipline for listed companies, the latter being subject to revision in March 2006 by the Committee for Corporate Governance set up at Borsa Italiana S.p.A. The Company therefore began a process of gradual adaptation to the recommendations contained in the new Code, taking

account of normal company practice and the specific nature of the company. The report in question was thus produced in line with the recommendations furnished on the matter by Assonime and Borsa Italiana S.p.A., giving precise reasons for the choices made where these differ from those recommended by the Code of Self-Discipline and describing the actions already implemented during 2006;

- approved specific principles of conduct for carrying out significant transactions and related-party transactions;
- the Board has, during the year, issued the opinions required by law, in particular with regard to the cases in point provided for in art. 2389 3 indent of the Civil Code.

We would, moreover, remind you that your Company has joined the so-called "national tax consolidation" taxation regime, based on a specific convention which governs relations of an economic and financial nature in respect of those subsidiaries which have agreed to join the said consolidation regime and relations of reciprocal liability towards the Revenue.

The taxes charged to the profit and loss account relate solely to the related tax attributable to the Company, whereas the provision for taxes includes the entire estimated tax burden payable by the Group, offset under debtors and creditors vis-à-vis the subsidiaries in respect of the amount for which they themselves are liable.

We thus conclude our report and give our consent to the approval of the accounts for the financial year ended 31/12/2006, as produced by the Directors, and to consideration of the appropriation of the profit for the year, including determination of the dividend, as proposed by your Board of Directors, as stipulated for in point 11, indent 1, of art. 16 of Legislative Decree 173/1997.

You are thus asked to consider, also, the other topics on the agenda, and more specifically:

A) – At the ordinary general shareholders' meeting:

- *resolutions concerning own shares in compliance with arts. 2357 and 2357 ter of the Civil Code.*

We would inform you that, as at 27/03/2007, your Company, following the resolution taken by the extraordinary general shareholders' meeting on 4/12/2006 and relating to the cancellation of all ordinary shares held, the Company does not hold any own shares.

If you approve this resolution, the Company shall act in compliance with art. 144 bis of CONSOB regulation no. 11971/1999 and art. 132 of Law 58/98 with regard to purchases and sales that will be made.

- *resolutions concerning the shares of the subsidiary Premafin Finanziaria S.p.A., in compliance with art. 2359 bis of the Civil Code.*

We would inform you that, as at 27/03/2007, the number of shares in the subsidiary Premafin Finanziaria S.p.A. owned by your Company comes to 18,340,027, equal to 4.469% of the share capital.

If you approve this resolution, the Company shall act in compliance with art. 144 bis of CONSOB regulation no. 11971/1999 and art. 132 of Law 58/98 with regard to purchases and sales that will be made.

B) – At the extraordinary general shareholders' meeting:

- *Proposal to amend the Articles of Association in order, amongst other things, to adapt to Law no. 262 of 28 December 2005 and Legislative Decree no. 303 of 29 December 2006.*

Following the coming into force of the aforementioned Law and Legislative Decree, it becomes necessary to adapt the Articles of Association to the specific regulations. We would ask you to approve the proposal made by your Board of Directors in this regard.

Turin, 12 April 2007

The Board of Statutory Auditors
Dr. Benito MARINO
Dr. Giancarlo MANTOVANI
Dr. Marco SPADACINI

Audit Report

**List of direct and indirect shareholdings
in non-listed companies in excess of 10%**

- **Table of changes in net equity**
- **Table pursuant to former art. 10 of Law no. 72 of 19/3/83**
 - **Owned property assets**

**List of direct and indirect shareholdings in non-listed companies in excess of 10%
of the share capital held as at 31/12/2006**

(Pursuant to arts. 125-126 of CONSOB Resolution no. 11971 of 14/5/1999)

**AS AT 31/12/2006, FONDIARIA-SAI S.P.A. HOLDS THE FOLLOWING ORDINARY SHARES/SHARES
WITH A VOTING RIGHT IN AN OWNERSHIP CAPACITY**

Company name Registered office	Partner company	Voting Shares held	% Share	% Total
AGRISAI S.r.l. ITALY	SAIAGRICOLA SPA	60,390	99.000	100.000
	SAIFIN SAIFINANZIARIA SPA	610	1.000	
ATHENA PRIVATE EQUITY S.A. LUXEMBOURG	SAINTERNATIONAL S.A.	2,911,647	11.647	11.647
A7 SRL ITALY	IMMOBILIARE LOMBARDA SPA	40,000	20.000	20.000
BANCA GESFID S.A. SWITZERLAND	FONDIARIA-SAI S.p.A.	6,000	60.000	60.000
BANCA SAI S.p.A. ITALY	FONDIARIA-SAI S.p.A.	116,677,161	100.000	100.000
BELTION GESTIONI PATRIMONIALI S.A. in liquidation SWITZERLAND	BANCA GESFID S.p.A.	1,000	100.00	100.00
BIM VITA SPA ITALY	FONDIARIA-SAI S.p.A.	3,750,000	50.000	50.000
BIPIEMME VITA SPA ITALY	MILANO ASSICURAZIONI SPA	4,550,000	50.000	50.000
BORSETTO SRL ITALY	IMMOBILIARE LOMBARDA SPA	564,002	44.929	44.929
BRAMANTE SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000
CAMPO CARLO MAGNO SPA ITALY	MILANO ASSICURAZIONI SPA	2,625,000	100.000	100.000
CAMPO CARLO MAGNO SPORT SRL ITALY	MILANO ASSICURAZIONI SPA	87,000	100.000	100.000
CAPITALIA ASSICURAZIONI SPA ITALY	FONDIARIA-SAI S.p.A.	2,652,000	51.000	51.000
CARPACCIO SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000
CASA di CURA VILLA DONATELLO SPA - ITALY	FONDIARIA-SAI S.p.A.	70,000	100.000	100.000
CASA di CURA VILLANOVA SRL ITALY	FONDIARIA-SAI S.p.A.	350,000	100.000	100.000
CASCINE TRENNO SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000
CESTAR CENTRO STUDI AUTO RIP. Scarl - ITALY	FONDIARIA-SAI S.p.A.	586,575	14.664	26.166
	LIGURIA SOC.TA' DI ASS.NI	5,972	0.149	
	SPA	453,835	11.346	
	MILANO ASSICURAZIONI SPA	248	0.006	
	SASA S.p.A.	4	0.000	
	SYSTEMA COMPAGNIA di ASS.NI SPA			
CITYLIFE SRL ITALY	IMMOBILIARE LOMBARDA SPA	39,997	26.665	26.665

Company name Registered office	Partner company	Voting Shares held	% Share	% Total
COLPETRONE SRL ITALY	SAI AGRICOLA SPA	10,000	100.000	100.000
COMPAGNIA TIRRENA DI ASSICURAZIONI SPA in compulsory administrative liquidation ITALY	MILANO ASSICURAZIONI SPA	3,900,000	11.143	11.143
COMPANIA DE SEGUROS Y REASEGUROS KAIROS SA in liq. SPAIN	EUROSAI FINANZIARIA DI PARTECIPAZIONI SRL	48,815	11.486	11.486
CONSORZIO CASTELLO ITALY	NUOVE INIZIATIVE TOSCANI SRL	99,660	99.660	99.660
CONSULENZA AZIENDALE PER L'INFORMATICA - SCAI SPA ITALY	FONDIARIA-SAI S.p.A.	601,400	30.070	30.070
COS.ED SPA in liquidation ITALY	IMMOBILIARE LOMBARDA SPA	120,000	100.000	100.000
CRIVELLI SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000
DELTAPRIME SRL ITALY	CONSULENZA AZIENDALE PER L'INFORMATICA - SCAI SPA	12,500	51.020	51.020
DIALOGO ASSICURAZIONI S.p.A. ITALY	MILANO ASSICURAZIONI SPA	8,818,363	99.848	99.848
DIANOS SPA ITALY	CONSULENZA AZIENDALE PER L'INFORMATICA - SCAI SPA	120,000	100.000	100.000
DOMINION INSURANCE HOLDING Ltd – GREAT BRITAIN	FONDIARIA-SAI S.p.A.	50,780,305	100.000	100.000
EFFE FINANZIARIA SPA ITALY	THE LAWRENCE RE IRELAND Ltd	10,000	100.000	100.000
EFFE GESTIONI SGR SPA ITALY	FONDIARIA-SAI S.p.A.	500,000	100.000	100.000
EFFE VITA COMPAGNIA DI ASSICURAZIONI SULLA VITA SPA ITALY	FONDIARIA-SAI S.p.A.	12,000,000	100.000	100.000
EURO C.S. SRL ITALY	CONSULENZA AZIENDALE PER L'INFORMATICA – SCAI SPA	204,000	51.000	51.000
EUROPA TUTELA GIUDIZIARIA S.p.A. ITALY	FONDIARIA-SAI S.p.A.	2,000,000	100.000	100.000
EUROSAI FINANZIARIA DI PARTECIPAZIONI SRL ITALY	SAIFIN SAIFINANZIARIA SPA	1,305,600	100.000	100.000
EX VAR SCS LUXEMBOURG	FONDIARIA-SAI S.p.A. IMMOBILIARE LOMBARDA S.p.A.	55,382 30,770	17.999 10.000	27.999
FINADIN SPA FINANZIARIA DI INVESTIMENTI ITALY	SAIFIN SAIFINANZIARIA SPA	20,000,000	40.000	40.000
FINITALIA SPA ITALY	BANCA SAI S.p.A.	15,376,285	100.000	100.000

Company name Registered office	Partner company	Voting Shares held	% Share	% Total
FIN.PRIV. SRL ITALY	FONDIARIA-SAI S.p.A.	5,714	28.571	28.571
FINSAI INTERNATIONAL S.A. LUXEMBOURG	FONDIARIA-SAI S.p.A. SAILUX S.A.	80,000 127,650	38.526 61.474	100.000
FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE SRL – ITALY	CASA DI CURA VILLANOVA SRL	10,400	100.000	100.000
FONDIARIA NEDERLAND BV HOLLAND	FONDIARIA-SAI S.p.A.	1,907	100.000	100.000
FONDIARIA-SAI SERVIZI TECNOLOGICI SRL ITALY	FONDIARIA-SAI S.p.A.	5,100	51.000	51.000
FONDIPREV Compagnia di Assicurazioni sulla Vita SPA - ITALY	FONDIARIA-SAI S.p.A. MILANO ASSICURAZIONI SPA	4,800,000 7,200,000	40.000 60.000	100.000
FONSAI MB&A SPA MERCHANT BANKING & ADVISORY ITALY	FONDIARIA – SAI S.p.A.	800,000	100.000	100.000
GARIBALDI SCS LUXEMBOURG	MILANO ASSICURAZIONI SPA	480	47.952	47.952
GLOBAL CARD SERVICE SRL ITALY	LIGURIA VITA SPA	50,388	51.000	51.000
IFB INTERNATIONAL FUR BROKERS SPA in liquidation - ITALY	FONDIARIA – SAI S.p.A.	60,000	60.000	60.000
IMMOBILIARE LITORELLA SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,329	100.000	100.000
INFOMEDIA ITALIA IMI SRL ITALY	CONSULENZA AZIENDALE PER L'INFORMATICA – SCAI SPA	10,400	20.000	20.000
INIZIATIVE VALORIZZAZIONI EDILI – IN V.EDSRL -ITALY	IMMOBILIARE LOMBARDA SPA	10,329	100.000	100.000
INSEDIAMENTI AVANZATI NEL TERRITORIO I.A.T. SPA ITALY	IMMOBILIARE LOMBARDA SPA	500,000	100.000	100.000
ISTITUTO EUROPEO DI ONCOLOGIA SRL ITALY	FONDIARIA-SAI S.p.A. MILANO ASSICURAZIONI SPA	10,186,526 1,394,536	12.883 1.764	14.646
ITAL IBERIA INVERSIONES FINANCIERAS SL SPAIN	FONDIARIA-SAI. S.p.A	62,030,000	100.000	100.000
LIGURIA DIREZIONE SRL in liquidation – ITALY	LIGURIA SOCIETA' DI ASSICURAZIONI SPA	36,400	100.000	100.000
LIGURIA SOCIETA' DI ASSICURAZIONI SPA ITALY	FONDIARIA-SAI S.p.A.	22,992,121	99.966	99.966
LIGURIA VITA S.p.A. ITALY	LIGURIA SOCIETA' DI ASSICURAZIONI SPA	1,200,000	100.000	100.000
MAA FINANZIARIA SPA ITALY	MILANO ASSICURAZIONI SPA	150,000	100.000	100.000
MANTEGNA SRL ITALY	FONDIARIA-SAI S.p.A.	10,000	100.000	100.000
MASACCIO SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000

Company name Registered office	Partner company	Voting Shares held	% Share	% Total
MB VENTURE CAPITAL FUND I PARTECIP. COMPANY D NV HOLLAND	FONDIARIA-SAI S.p.A	15,000	30.000	30.000
MERIDIANO AURORA SRL ITALY	FONDIARIA - SAI S.p.A	10,000	100.000	100.000
MERIDIANO BELLARMINO SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000
MERIDIANO BRUZZANO SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000
MERIDIANO EUR SRL ITALY	MILANO ASSICURAZIONI SPA	10,000	100.000	100.000
MERIDIANO ORIZZONTI SRL ITALY	MILANO ASSICURAZIONI SPA	10,000	100.000	100.000
MERIDIANO PRIMO SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000
MERIDIANO QUARTO SRL ITALY	SAI HOLDING ITALIA S.p.A.	10,000	100.000	100.000
MERIDIANO RISPARMIO SRL ITALY	FONDIARIA-SAI S.p.A.	10,000	100.000	100.000
MERIDIANO SECONDO SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000
MERIDIANO TERZO SRL ITALY	SAI HOLDING ITALIA S.p.A.	10,000	100.000	100.000
METROPOLIS SPA ITALY	IMMOBILIARE LOMBARDA SPA	35,676	29.730	29.730
MIZAR SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,329	100.000	100.000
NEXT SOLUTION SRL ITALY	CONSULENZA AZIENDALE PER L'INFORMATICA - SCAI SPA	37,800	63.000	63.000
NOVARA ASSICURA SPA ITALY	MILANO ASSICURAZIONI SPA	13,000,000	100.000	100.000
NOVARA VITA SPA ITALY	SAI HOLDING ITALIA S.p.A.	27,000,000	50.000	50.000
NUOVA IMPRESA EDIFICATRICE MODERNA SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,329	100.000	100.000
NUOVE INIZIATIVE TOSCANE SRL ITALY	FONDIARIA-SAI S.p.A. MILANO ASSICURAZIONI SPA	48,440,000 1,560,000	96.880 3.120	100.000
PENTA DOMUS SPA ITALY	IMMOBILIARE LOMBARDA SPA	24,000	20.000	20.000
PO VITA Compagnia di Assicurazioni SPA ITALY	SAI HOLDING ITALIA S.p.A.	57,100,000	50.000	50.000
PORTOBELLO SPA ITALY	IMMOBILIARE LOMBARDA SPA	5,536	100.000	100.000
PORTOFINO VETTA SRL ITALY	FONDIARIA-SAI S.p.A.	20,000	100.000	100.000
PROGETTO ALFIERE SPA ITALY	IMMOBILIARE LOMBARDA SPA	22,800	19.000	19.000
PROGETTO BICOCCA LA PIAZZA SRL ITALY	IMMOBILIARE LOMBARDA SPA	2,332,332	74.000	74.000
PRONTO ASSISTANCE SERVIZI SPA ITALY	PRONTO ASSISTANCE SPA SAIFIN SAIFINANZIARIA SPA	309,600 206,400	60.000 40.000	100.000
PRONTO ASSISTANCE SPA ITALY	FONDIARIA-SAI S.p.A.	2,500,000	100.000	100.000

Company name Registered office	Partner company	Voting Shares held	% Share	% Total
RISTRUTTURAZIONI EDILI MODERNE – R.EDIL.MO. SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,329	100.000	100.000
SAI HOLDING ITALIA S.p.A. ITALY	FONDIARIA-SAI S.p.A.	143,100,000	100.000	100.000
SAI INVESTIMENTI SGR SPA ITALY	FONDIARIA- SAI S.p.A. MILANO ASSICURAZIONI SPA	1,565,435 1,565,435	40.000 40.000	80.000
SAI MERCATI MOBILIARI – SOC.- DI INTERMEDIAZIONE MOBILIARE SPA ITALY	FONDIARIA-SAI S.p.A.	20,000,000	100.000	100.000
SAI SISTEMI ASSICURATIVI SRL ITALY	FONDIARIA-SAI S.p.A. SAIFIN SAIFINANZIARIA SPA	50,490 510	99.000 1.000	100.000
SAIAGRICOLA SPA- Società Agricola ITALY	FONDIARIA-SAI S.p.A. MILANO ASSICURAZIONI SPA PRONTO ASSISTANCE SPA	46,002,093 3,402,001 595,906	92.004 6.804 1.192	100.000
SAIFIN SAIFINANZIARIA SPA ITALY	FONDIARIA-SAI S.p.A.	102,258,000	100.000	100.000
SAILUX S.A. LUXEMBOURG	FINSAI INTERNATIONAL S.A. SAIFIN SAIFINANZIARIA SPA	10 9,387,800	0.000 99.999	100.000
SAINTERNATIONAL S.A. LUXEMBOURG	FONDIARIA-SAI S.p.A.	15,399,997	99.999	99.999
SALEVOX SRL ITALY	STARVOX SPA	50,000	100.000	100.000
SANTA MARIA DEL FICO SRL ITALY	SAIAGRICOLA SPA	78,000	100.000	100.000
SASA Assicurazioni Riassicurazioni S.p.A ITALY	FONDIARIA-SAI S.p.A.	51,999,988	99.999	99.999
SASA VITA S.p.A. ITALY	FONDIARIA-SAI S.p.A. SASA S.p.A.	5,000,000 5,000,000	50.000 50.000	100.000
SCONTOFIN S.A. LUXEMBOURG	SAILUX S.A.	950	19.000	19.000
SERVICE GRUPPO FONDIARIA – SAI SRL ITALY	FONDIARIA-SAI S.p.A. MILANO ASSICURAZIONI SPA	140,000 60,000	70.000 30.000	100.000
SERVIZI IMM. MARTINELLI SPA ITALY	IMMOBILIARE LOMBARDA SPA	200	20.000	20.000
SIAT - SOC. ITALIANA ASSICURAZIONI E RIASSIC. SPA - ITALY	SAI HOLDING ITALIA S.p.A.	33,563,696	88.326	88.326
SIM ETOILE S.A.S FRANCE	FONDIARAI-SAI S.p.A.	199,999	99.999	99.999
SISTEMI SANITARI SPA ITALY	FONDIARIA-SAI S.p.A. MILANO ASSICURAZIONI SPA	811,283 925,415	22.536 25.706	48.242
SOAIMPIANTI-ORGANISMI DI ATTESTAZIONE SPA - ITALY	FONDIARIA-SAI S.p.A.	127,419	21.637	21.637

Company name Registered office	Partner company	Voting Shares held	% Share	% Total
SOCIETA' FINANZIARIA PER LE GEST.ASS.VE SRL in liq. ITALY	FONDIARIA-SAI. S.p.A. MILANO ASSICURAZIONI SPA	13,931,807 7,012,859	14.907 7.504	22.410
SOCIETA' FUNIVIE DEL PICCOLO S. BERNARDO SPA - ITALY	IMMOBILIARE LOMBARDA SPA	1,441,691	27.384	27.384
SOFINPA SPA ITALY	SAIFIN SAIFINANZIARIA SPA	2,400,000	30.000	30.000
SOGEINT SRL ITALY	MILANO ASSICURAZIONI SPA	100,000	100.000	100.000
SRP ASSET MANAGEMENT S.A. SWITZERLAND	SAINTERNATIONAL S.A.	1,000	100.000	100.000
STARVOX SPA ITALY	FONDIARIA-SAI S.p.A.	258,000	100.000	100.000
STIMMA SRL ITALY	FONDIARIA-SAI S.p.A.	10,000	100.000	100.000
SVILUPPO CENTRO EST SRL ITALY	IMMOBILIARE LOMBARDA SPA	4,000	40.000	40.000
SYSTEMA COMPAGNIA DI ASSICURAZIONI SPA ITALY	MILANO ASSICURAZIONI SPA	10,000	100.000	100.000
TELVOX SRL ITALY	CONSULENZA AZIENDALE PER L'INFORMATICA – SCAI SPA	150,000	100.000	100.000
THE LAWRENCE LIFE ASSURANCE COMPANY Ltd IRLANDA	FONDIARIA NEDERLAND BV	802,886	100.000	100.000
THE LAWRENCE RE IRELAND Ltd IRLANDA	FONDIARIA NEDERLAND BV	635,000	100.000	100.000
TRENNO OVEST SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000
UFFICIO CENTRALE ITALIANO S.c.a.r.l. ITALY	DIALOGO ASSICURAZIONI S.p.A. FONDIARIA-SAI. S.p.A. LIGURIA SOCIETA' DI ASS.NI SPA MILANO ASSICURAZIONI SPA NOVARA ASSICURA SPA SASA S.p.A. SIAT S.p.A. SYSTEMA S.p.A.	1 141,358 3,093 109,751 5 1 948 2	0.000 14.136 0.309 10.975 0.001 0.000 0.095 0.000	25.516

Company name Registered office	Partner company	Voting Shares held	% Share	% Total
UNISERVIZI GRUPPO FONDIARIA S.c.r.l. ITALY	BANCA SAI S.p.A.	2,000	0.020	99.960
	DIALOGO ASSICURAZIONI S.p.A.	20,000	0.200	
	EFFE GESTIONI SGR SPA	2,000	0.020	
	EFFE VITA S.p.A.	2,000	0.020	
	EUROPA TUTELA GIUDIZIARIA S.p.A.	2,000	0.020	
	FINITALIA SPA	2,000	0.020	
	FONDIARIA – SAI S.p.A.	6,337,000	63.370	
	FONDIPREV S.p.A.	2,000	0.020	
	IMMOBILIARE LOMBARDA SPA	2,000	0.020	
	MILANO ASSICURAZIONI SPA	2,800,000	28.000	
	PRONTO ASSISTANCE SPA	90,000	0.900	
	SAI INVESTIMENTI SGR SPA	2,000	0.020	
	SAI MERCATI MOBILIARI S.p.A.	2,000	0.020	
	SAIAGRICOLA SPA	2,000	0.020	
	SASA S.p.A.	585,000	5.850	
	SASA VITA S.p.A.	34,000	0.340	
	SERVICE GRUPPO FONDIARIA – SAI SRL	2,000	0.020	
	SIAT S.p.A.	84,000	0.840	
	STARVOX SPA	2,000	0.020	
	SYSTEMA S.p.A.	18,000	0.180	
	THE LAWRENCE LIFE ASSURANCE Ltd	2,000	0.020	
	THE LAWRENCE RE IRELAND Ltd	2,000	0.020	
VILLA RAGIONIERI SRL ITALY	FONDIARIA-SAI S.p.A.	150,000	100.000	100.000
WAVE TECHNOLOGIES SRL ITALY	FONDIARIA-SAI S.p.A.	14,925	15.000	15.000

Table of changes in the net equity accounts which occurred during the financial year ended 31.12.2006

(€K)	Share capital	Statutory reserve	Share issue premium reserve	Share premium reserve – disposal unexerc. opt. rights	Special reserve	Provision for capital gains from merger	Revaluation reserve – stocks and shares	Provision former Art. 10 Law no. 904 16/12/77	Revaluation reserve Law no. 72 19/03/83
BALANCES AS AT 31 DECEMBER 2005	173,114	34,111	193,729	4,294	510,448	422	58,029	6,944	38,215
Apportionment of 2005 profit, as per Ordinary General Shareholders' Meeting resolution:									
Statutory reserve	0	512							
Special reserve					138,054				
Board of Directors									
Executive Committee									
Dividends									
Changes deriving from share capital increase operations:									
Share capital	3,800								
Share issue premium reserve			10,528						
Statutory reserve									
Provision shares subsc. on cap. incr. in progress									
Other changes:									
Transfer prov. cl. C to class D									
Provision Leg. Decr. 124/93									
Transfer entry from provision for purchase of sh. subsc. to cap. incr. in prog.	766								
T/e from provision for purchase of shares subscr. to share iss. prem. res.			3,153						
T/e from provision for purchase of parent co. shares Leg. Decr. 315/94					0				
T/e from special reserve to provision for own shares to be purchased					(3,601)				
T/e from restricted provision for own shares to special reserve									

T/e from special reserve to provision for purchase of parent company's shares					10,000				
T/e from provision for purchase of own shares to restricted provision for own shares									
T/e from prov. for purchase of parent company shares to restricted prov. for parentt company shares									
T/e from spec. prov. to provision for purch. of parent company shares					(15,000)				
Net profit (loss) for the 2006 financial year									
BALANCES AS AT 31 DECEMBER 2006	177,681	34,623	207,410	4,294	639,902	422	58,029	6,944	38,215

(€K)	Provision former Art. 26 Law no. 413 30/12/91	Dividend adjustment reserve	Unavailable provision – own shares	Unavailable provision – parent co. shares Leg.Decr. 315/94	Provision own shares to be purchased	Provision parent co. shares to be purchased	Provision former Art. 20 Leg.Decr. 173/97	Provision 742/1986	Provisoin shares subsc. on cap. increase in progress	Merger surplus	Net financial profit (loss) for the year
BALANCES AS AT 31 DECEMBER 2005	96,838	2,853	138,079	30,836	45,342	10,000	0	113,214	3,919	933,686	300,603
Apportionment of 2005 profit, as per Ordinary General Shareholders' Meeting resolution:											
Statutory reserve											(512)
Special reserve											(138,054)
Board of Directors											
Executive Committee											
Dividends											(162,037)
Changes deriving from share capital increase operations:											
Share capital											
Share issue premium reserve											
Statutory reserve											
Provision shares subsc. on cap. incr. in progress									407		
Other changes:											
Transfer prov. cl. C to class D							0				
Provision Leg. Decr. 124/93											
Transfer entry from provision for purchase of sh. subsc. to cap. incr. in prog.									(766)		
T/e from provision for									(3,153)		

purchase of shares subscr. to share iss. prem. res.											
T/e from provision for purchase of parent co. shares Leg. Decr. 315/94				0							
T/e from special reserve to provision for own shares to be purchased					3,601						
T/e from restricted provision for own shares to special reserve											
T/e from special reserve to provision for purchase of parent company's shares						(10,000)					
T/e from provision for purchase of own shares to restricted provision for own shares			44,121		(44,121)						
T/e from prov. for purchase of parent company shares to restricted prov. for parentt company shares				0		0					
T/e from spec. prov. to provision for purch. of parent company shares						15,000					
Net profit (loss) for the 2006 financial year											272,074
BALANCES AS AT 31 DECEMBER 2006	96,838	2,853	182,201	30,836	4,821	15,000	0	113,214	407	933,686	272,074

Table of assets still counted as capital assets which have been revalued or excepted from the valuation criteria according to Art. 2425, indent 3 of the Civil Code, now substituted former D.Lgs. 127/91 (pursuant to art. 10 of Law no. 72 of 19/3/83)

	As at 31/12/06	Revaluations carried out			
	Book value of assets still counted as capital assets which have been revalued	Monetary revaluations	Economic revaluations	Law no. 413 of 30/12/91	TOTAL
Property assets intended for use by the company	137,629,634	4,650,285	16,557,155	9,606,874	30,814,314
Property assets for third party use	558,704,508	12,668,531	86,504,377	29,522,980	128,695,888
Farm-holdings	3,226,228			83,026	83,026
Shareholdings in Italian companies and bodies: - listed	1,532,486,975	3,047,033	183,443,996		186,491,029
Shareholdings in Italian companies and bodies: - unlisted	185,604,602		92,500,000		92,500,000
Shareholdings in foreign companies and bodies: - unlisted	156,311,722	5,813,909	4,472,254		10,286,163
	2,573,963,668	26,179,758	383,477,782	39,212,880	448,870,419

Property assets owned as at 31/12/2006 – Changes during the year

		Position as at 31/12/2005	Purchases and incremental costs	Transfers and decreases	Total	Position as at 31/12/2006		
						Intended for use by the company	Instrumental for third party use	For residential use
PROPERTY								
BARI	Via De Rossi / Via Fornari	13,048,645		13,048,645				
CALENZANO	Via Degli Olmi 7	15,947,491	1,649		15,949,140		15,949,140	
CASTEL MAGGIORE	Località Saliceto	1,607,642	2,023		1,609,665		1,609,665	
FERRARA	Corso Ercole 1', 6/A	1,382,704			1,382,704		1,382,704	
FLORENCE	Piazza della Libertà, 6	70,521,371	251,026		70,772,397	69,099,324	1,673,074	
	Piazza della Libertà, 13	12,539,301	15,392		12,554,693		11,263,065	1,291,628
	Piazza della Libertà 1N/1-2R	1,920,457			1,920,457		247,652	1,672,806
	Piazza della Libertà, 2 - Via S. Gallo 123	10,701,980	6,085		10,708,064	2,360,316	3,301,362	5,046,386
	Piazza della Libertà, 9/11	9,582,182	189		9,582,371		9,582,371	
	Piazza della Repubblica 6	51,911,738	4,541,687		56,453,424		55,416,149	1,037,275
	Via Baracca 18	1,907,251	142		1,907,394		1,907,394	
	Via Benivieni 1/3	4,577,500	2,855		4,580,356		992,382	3,587,973
	Via Campo D'Arrigo 134	2,962,143	2		2,962,145		1,637,857	1,324,288
	Vi a Cavour 82/84	9,918,994	4		9,918,997		9,918,997	
	Via L. IL Magnifico 2/4/6	8,509,004			8,509,004		8,509,004	
	Via Landini / Via Catalani	3,268,191	15,850		3,284,042		2,945,261	338,781
	Via Leone X 3	2,583,542	83		2,583,625		2,583,625	
	Via Monaco 6 – Via delle Ghiacciaie 3	3,389,110	13,824		3,402,933	2,894,432	83,931	424,570
	Via Palchetti 1-3-5	4,811,688	8,173		4,819,861		1,270,414	3,549,447
	Via Pian Dei Giullari 69/71	3,136,261			3,136,261			3,136,261
	Via Pier Capponi 99	701,236			701,236		492,373	208,863
	Via Ricasoli 48	2,166,666	147		2,166,813		2,166,813	
	Via S. Reparata 97	3,547,641	23,199		3,570,840		3,570,840	
	Via S.Leonardo 32-34-36A	3,343,568	294,835		3,638,403			3,638,403
	Via S.Leonardo 44	2,267,000			2,267,000			2,267,000
	Via S.Leonardo 46-48-6R	3,332,000	169		3,332,169			3,332,169
	Via Vannucci 23	1,564,513	569		1,565,082		194,396	1,370,686
	Via Vittorio Emanuele 26	1,766,186			1,766,186			1,766,186
	Viale Gramsci 63	4,121,648	27,051		4,148,699		1,048,400	3,100,299
	Viale Lavagnini 3/5	1,137,504	115,039		1,252,543			1,252,543
	Viale Matteotti 14/16/18	11,746,503	2,634,280		14,380,783		11,589,286	2,791,497
	Viale Matteotti 44/ Via Valori 1	10,106,393	3,167		10,109,560		492,779	9,616,781
	Viale Matteotti 50	3,144,741			3,144,741		732,214	2,412,527
	Viale Matteotti 52	4,810,374	1,285		4,811,659		3,100,602	1,711,057
	Viale Matteotti 54	3,929,582			3,929,582		817,116	3,112,466
	Viale Matteotti 56	2,325,234		694	2,324,539			2,324,539
	Viale Matteotti 60	9,439,763			9,439,763		6,833,253	2,606,510
	Viale Matteotti 64	4,312,063	59		4,312,122		1,157,517	3,154,605
	Viale S.Lavagnini 7	4,414,123	30		4,414,153		17,795	4,396,358

						Position as at 31/12/2006		
		Position as at 31/12/2005	Purchases and incremental costs	Transfers and decreases	Total	Intended for use by the company	Position as at 31/12/2005	Purchases and incremental costs
PROPERTY								
GENOA	Piazza Ferrari 1	32,554,259	710		32,554,969		32,554,969	
GIARDINI TAORMINA	Complesso Alberghiero Naxos	38,757,743	5,148,379		43,906,122		43,906,122	
IVREA	Viale Monte Stella 6	558,186			558,186		435,780	122,406
MILAN	Area Madonnina	11,866,858	39,356	198,956	11,707,258		5,101,617	6,605,641
	Area Sesto San Giovanni	42,272,485	99		42,272,584		42,272,584	
	Piazza Velasca 5	83,916,097	328,314		84,244,411		50,103,447	34,140,964
	Via A Filzi 25/B	21,994,698	49,349		22,044,047		22,044,047	
	Via Oldofredi 51	891,452	101,763		993,214		17,933	975,282
	Via Perotti 2	2,594,442			2,594,442		2,594,442	
	Via Piccinni 5	13,198,149	2		13,198,151		1,665,123	11,533,029
	Via San Giovanni sul Muro 15-17-21	1,174,728			1,174,728		1,174,728	
	Via Senigallia 18/2 (Building A,E,F,G -1-5-6-7)	41,352,690	327,513		41,680,204		41,680,204	
	Via Senigallia 18/2 (Building B -2)	31,341,558	1,968,295		33,309,853		33,309,853	
	Via Senigallia 18/2 (Building D -4)	35,228,836	602,476		35,831,311	24,058,166	11,773,145	
	Via Treccani degli Alfieri 16/26	18,057,390	103,608		18,160,998		572,827	17,588,171
	Viale Monza 139	18,111,175	565,738		18,676,913		18,676,913	
	Via Monti 21	9,385,335	953		9,386,288		4,031,503	5,354,784
MONCALIERI	Str. Ferrero di Cambiano 20		6,690,722		6,690,722	5,483,500		1,207,222
	Via Postiglione-Via Vittime Vajont	5,489,367	43,562		5,532,929	4,726,637	806,292	
NAPLES	Via Arcoleo 52-Via Tommaseo 4	3,149,222	14,265		3,163,486	2,139,849	527,155	496,483
ORIGGIO	Viale Italia 6	656,781	27,929		684,710		684,710	
PIEVE EMANUELE	Via delle Rose 6	7,495,338			7,495,338		170,876	7,324,462
PINO TORINESE	Via delle Viole 5	965,376			965,376			965,376
PRATO	Via Simintendi 20	5,247,308	2,711		5,250,018		5,250,018	
ROME	Via Carlo Emanuele I 7	484,935			484,935		484,935	
	Via Govoni 24/43	43,576,828	747,795		44,324,623			44,324,623
	Viale Liegi 17 (EX IN.G.IM.)	1,485,419			1,485,419		1,485,419	
	Castelgiubileo – V. Camerata P./Apiro	35,615,436	483,428		36,098,864		8,370,711	27,728,154

		Position as at 31/12/2006						
		Position as at 31/12/2005	Purchases and incremental costs	Transfers and decreases	Total	Intended for use by the company	Position as at 31/12/2005	Purchases and incremental costs
PROPERTY								
SELARGIUS (CA)	V.Peretti	1,619,734			1,619,734	1,564,929	54,805	
TURIN	Corso Dante 119	3,213,495		396	3,213,099		874,359	2,338,740
	Corso Galileo Galilei 12/14	19,899,439	471,574		20,371,013	17,866,764	2,504,249	
	Corso Matteotti 51-Via S. Antonio da Padova 2	4,935,018	31,117		4,966,134		2,813,633	2,152,501
	C.V. Emanuele II 48		23,339,800		23,339,800		23,339,800	
	Lungo Dora Firenze 71	28,718,369	362,870		29,081,238	24,347,474	4,733,765	
	Piazza Castello 153-Via Garibaldi 1	1,670,497		3,194	1,667,302		1,667,302	
	Piazza Guala 143	10,062,796	89,553		10,152,349		10,152,349	
	Via Arsenale 5	10,560,089	612		10,560,701		10,560,701	
	Via Berthollet 46	4,708,478			4,708,478	175,181	4,533,296	
	Via Gobetti-Via Cavour-Via Lagrange-Via Lovera	6,598,866	21		6,598,887	1,083,174	5,515,713	
	Via Gobetti-Via Gramsci-Via Lagrange-Via Soleri	4,707,200	90,578		4,797,778		1,622,780	3,174,998
	Via Gobetti-Via Lovera-Via Lagrange-Via Soleri	12,073,065	28,541,364		40,614,429		40,614,429	
	Via Grossi 29-Via Da Vinci 21-Via Cellini 6	6,521,876	70,959		6,592,835		159,550	6,433,285
	Via Marengo 15-Via Correggio 21	8,045,789	1,117,776		9,163,564	8,363,077	800,487	
TRIESTE	Via Carducci, 29	5,205,613		50,186	5,155,427		3,715,395	1,440,032
	Viale XX Settembre 89	2,540,756		24,665	2,516,091		2,516,091	
VENICE	Bacino Orseolo 1754	1,957,305			1,957,305		304,940	1,652,365
VIAREGGIO	V.le Manin, 12	1,414,338	406,589		1,820,926		1,820,926	
SUNDRY JOINTLY-OWNED PREMISES		131,676,268	726,675	1,070,965	131,331,978	4,632,455	91,320,833	35,378,690
		1,085,955,013	80,455,264	14,397,702	1,152,012,575	168,795,278	701,808,187	281,409,110
LAND:								
FLORENCE	Via S.Leonardo 38-40-42	1,374,055			1,374,055		1,374,055	
MODENA	Via Buonarroti	20,312			20,312		20,312	
ROME	Tor Carbone	7,747			7,747		7,747	
SANREMO	(EX MONTEBIGNONE)	22,159			22,159		22,159	
TURIN	C.so Giulio Cesare	31,571			31,571		31,571	
AGRICULTURAL HOLDINGS								
MONTEPULCI ANO (SI)	Fattoria del Cerro	3,223,300	2,927		3,226,228		3,226,228	
OTHER REAL ESTATE								
FLORENCE	Parterre parking spaces	2,279,472			2,279,472		2,279,472	
ASSETS UNDER CONSTRUCTION AND PAYMENTS ON ACCOUNT		30,742,743	23,168	28,147,547	2,618,363			
		1,123,656,372			1,161,592,482			
TOTAL			80,458,192	42,545,249		168,795,278	708,769,730	281,409,110

Property owned as at 31/12/2006

		Gross total	Provision for depreciation	Position as at 31/12/2006		
				Net Value	Current Value	Difference
PROPERTY						
CALENZANO	Via Degli Olmi 7	15,949,139.98	1,492,730.82	14,456,409.16	15,000,000.00	543,590.84
CASTEL MAGGIORE	Località Saliceto	1,609,665.49		1,609,665.49	6,082,200.00	4,472,534.51
FERRARA	Corso Ercole 1°, 6/A	1,382,703.77	23,410.83	1,359,292.94	1,590,000.00	230,707.06
FLORENCE	Piazza della Libertà 6	70,772,397.25	22,674,889.36	48,097,507.89	66,000,000.00	17,902,492.11
	Piazza della Libertà 13	12,554,693.16	1,034,331.12	11,520,362.04	12,290,000.00	769,637.96
	Piazza della Libertà 1N/1-2R	1,920,457.27	26,008.30	1,894,448.97	2,581,000.00	686,551.03
	Piazza Libertà 2-S.Gallo 123	10,708,064.24	703,232.28	10,004,831.96	13,190,000.00	3,185,168.04
	Piazza della Libertà 9/11	9,582,371.40	455,053.50	9,127,317.90	9,810,000.00	682,682.10
	Piazza della Repubblica 6	56,453,424.49	613,979.44	55,839,445.05	60,600,000.00	4,760,554.95
	Via Baracca 18	1,907,393.74	27,251.21	1,880,142.53	2,181,000.00	300,857.47
	Via Benivieni 1/3	4,580,355.64	5,847.08	4,574,508.56	6,030,000.00	1,455,491.44
	Via Campo D'Arrigo 134	2,962,145.05	15,426.13	2,946,718.92	3,590,000.00	643,281.08
	Via Cavour 82/84	9,918,997.33	85,814.53	9,833,182.80	10,900,000.00	1,066,817.20
	Via L. Il Magnifico 2/4/6	8,509,004.14	1,256,936.65	7,252,067.49	8,200,000.00	947,932.51
	Via Landini /Via Catalani	3,284,041.61	326,943.93	2,957,097.68	3,410,000.00	452,902.32
	Via Leone X 3	2,583,624.70	34,932.86	2,548,691.84	2,600,000.00	51,308.16
	Via Monaco 6-Via Delle Ghiacciaie 3	3,402,933.18	1,248,067.61	2,154,865.57	9,723,760.00	7,568,894.43
	Via Palchetti 1/3/5	4,819,860.84	8,642.32	4,811,218.52	7,223,000.00	2,411,781.48
	Via Pian Dei Giullari 69/71	3,136,261.29		3,136,261.29	7,080,000.00	3,943,738.71
	Via Pier Capponi 99	701,236.12	4,235.72	697,000.40	1,005,000.00	307,999.60
	Via Ricasoli 48	2,166,813.00	10,666.38	2,156,146.62	2,250,000.00	93,853.38
	Via S. Reparata 97	3,570,840.45	17,065.96	3,553,774.49	4,390,000.00	836,225.51
	Via S.Leonardo 32/34/36A	3,638,402.71	1,298.22	3,637,104.49	4,580,000.00	942,895.51
	Via S.Leonardo 44	2,267,000.00		2,267,000.00	3,350,000.00	1,083,000.00
	Via S.Leonardo 46/48/6R	3,332,168.72		3,332,168.72	4,770,000.00	1,437,831.28
	Via Vannucci 23	1,565,081.52	11,664.09	1,553,417.43	1,889,000.00	335,582.57
	Via Vittorio Emanuele 26	1,766,186.01	168.22	1,766,017.79	2,181,000.00	414,982.21
	Viale Gramsci 63	4,148,698.93	107,086.64	4,041,612.29	4,830,000.00	788,387.71
	Viale Lavagnini 3/5	1,252,542.71		1,252,542.71	1,344,000.00	91,457.29
	Via Matteotti 14/16/18	14,380,782.69	95,970.37	14,284,812.32	13,500,300.00	(784,512.32)
	Via Matteotti 44/Via Valori 1	10,109,559.61	46,874.12	10,062,685.49	12,976,000.00	2,913,314.51
	Viale Matteotti 50	3,144,740.75	8,068.41	3,136,672.34	4,115,000.00	978,327.66
	Viale Matteotti 52	4,811,659.13	20,925.52	4,790,733.61	5,826,000.00	1,035,266.39
	Viale Matteotti 54	3,929,582.41	8,913.59	3,920,668.82	5,410,000.00	1,489,331.18
	Viale Matteotti 56	2,324,539.49		2,324,539.49	2,990,000.00	665,460.51
	Viale Matteotti 60	9,439,763.45	75,032.62	9,364,730.83	10,980,000.00	1,615,269.17
	Viale Matteotti 64	4,312,122.18	10,873.01	4,301,249.17	5,512,000.00	1,210,750.83
	Viale S.Lavagnini 7	4,414,153.30	1,876.06	4,412,277.24	5,782,000.00	1,369,722.76
GENOA	Piazza Ferrari 1	32,554,969.21	5,612,694.27	26,942,274.94	28,500,000.00	1,557,725.06
GIARDINI TAORMINA	Complesso Alberghiero Naxos	43,906,121.56	35,903.25	43,870,218.31	43,533,400.00	(336,818.31)
IVREA	Viale Monte Stella 6	558,186.37		558,186.37	729,700.00	171,513.63
MILAN	Area Madonnina	11,707,258.43	47,300.82	11,659,957.61	16,428,000.00	4,768,042.39
	Area Sesto San Giovanni	42,272,583.82	618,160.50	41,654,423.32	43,160,000.00	1,505,576.68
	Piazza Velasca 5	84,244,411.07	3,055,807.39	81,188,603.68	98,524,360.00	17,335,756.32
	Via Filzi 25/B	22,044,047.10	17,619.32	22,026,427.78	37,040,000.00	15,013,572.22
	Via Oldofredi 51	993,214.36	59,856.81	933,357.55	3,431,230.00	2,497,872.45
	Via Perotti 2	2,594,411.64	31,268.87	2,563,142.77	3,100,000.00	536,857.23

				Position as at 31/12/2006		
		Gross total	Provision for depreciation	Net Value	Current Value	Difference
	Via Piccinni 5	13,198,151.25	1,461,560.06	11,736,591.19	16,220,790.00	4,484,198.81
	Via Senigallia 18/2 (Building A,E,F,G -1/5/6/7)	41,680,203.56	11,579,522.65	30,100,680.91	37,363,980.00	7,263,299.09
	Via Senigallia 18/2 (Building B -2)	33,309,852.96	6,147,967.44	27,161,885.52	31,316,900.00	4,155,014.48
	Via Senigallia 18/2 (Building D -4)	35,831,311.24	14,122,844.07	21,708,467.17	31,738,100.00	10,029,632.83
	Via Treccani degli Alfieri 16/26	18,160,997.83	678.72	18,160,319.11	21,660,260.00	3,499,940.89
	Viale Monza 139	18,676,912.98		18,676,912.98	25,648,170.00	6,971,257.02
	Via Monti 21	9,386,287.75	1,041,290.50	8,344,997.25	13,059,300.00	4,714,302.75
MONCALIERI	Str. Ferrero di Cambiano 20	6,690,721.81	82,252.50	6,608,469.31	5,900,000.00	(708,469.31)
	Via Postiglione-Via Vittime Vajont	5,532,929.26	2,377,704.22	3,155,225.04	10,131,580.00	6,976,354.96
NAPLES	Via Arcoleo 52-Via Tommaseo 4	3,163,486.49	984,918.42	2,178,568.07	10,898,120.00	8,719,551.93
ORIGGIO	Viale Italia 6	684,709.94		684,709.94	2,675,150.00	1,990,440.06
PIEVE EMANUELE	Via delle Rose 6	7,495,338.27	10.52	7,495,327.75	12,605,790.00	5,110,462.25
PINO TORINESE	Via delle Viole 5	965,376.25	86,883.87	878,492.38	900,000.00	21,507.62
PRATO	Via Simintendi 20	5,250,018.24	78,565.34	5,171,452.90	5,800,000.00	628,547.10
ROME	Via Carlo Emanuele I 7	484,934.69		484,934.69	883,800.00	398,865.31
	Via Govoni 24/43	44,324,622.72		44,324,622.72	50,700,000.00	6,375,377.28
	Viale Liegi 17 (EX.IN.G.IM)	1,485,418.74	511,344.83	974,073.91	3,340,670.00	2,366,596.09
	Castelgiubileo-Via Camerata P.zza Piro	36,098,864.19	789,952.89	35,308,911.30	49,762,380.00	14,453,468.70
SELARGIUS (CA)	V.Peretti	1,619,733.95	491,004.44	1,128,729.51	1,411,910.00	283,180.49
TURIN	Corso Dante 119	3,213,098.85	33,413.43	3,179,685.42	9,641,420.00	6,461,734.58
	Corso Galileo Galilei 12/14	20,371,012.61	8,564,676.84	11,806,335.77	54,458,600.00	42,652,264.23
	Corso Matteotti 51					
	Via S.Antonio da Padova 2	4,966,134.07	597,553.60	4,368,580.47	14,807,480.00	10,438,899.53
	C.so V.Emanuele II 48	23,339,800.00		23,339,800.00	23,817,190.00	477,390.00
	Lungo Dora Firenze 71	29,081,238.46	3,849,483.86	25,231,754.60	28,662,600.00	3,430,845.40
	Piazza Castello 153-Via Garibaldi 1	1,667,302.47		1,667,302.47	5,816,670.00	4,149,367.53
	Piazza Guala 143	10,152,348.61	1,025,054.87	9,127,293.74	10,170,000.00	1,042,706.26
	Via Arsenale 5	10,560,700.51	663,940.50	9,896,760.01	10,596,410.00	699,649.99
	Via Berthollet 46	4,708,477.57	32,761.65	4,675,715.92	10,166,840.00	5,491,124.08
	Via Gobetti-Via Cavour-Via Lagrange-Via Lovera	6,598,887.37	513,890.95	6,084,996.42	23,518,040.00	17,433,043.58
	Via Gobetti-Via Gramsci-Via Lagrange-Via Soleri	4,797,778.01	12,406.44	4,785,371.57	21,895,080.00	17,109,708.43
	Via Gobetti-Via Lovera-Via Lagrange-Via Soleri	40,614,428.97	1,218,432.87	39,395,996.10	39,500,000.00	104,003.90
	Via Grossi 29-Via Da Vinci 21-Via Cellini 6	6,592,834.62	117.87	6,592,716.75	20,549,550.00	13,956,833.25
	Via Marengo 15-Via Correggio 21	9,163,564.36	3,400,954.93	5,762,609.43	20,832,500.00	15,069,890.57
TRIESTE	Via Carducci, 29	5,155,426.73		5,155,426.73	6,420,010.00	1,264,583.27
	Viale XX Settembre 89	2,516,091.35	189,423.45	2,326,667.90	2,547,000.00	220,332.10
VENICE	Bacino Orseolo 1754	1,957,305.07	35,200.22	1,922,104.85	2,652,000.00	729,895.15
VIAREGGIO	Viale Manin 12	1,820,926.23	21,211.29	1,799,714.94	1,720,000.00	(79,714.94)
JOINTLY-OWNED PREMISES						
		132,506,705.57	8,510,721.54	123,995,984.03	202,664,080.00	78,668,095.97
		1,152,012,574.86	108,358,572.91	1,043,654,001.95	1,462,660,320.00	419,006,318.05
OTHER PROPERTY - LAND						
FLOREENCE	Via San Leonardo38/40/42	1,374,055.49		1,374,055.49	2,230,000.00	855,944.51
MODENA	Via Buonarroti	20,312.25		20,312.25	20,400.00	87.75
ROME	Tor Carbone	7,746.85		7,746.85	14,500.00	6,753.15

SANREMO	(Ex Montebignone)	22,158.73		22,158.73	30,000.00	7,841.27
TURIN	C.Giulio Cesare	31,570.85		31,570.85	164,060.00	132,489.15
FARM- HOLDINGS						
MONTEPULCIA NO (SI)	Fattoria del Cerro	3,226,227.76	3,660.94	3,222,566.82	27,715,200.00	24,492,633.18
OTHER REAL ESTATE						
FLORENCE	parterre parking spaces	2,279,471.63		2,279,471.63	3,150,000.00	870,528.37
TOTAL		1,158,974,118.42	108,362,233.85	1,050,611,884.57	1,495,984,480.00	445,372,595.43