

---

# HALF YEAR REPORT

## 2007



### **FONDIARIA-SAI S.p.A.**

FONDIARIA-SAI S.P.A. - HEAD OFFICE IN FLORENCE - P.ZA DELLA LIBERTA' 6 - HEAD OFFICE IN TURIN - CORSO G. GALILEI, 12 - SHARE CAPITAL € 168,533,918 FULLY PAID UP - TAX CODE, VAT REGISTRATION AND NUMBER UNDER WHICH THE COMPANY IS REGISTERED IN THE COMPANIES REGISTER OF FLORENCE 00818570012 - AUTHORISED TO OPERATE AS AN INSURANCE COMPANY BY ART. 65 ROYAL DECREE, LAW 29 APRIL 1923 NO. 966, CONVERTED INTO LAW NO. 473 OF 17 APRIL.

---

# **STATUTORY AND MANAGERIAL BODIES OF FONDIARIA-SAI S.p.A.**

## **BOARD OF DIRECTORS**

Salvatore Ligresti	<i>Honorary Chairman</i>
Jonella Ligresti*	<i>Chairman</i>
Giulia Maria Ligresti*	<i>Vice Chairman</i>
Massimo Pini*	<i>Vice Chairman</i>
Antonio Talarico*	<i>Vice Chairman</i>
Fausto Marchionni*	<i>Managing Director and Chief Executive Officer</i>
Andrea Broggin	
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	<i>Secretary to the Board and to the Executive Committee</i>

## **BOARD OF AUDITORS**

Benito Giovanni Marino	<i>Chairman</i>
Giancarlo Mantovani	<i>Auditor</i>
Marco Spadacini	<i>Auditor</i>
Maria Luisa Mosconi	<i>Alternate auditor</i>
Pierino Rosati	<i>Alternate auditor</i>
Alessandro Malerba	<i>Alternate auditor</i>

---

## **INDEPENDENT AUDITORS**

DELOITTE & TOUCHE S.p.A.

## **REPRESENTATIVE OF THE SAVINGS SHAREHOLDERS**

Sandro Quagliotti

## **GENERAL MANAGEMENT**

Fausto Marchionni

## **MANAGER RESPONSIBLE FOR PRODUCING THE COMPANY'S ACCOUNTING DOCUMENTS**

Pier Giorgio Bedogni

### *\* Members of the Executive Committee*

The Chairman, Sig.ra Jonella Ligresti, and the Managing Director, Prof. Fausto Marchionni, in addition to representing the company as stated in art. 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 mandates and powers of attorney, with the exception of the following exclusively:

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

The Chairman and Managing Director are obliged to report 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 the 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 issuer, with the exclusion of existing transactions between subsidiaries and between subsidiaries and related companies. The Committee reports 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 Board of Auditors at the meeting to approve the accounts for the 2008 financial year.

---

## MAIN EVENTS IN THE FIRST HALF OF 2007

- 05/02/2007: Fondiaria-SAI signs a ten year contract with EDS Italia for the supply of services to manage the Group's Information Technology infrastructure. The agreement with EDS will improve productivity and operating flexibility and allow Fondiaria-SAI and the Group companies to become even more competitive.
- 12/04/2007: at the annual meeting with the Financial Community, the Managing Director Prof. Fausto Marchionni gave up-dates on the Group's 2006-2008 Industrial Plan presented in the first half of 2006, looking at Bancassurance relationships in the Non-Life and Life Businesses, on the relaunch of the direct sales channels and the developments in excess capital.
- 26/04/2007: Fondiaria-SAI and Banca Italease reached an agreement for the development of a significant strategic partnership, which included signing a bancassurance agreement covering the distribution of the Fondiaria-Sai Group's Life insurance products through BANCA SAI and Banca Italease. The closing of the operation is subject to obtaining the necessary authorisations from the competent authorities.
- 31/05/2007: Fondiaria-SAI concluded an agreement with Meliorbanca S.p.A. for the purchase of the remaining 40% of the capital of Banca Gesfid S.A. at the price of CHF 47 million. After obtaining the necessary authorisations from the competent Italian and Swiss authorities, the operation was completed last July.
- 01/06/2007: Banco Popolare di Verona and Novara, Banca Popolare Italiana and Fondiaria-SAI reached a bancassurance agreement in the Life sector. The agreement provides for the transfer, by Banca Popolare di Verona and Novara of a total share of 50% of the share capital of BPV Vita to Fondiaria-SAI at the price of € 530m, and the subsequent merger of Novara Vita into BPV Vita.  
The distribution agreement will be for a period of ten years with effect from 1 January 2008 and will be renewable for a further five years.
- 05/06/2007: once the own shares purchase operations have started, according to the programme approved by the meeting on 30 April 2007, within the scope of the wider programme contained in the Group's 2006-2008 Industrial Plan.
- 20/06/2007: having brought forward the expiry date of the vesting period established in the regulations on stock option plans for the Company's savings shares, in favour of the executive directors and management of Fondiaria-SAI, its subsidiaries and the holding company, as approved by the shareholders' meeting on 28 April 2006. The decision takes account, on the one hand, of the achievement of some of the objectives of the Group's 2006-2008 Industrial Plan and, on the other, of the different tax systems to which the plans are subject on the date of their approval.
- 29/06/2007: On the basis of the agreements completed on 14 June 2006 with Banca Popolare di Milano, Milano Assicurazioni exercised the option to purchase a further 1% share of the capital of Bipiemme Vita Spa, increasing its total stake to 51%; the operation involved the transfer of the control of Bipiemme Vita to Milano Assicurazioni.
- 29/06/2007: the rating agency Standard & Poor's improved the Fondiaria-Sai Group's rating, increasing it from BBB to BBB+, confirming the positive outlook.

---

## **New products placed on the market in the first half of the year**

### Non-life business

- Launch of the new product LA MIA ASSICURAZIONE FABBRICATI (buildings). The policy insures the property assets of owners of buildings against direct damage from fire and other fortuitous events and also protects the public liability of directors of factories and that derived from the ownership and management of the property. What makes this policy completely new is the assistance service it provides. LA MIA ASSICURAZIONE FABBRICATI makes available to customers a 365 day a year, 24 hour a day operating centre for emergencies, from repair interventions to private supervision service or legal advice on safety rules for factories and, if necessary, the temporary relocation of the furniture. Furthermore, in order to benefit fully from the assistance, the policy stipulates that the request can be made by a representative of the apartment block so that it is always possible to deal with the problem even in the absence of the apartment block's manager.
- Launch of the new product LA MIA ASSICURAZIONE RCpiù (Public Liability Plus) the new Public Liability policy designed for the safety requirements of people who live and work in the world of education, sport and leisure, and owners of buildings or land. In addition to providing public liability cover for third parties and work providers, LA MIA ASSICURAZIONE RCpiù offers the policyholder full insurance cover and provides legal assistance and protection. This policy covers a wide range of activities and guarantees assistance for both damages suffered and caused by visitors (active or passive), capital losses and claims against the Public Authorities due to the policyholders' serious misconduct; it also covers protection for material damages caused to third parties by trainees or apprentices, including any damages to machinery and equipment in use. LA MIA ASSICURAZIONE RCpiù also offers insurance cover in the field of sport and leisure: from volunteers' centres to the world of culture, from the management of sports centres to professional sports instructors, from tourist guides to tour operators.

### Life business

- During the month of January, a new product was made available with income which can be immediately assessed on a single premium, called RENDITA ASSICURATA (Policyholder's income) which provides, in addition to the usual payment of an annuity to the policyholder during their lifetime, decreasing counter-insurance which guarantees the named beneficiaries payment of a capital sum on death or if they suffer a "critical illness" or in the event of the policyholder's incapacity.
- During the month of February, a new Index Linked product was launched, called MATCH RACE, characterised by an innovative optional mechanism which enables two share indices, one in Europe and a "generalist" index representative of the whole of the US share market, to be compared.

- 
- At the end of May, the Company launched a further Index Linked tranche called GLOBAL RACE. The product features the comparison, in the 3 main financial areas in the world, of the performance of a share index built on a selection of high dividend (Select Dividend) securities and the corresponding generic index, representing the whole market.
  - During the month of April, at the same time as the annual up-dating stipulated by ISVAP Circular 551/d, the Company launched a new product, OPEN FREE, linked to a segregated business. OPEN FREE does not apply any loading charges to the premium, but exclusively an annual management commission, modulated according to the amount invested and the term of the policy.

# CONTENTS

## PARENT COMPANY'S HALF YEAR REPORT

<b>A. MANAGEMENT INFORMATION .....</b>	<b>10</b>
- The macroeconomic scenario and the insurance market.....	11
- Performance.....	21
<b>NON-LIFE INSURANCE BUSINESS .....</b>	<b>25</b>
- Premium income .....	28
- Claims paid and reported .....	29
- Claims handling expenses .....	30
- Technical performance of the main insurance sectors.....	30
- Non-life reinsurance .....	38
<b>LIFE BUSINESS, PENSION FUNDS AND MANAGED SAVINGS .....</b>	<b>39</b>
- The Life insurance market .....	40
- Welfare in Italy.....	41
- Managed savings .....	42
- Premium income.....	42
- Sums paid and related charges .....	43
- Operating expenses .....	43
- Technical performance .....	43
- Life reinsurance.....	46

## ASSET AND FINANCIAL MANAGEMENT..... 47

- Investments and available funds .....	48
- Class D Investments .....	48
- Investment income .....	49
- Financial business .....	49
- Significant financial transactions .....	52
- Own shares, shares in the parent company and its subsidiaries .....	53
- Property business.....	54
- Fondiaria-SAI debts .....	57

## OTHER INFORMATION ..... 59

- Structure of the sales organisation.....	60
- Management and development of Human Resources .....	60
- Steps taken in the cultural and social arena to maintain the company's image.....	63
- Dealings with Group companies and with related parties Management and co-ordination .....	68
- Current disputes.....	70
- Significant events occurring after the close of the half year.....	72
- Business outlook.....	74

## ACCOUNTS TABLES ..... 75

- BALANCE SHEET .....	76
- PROFIT AND LOSS ACCOUNT .....	80
<b>B. VALUATION CRITERIA .....</b>	<b>85</b>
<b>C. NOTES TO THE BALANCE SHEET .....</b>	<b>89</b>
<b>D. NOTES TO THE PROFIT AND LOSS ACCOUNT..</b>	<b>108</b>
<b>E. OTHER INFORMATION.....</b>	<b>115</b>
<b>ANNEXES.....</b>	<b>118</b>

	- Agreement with the Group Banco Popolare di Verona e Novara with the Banca Popolare Italiana Group	174	
	REINSURANCE.....	176	
	PROPERTY SECTOR.....	179	
	- Immobiliare Lombarda S.p.A. ....	182	
	- Nuove Iniziative Toscane S.r.l.....	184	
	- Tikal R.E. ....	185	
	OTHER BUSINESS SECTOR.....	187	
	- Banca Gesfid S.A. ....	188	
	- Banca Sai S.p.A. ....	189	
	- Sai Asset Management SGR S.p.A.....	190	
	- Sainvestments SGR. S.p.A. ....	190	
	- Sai Mercati Mobiliari SIM S.p.A.....	191	
	- Finitalia S.p.A.....	192	
	- Finsai International S.A. ....	193	
	- Fondiaria Nederland B.V.....	193	
	- Sai Holding Italia S.p.A.....	194	
	- Saifin Saifinanziaria S.p.A. ....	194	
	- Sailux S.A.....	195	
	- Sainternational S.A. ....	195	
	- Saiagricola S.p.A. ....	196	
	ASSET AND FINANCIAL MANAGEMENT.....	201	
	- Investments and available funds	202	
	- The Fondiaria-Sai Group S.p.A.'s debts.....	203	
	- Own shares, shares in the holding company and its subsidiaries .....	206	
	- Performance of the Group's listed shares. ....	206	
<b>CONSOLIDATED HALF YEAR REPORT</b>			
<b>MANAGEMENT INFORMATION.....</b>	147	<b>ACCOUNTS TABLES... ..</b> 208	
- Performance.....	148	- BALANCE SHEET .....	210
		- PROFIT AND LOSS ACCOUNT.....	212
NON-LIFE INSURANCE SECTOR .....	154	- VARIATIONS IN EQUITY.....	215
- Capitalia Assicurazioni S.p.A.....	158	- FINANCIAL STATEMENT.....	219
- Dialogo Assicurazioni S.p.A. ....	159	<b>EXPLANATORY NOTES.....</b>	220
- Liguria Società di Assicurazione S.p.A. ....	159	- PART A – Accounting policies.....	221
- Milano Assicurazioni S.p.A.....	160	- PART B – Information on the consol. balance sheet.....	235
- Novara Assicura S.p.A. ....	162	- PART C – Information on the consol. profit and loss account	261
- Sasa Assicurazioni and Riassicurazioni S.p.A.....	162	- PART D – Sector report .....	271
- Siat Società Italian Assicurazioni and Riassicurazioni S.p.A. ....	163	- PART E – Information on business combinations	275
- The Lawrence Re Ireland Ltd.....	164	- PART F – Other Information .....	281
		- PART G – Information on transactions with related parties.....	283
LIFE INSURANCE SECTOR .....	165	<b>ANNEXES.....</b>	294
- Bim Vita S.p.A. ....	168		
- Bipiemme Vita S.p.A.....	168		
- Liguria Vita .....	169		
- Novara Vita S.p.A. ....	169		
- Po Vita Compagnia di Assicurazioni S.p.A.....	170		
- Sasa Vita S.p.A.....	171		
- The Lawrence Life Assurance Co.Ltd.....	172		
- Plan for a merger and co-operation with Banca Popolare di Milano .....	172		



---

# **Parent Company's Half Year Report as at 30 June 2007**

---

## A. MANAGEMENT INFORMATION

## THE MACROECONOMIC SCENARIO AND INSURANCE MARKET

### The international economic situation

The European Commission increased its growth forecasts for 2007 and 2008, with an upwards trend in GDP for the Euro area estimated at +2.7% at the end of the year, thanks to the favourable conditions of domestic demand, which should be maintained during the year, and the recovery in exports.

Like Japan, Europe in fact would seem to have developed endogenous capacity for growth, capable of guaranteeing – although in a context of moderate growth – the capacity of manufacturing output for the current year. In particular, as is shown in the table below, the good performance of GDP at the end of 2006 in the whole Euro Area, Germany and Italy which, with values respectively of 2.8%, 2.9% and 2%, are recording increases far above those expected (2.6% for the Euro Area and Germany, 1.8% for Italy).

#### *% Variation of GDP in the previous quarter*

COUNTRIES	1st QUART. 2006	2nd QUART. 2006	3rd QUART. 2006	4th QUART. 2006	1st QUART. 2007 (*)	2nd QUART. 2007 (**)	CURRENT (***)	PREVIOUS ESTIMATE (****)
United States	1.4	0.6	0.5	0.6	0.5	0.6	3,3	3,3
Japan	0.7	0,3	0.1	1,3	0.5	0.5	2.2	2.8
Euro Area	0.9	1.0	0.6	0.9	0.6	0.6	2.8	2.6
Germany	0.8	1.2	0.8	0.9	0.6	0.4	2.9	2.6
France	0.5	1.1	0.0	0.6	0.5	0.5	2.0	2.1
Italy	0.8	0.6	0,3	1.1	0.4	0.5	2.0	1.8
Great Britain	0.7	0.7	0.7	0.8	0.6	0.7	2.7	2.6
Canada	0.9	0.5	0.5	0.4	1.0	0.9	2.7	2.8
<b>G 7</b>	<b>1.0</b>	<b>0.7</b>	<b>0.4</b>	<b>0.8</b>	<b>0.5</b>	<b>0.6</b>	<b>2.8</b>	<b>2.9</b>

Source: *Il Sole24Ore*

(\*) preliminary estimates

(\*\*) forecasts on the economies analysed

(\*\*\*) annual % variation at the end of 2006

(\*\*\*\*) figures to November 2006

Medium-term prospects for economic activity still remain favourable. In fact, there are assumptions of sustained growth in the Euro zone, also in view of the fact that economic expansion has become more balanced between the different regions of the world. The conditions of the context outside the Euro Area are also favouring exports.

Domestic demand in the area should preserve its relatively strong impetus in the months to come thanks to investments which are still dynamic, and the benefits of a prolonged period characterised by favourable financing conditions. Finally, private consumption should strengthen further over time, in line with the trend in actual disposable income and with the best development prospects, accelerating with forecast growth of 2.1%, thanks to the signifi-

cant increase in employment and salaries, and the absence of significant inflationary pressures.

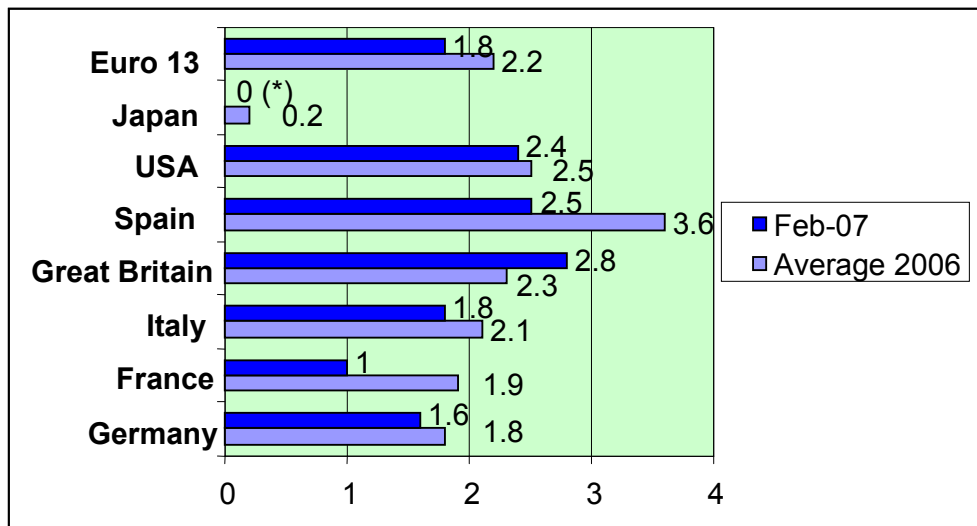
### ***Production capacity and investments in Europe***



Source: produced from DataStream data –Intesa SanPaolo Group

Key: % use of production capacity (EEC survey)  
% change in investment (right-hand scale)

### ***Price comparison (annual % variations in consumer prices)***



Source: individual national statistics – ref. Il Sole 24 hours  
(\*) data to January 2007

With reference to the American economy, the scenario is affected by the crisis on the property market, counterbalanced again by the growth in private consumption and the driving force of exports, the latter stimulated by the relative weakness of the dollar against other currencies.

---

With reference to Japan, the main risk elements which could influence the economy are derived from strong dependence on some industrial sectors, in particular those linked to the high-tech sector, which have played a decisive role in the recovery signalled in recent years, from the performance of exports, with the consequent danger of a strong slowdown in the American and Chinese economies, on which a considerable share of trade depends.

There continues to be sustained economic growth in China, India and Latin America.

### **The Italian market**

With regard to the Italian market, the situation has remained substantially unchanged in recent months with regard to the demand for goods and services and production forecasts in the business survey in June, repeating the situation in May, after the leap in April and the slightly fluctuating performance in previous months. The climate of confidence in the business community remains virtually stationary, slightly above the average in the first quarter, consolidating the strong rise from the low levels in recent years reached in the spring of 2005. The 3-4 months forecasts for the main company variables, such as orders and production appear to be stable overall (perhaps with differentiated orientations); stocks remain unchanged. Therefore, the opinion on the orders portfolio is positive, consolidating the capacity of the overseas market, while the domestic market remains more uncertain. Short-term prospects for the Italian economy are becoming cautionary, conditioned by persistent uncertainties about the domestic political framework.

### ***Forecasts for the Italian economy***

	2007	2008
<i>Figures expressed in %</i>		
GDP	1.8	1.7
Deficit/GDP	(2.2)	(2.4)
Debt/GDP	106	105.3
Inflation	2.1	2
Unemployment rate	6.8	6.8

*Source: International Monetary Fund*

The graph displays the monthly index of the price of a barrel of oil. The vertical axis represents the index value, ranging from 94 to 103 in increments of 1. The horizontal axis represents time, with labels for the first month of each year from 2001 to 2007. The index begins at approximately 102 in January 2001, shows a general downward trend with significant volatility, reaching a low of about 95 in May 2005. It then trends upward, peaking at approximately 101 in July 2007, and ends at about 97.5 in August 2007.

In the period January-April 2007, the negative balance of trade fell (€-7.0bn, from -11.0 billion in the same period in 2006), thanks to the good performance of exports (+13.3% in total according to the figures) in the European Union countries (+14.6%), in Switzerland (+12%), Russia (+32%) and the Opec area (+15%).

14

---

At the start of 2007, the indicators of the confidence of industrial companies, were at historically high levels, showing a consolidation of the favourable output levels achieved. Italian families' confidence is continuing to rise, confirming the recovery process which started in 2004 after the marked fluctuations in recent years.

The monthly variation in consumer prices was estimated provisionally by Istat at +0.2%, whereas the trend to June was 1.7%, nevertheless, staying close to the lowest levels in 1999. Increases in the cost of transport (fuels) and of some categories of services (hotels and restaurants) accompany the substantial stability of most expenditure headings, in a context where demand was less lively, whereas the harmonised index (2.0% per annum) in Italy remains in line with the average for the thirteen countries in the Euro Area. The effect of oil on inflation is returning, also linked to the delay (and the gradual nature) in changes in prices at source being passed on to the final goods. Fluctuations in fuels, rise in energy tariffs (electricity and gas) and of other significant expenditure headings (foodstuffs and tobacco, hotels and restaurants, leisure and culture) conditioned the trend in prices during 2006 and the first part of 2007, with consequent oscillations around 2% in the annual movements in inflation.

The result in June, therefore, recorded a new break in the slow return to the inflationary trend, after the setback in February and the favourable developments in the second half of 2005-2006.

Inflation forecasts for the months ahead show a framework which is still uncertain since it is necessary to deal with the uncertainties over oil. In July, the national consumer prices index showed a slight fluctuation at around +1.6%. In the immediate future, it is forecast to be around the current rates slightly below 2%, with the possibility of a flare-up of some tension on company listings.

## **The insurance sector**

In 2006, the results of the insurance sector were positive overall, notwithstanding the contraction in Life premiums and the lower contribution of financial income. Premium income in the Life business recorded a fluctuation of 5.6% compared with 2005, against that the non-Life business showed a contained increase of 2.4%.

In the non-Life sector, alongside a generalised containment of expenditure, the worsening of the loss ratio contributed to the rise in the combined ratio. The TPL class confirmed the positive results mainly due to the effect of the capacity of the provision for claims in previous years, whereas the worsening of the loss ratio in the year was confirmed.

With reference to the forecasts for 2007, the trade association estimates overall growth of 2.5% with premium income of approximately € 38 billion. That figure will be influenced by the dynamics of income from Motor TPL, where the estimated increase in premiums (+0.8%) will be approximately one percentage point below the estimated growth in the number of vehicles.

In the non-marine classes, thanks to the recovery in economic activity, growth rates in the corporate and retail sectors should be around 4%. Premium income in the Life business was stable.

---

According to the recent Prometeia report on the development of the insurance market in Italy, however, premium income will show an increase of approximately 5% in the non-Life business and a decrease of approximately 1.5% in the Life business during 2007. That situation will be consolidated during the next two year period, growth in 2008 overall will be 6.5% and will increase to +11% in 2009.

The fluctuation in the Life business in 2007 will be the result of the progressive cancellation of large corporate policies by companies (involving large unit amounts, but low profit margins). Nevertheless, this factor will not include a fall in profitability due to the effect of the higher quality of the income.

On the other hand, in the non-Life business, the Motor TPL class will still feel the effects of uncertainties linked to the introduction of the new direct settlement mechanism, the effects of which, in terms mainly of containment of costs, will only be seen with effect from the 2009 financial year. The keys to reading the current developments in the class are therefore not univocal.

The trend towards the fall in income in the Life business was already seen during the first quarter of 2007: the final figures on premium income show a fluctuation of approximately 11% in the sector. Growth in the non-life business, which is showing a limited increase of 1.6%, is weaker than forecast.

With reference to the movements on the market, it is reported that, due to the regulations on direct settlement and the so-called Bersani decrees coming into force, the bases have been laid for significant restructuring interventions in the management and sales processes with the need consequently for large investments

Similarly, in the Life business, there will be a gradual change in demand, to which the start of supplementary pensions and, more generally, targeted savings products will definitely contribute.

The above-mentioned elements represent a structural turning point for the Italian insurance market with consequent organisational and operating complexity, in which management will require higher investments and a generalised rise in the quality of the services offered.

In the period from 30/06/2006 to 30/06/2007, the analysis of the performance of the shares of insurance companies listed on the national listing essentially followed that of the Italian stock market: the insurance Mib in fact recorded an annual return of 13.0%.



---

## **Developments in the regulations**

With reference to the principal new regulations in recent months which have concerned the Italian insurance market and which will have inevitable repercussions for the insurance business in the years ahead, the development of what was widely discussed in the accounts is set out below.

### **Direct settlement**

Approximately three months since direct settlement came into force, the new procedure for insurance payments, from 1st February 2007 onwards, enables injured parties of road accidents who are not liable or only partly liable to be compensated directly by their own policyholder. Approximately 184,000 Motor TPL policyholders obtained payment on the basis of the new rules. The total amount settled under the new procedure, up to 30/04/2007, reached the threshold of € 220m. The reference figures were produced on 4 May by Consap and provided by the Ministry for Economic Development.

It is reported furthermore that, for the purposes of making prevention more effective and to fight against insurance fraud, the Department of Public Safety and ISVAP, the Supervisory Authority for Private Insurance (Istituto di Vigilanza per le Assicurazioni Private) signed an agreement in April to allow the police forces to have direct access to the vehicle claims database, which contains analytical information on approximately 33.5 million Motor TPL claims.

The agreement lays the bases for further forms of co-operation to be developed in the interests of the community.

### **“Check box” project**

The number of people joining the “Check Box” project, the trial launched by ISVAP, Istituto di Vigilanza per le Assicurazioni Private, in co-operation with the Ministry for Economic Development for the containment of Motor TPL tariffs, on 30 March reached the figure of 1,321 policyholders. More than 3,000 were telephone contacts from potential users interested in installing the device.

The result confirms the public’s high level of interest in the initiative. In addition to being completely free to take part, anyone who agrees to install the “check box” (a mechanism similar to the black box in aircraft) in their vehicle is given a discount by their insurer of at least 10% a year on the Motor TPL premium for the whole period of the project, which will be three years.

Check box is a mobile device installed in the motor vehicle for recording data on the driver’s behaviour and any accidents in full compliance with privacy rules. In particular, the device records the dynamics of accidents in the 40 seconds before and the ten seconds following impact. With the device, fraud becomes more difficult and it is possible to construct customised tariffs with consequent cost savings.

The membership process is being tested in the provinces of Rome, followed by Milan, Naples, Turin and Palermo.

Fondiaria-SAI is one of the most active companies in the management of the initiative.

---

### **The Insurance Code – Single Register of Insurance and Reinsurance Intermediaries**

The Single Register of Insurance and Reinsurance Intermediaries (RUI) – available from 1st February 2007 – contains information on people whose business is insurance and reinsurance brokerage on the Italian territory, resident or with a registered office in Italy.

The Register was introduced by Legislative Decree no. 209 of 7 September 2005, (The Insurance Code), to implement Directive 2002/92/CE on insurance brokerage, and is governed by ISVAP Regulation no. 5 dated 16 October 2006. On the basis of that regulation, only those on the Register are authorised to operate as brokers. In order to protect consumers, the RUI, therefore, provides a full photograph of those who operate in the field of brokerage.

On the basis of the provisions of the Code, 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 intermediaries pursuant to art. 107 of the Consolidated Banking Laws, Sim and the Italian Post Offices – Banking Services Division);
- section E (colleagues of intermediaries registered in sections A, B and D who operate outside the areas of those intermediaries).

It is not permitted to register the same intermediary in several sections of the Register at the same time, with the exception of intermediaries registered in sections A and E, only for distribution tasks in the Motor TPL class.

Individuals and companies can be entered on the Register; searches on the RUI for information on an intermediary can be made according to these two access keys and by the section they belong to.

### **Supplementary pensions**

Nearly four months since the entry into force of the supplementary pensions reform, approximately one worker in 4, that is 26% of the total monitored (approximately 2.5 million workers), had already notified their employer of their choice on TFR (employee's severance indemnities).

This is one of the main results of the Assogestioni observatory carried out in co-operation with Gfk-Eurisko to monitor workers' decision-making process.

The final figures on the choice for their TFR will be known during the month of September when the figures on silence-assent will be available.

A recent Doxa survey (July 2007) shows that:

- 80% of workers have made a choice;
- Of these approximately 22% chose to join a supplementary form of pension.

According to estimates from the Employment Ministry, on the number of people joining company pension funds, open funds and PIP and those for which, on 30/06/2007, no specific choice had still been made, the rate at which workers are choosing to assign their TFR to supplementary pensions should reach approximately 34%.

---

According to a study by Doxa, 96% of people say they know about the reform (this figure rises to 99% for companies with more than 50 employees) and 91% of employers have informed their employees that they have to make a choice.

The section of comments on the life business, pension funds and savings gives further information on welfare in Italy.

In any case, it is necessary and a matter of urgency to intervene in the pensions system. This is what 80% of the Italians involved in the survey conducted by the Bocconi University of Milan think, presented at the offices of ISAE, the Institute for Economic Studies and Analysis in Rome.

From the survey carried out on more than a thousand people aged between 20 and 45, internet users taken from a web panel with 50% women and 50% men, 81% employed, 19% students or jobseekers, it also emerged that 50% are favourable to increasing the retirement age with effect from next year, to avoid the next generation being forced to pay higher contributions. The study furthermore reports that, notwithstanding the fact that 35% of those interviewed stated they wanted to be informed by their trades unions about TFR, only slightly less than 10% said they had been so informed.

As for the type of communication, it can be inferred from the report that "giving neutral information about the features of the system and the costs to the taxpayer is also useful for improving the opinion on the reforms to be undertaken".

### **The new liberalisations**

Decree-Law no. 7 of 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 introduced a new thread into the "package of liberalisations", for the purposes of opening up the markets for the benefit and protection of consumers.

Of the many new stipulations, the measures adopted on competition and consumer protection in insurance services (ref. art. 5), we would point out in particular:

- In the Non-Life Business sector, 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). At the start of the year, the Chamber's Commission on Producing Activities (Commissione Attività Produttive della Camera) in fact approved an amendment which postpones, from 4 July 2006 to 1 January 2008, the extension of the prohibition initially imposed only on Motor TPL with the decree-law of last July (ref. Decree-Law 223 of 4/7/2006, converted into law 248 of 11/8/2006). Finally, for multi-year policies, the policyholder may withdraw annually from the contract without charges and by giving sixty days' notice.
- In the Motor TPL segment, the transparency of the tariffs available on the market and the obligation for the insurance company to maintain the category stated on the last risk statement for customers who take out a new policy for their second car, or following an interruption of insurance cover.

---

### **Antifraud Archive for payment cards**

The regulation to implement law no. 166 of 2005 has been issued and this introduces a system to prevent payment card fraud. The measure had already received the go-ahead from the Council of Ministers at the end of March, stipulating the creation of a computer archive capable of collecting all data on transactions not recognised by the card-holders, at points of sale where the concession regulating trading in credit cards, at the automatic branches opened is revoked. The database (which will store the data for three years) is to be managed by Ucamp, the Central Office to Combat Fraud in Means of Payment, an ad hoc structure which will be set up.

The measure states that there is the risk of fraud when at least five authorisations with different cards are refused at a point of sale in the course of 24 hours. Or, in cases where, again in the course of 24 hours, there are three or more requests for authorisations with the same card, or, again, one request for authorisation exceeding 150% of the average amount of the transactions made in the previous three months.

Within 190 days of the measure coming into force, the persons obliged to send data (companies, banks and financial intermediaries who issue payment cards and manage the commercial acceptance networks) are bound to comply with the obligation. Then, monitoring will follow at branches and businesses at risk and, in the case of fraud, the issuing companies (which will have free access to the database to which they contribute information) may terminate their agreement on credit card payments.

The Department for Public Safety and the Police Forces may access the data in the archive.

### **Solvency II**

We would recall that, during 2006, in order to introduce a new system of prudential supervision (called Solvency II), capable of allowing the Supervisory Authorities to have appropriate tools available for assessing the total solvency of an insurance company, the European Commission entrusted CEIOPS (Committee of European Insurance and Occupational Pension Supervisors) with the task of providing appropriate advice on the introduction of new prudential standards. The main objectives of the new system will be to establish a capital requirement for supervision commensurate with the risks taken on.

During the month of April, CEIOPS proposed to European insurance companies the carrying out of the third quantity impact study (QIS3).

In addition to recalibrating the parameters for the calculation of the capital requirements (*Solvency Capital Requirement and Minimum Capital Requirement*), QIS3 laid the bases for the calculation of the capital available and extended the wording not only to individual companies but also to insurance groups as a whole. The risk categories and related parameters considered for the calculation of the capital requirements were revised following the results of QIS2 and suggestions from analysts and companies.

The results of QIS3, which will be made public in the Autumn, together with co-operation between companies, analysts and supervisory authorities will provide implementations and new proposals for QIS4 (planned for April 2008) and, especially, for future developments of the directive.

We would recall that the Fondiaria-Sai Group participated in QIS3 with 11 companies, covering 99% of the non-life business and 91% of the Life business as for the previous QIS, the co-operation between the different functional areas of the company and of the Group were

---

particularly important for carrying out the study.

Another important development within Solvency II was the proposal for an EU Directive on rules on the solvency of insurance companies, published by CEIOPS on 10 July 2007 and for the purpose of co-ordinating the current regulations and increasing protection for policyholders, the competitiveness of the European insurance market and the effectiveness of the supervision process.

With reference to the above-mentioned changes in the regulations, Fondiaria-SAI and the Group companies are active in managing and monitoring the impacts of their application.

## PERFORMANCE

This half year report is produced in accordance with the information in ISVAP instruction no. 1207-G dated 6 July 1999, as amended by Instruction no. 2460 dated 10 August 2006, also taking into accounts its Circular no. 380/D dated 19 July 1999.

When drawing up the interim data, the application of the drafting principles and valuation criteria laid down for the accounts for the financial year shows a greater use of estimates and projections, as pointed out later on in this report.

The correct function of the data, therefore, is to represent in a reasonably reliable way the Group's economic and asset situation as at 30 June and to provide information on the business outlook for the second part of the year.

The principal indicators used in this report are set out pursuant to Consob Communication no. DEM/6064293 dated 28/7/06 and the stated CCSR recommendation on alternative performance indicators (CCSR/05-178b). These refer to market practices and the principal academic theories on the subject and the practice of financial analysis; indicators are stated which do not comply with the requirements set out above, the information required for understanding the basis of the calculations used is provided.

For the first half of the 2007 financial year, total income was € 2,687,500K (-2.8%), and this was made up as follows:

(€ K)	1st half 2007	1st half 2006	Variation %
<b>DIRECT BUSINESS</b>			
Non-Life Business	2,008,931	2,007,307	0.08
Life Business	669,013	743,516	(10.02)
<b>TOTAL</b>	<b>2,677,944</b>	<b>2,750,823</b>	<b>(2.65)</b>
<b>INWARD REINSURANCE</b>	<b>9,556</b>	<b>14,525</b>	<b>(34.21)</b>
<b>OVERALL TOTAL</b>	<b>2,687,500</b>	<b>2,765,348</b>	<b>(2.82)</b>

The table below shows the summary of the result for the first half of 2007 compared with similar data for the corresponding period in 2006 and the full financial year.

(€ K)	30/06/2007	30/06/2006	Variation	31/12/2006
Result of the non-life technical account	216,100	142,303	73,797	411,944
Result of the life technical account	1,431	3,722	10,709	20,913
<b>TOTAL</b>	<b>23,531</b>	<b>146,025</b>	<b>84,506</b>	<b>432,857</b>
Net income non-life business	17,695	72,346	99,349	234,054
(less shares transferred to the technical account)	(124,235)	(52,946)	(71,289)	(170,661)
Shares transferred to the Life technical account	-	-	-	10,297
Balance Other income and charges	(61,997)	(62,455)	458	(146,614)
<b>RESULT OF ORDINARY BUSINESS</b>	<b>215,994</b>	<b>102,970</b>	<b>113,024</b>	<b>359,933</b>
Balance extraordinary income and charges	(110)	25,693	(25,803)	15,151
<b>PRE-TAX RESULT</b>	<b>215,884</b>	<b>128,663</b>	<b>87,221</b>	<b>375,084</b>
Corporation tax for the financial year	(45,000)	(27,000)	(18,000)	(103,010)
<b>RESULT FOR THE PERIOD</b>	<b>170,884</b>	<b>101,663</b>	<b>69,221</b>	<b>272,074</b>

The result for the first half of 2007 shows a significant increase compared with the corresponding figure for the previous financial year, reaching € 170.9m compared with € 101.7m as at 30 June 2006.

The main reason for the increase can be attributed to the value readjustment on the Capitalia shares in the portfolio of € 52.9m, the adjustment was made against previous writedowns of the security. The reasons for this are not fulfilled partly due to the consolidated favourable stock exchange performance, but especially due to the recent combination with the Unicredito Group which created the leading Italian banking group and the second in Europe. In homogeneous terms, therefore, net of the above-mentioned adjustment and taking account of the correlated tax effect, the result for the half year would be € 120.7m, a significant increase compared with the figure for June 2006, notwithstanding recent tensions on the financial markets and uncertainties linked to the start of the direct settlement procedure in the Motor TPL class .

The performance of the non-life business was positive again, with a technical result of € 216m which, partially influenced by the above-mentioned readjustment value, is reporting good results even net of the share of profit on investments charged to the technical account. In a context of characterised by substantially unchanged premium income, the Motor TPL class and the non-marine classes are improving, the latter due to the absence in the first part of the year of disaster claims and to a generalised reduction in costs achieved.

With regard to the Motor TPL class, the first part of the year was too limited a period of time for quantifying the full effects of the start of the new direct settlement procedure: this was not taken into account when valuing the cost of claims in the current year with a prudential approach, aimed at neutralising the economic advantages in the first five months of the new system in operation and adopting prudential behaviour on reserves.

---

The short period of time which has elapsed since the start of the new settlement methods suggests we need to wait longer before defining a precise framework for the trend in economic and management indicators, in view of the lack of homogeneity in the information compared with the first half of 2006.

The results of the dismantling of claims in previous years are positive again and compares with an increase in the average cost of claims paid, linked, as usual, to the problem with the settlement of physical injury claims.

The Land vehicles – own damage or loss class is also reporting good performance in the half year, even if with falling margins gradually and an increase in the average cost.

A negative balance was recorded in reinsurance following the good performance in the direct business and the traditional structure of the programme which guarantees levels of protection only for particularly serious events.

Although the Life Business is reporting a fall in premium income, alongside the lower contribution of capitalisation operations, it is experiencing a recovery in profitability even with significant value adjustments on fixed income securities. Moreover, that phenomenon is penalising the technical account of traditional products in the sector unduly due to the impossibility, according to Italian accounting principles, of representing those writedowns on commitments to policyholders.

Notwithstanding that, the technical result is approximately € 14m compared with € 3m recorded in the first half of 2006, confirmation of a higher income content of the existing portfolio.

During the half year, moreover, there was an increase in claims handling expenses: the figure is going against the trend in previous years, mainly due to the incidence of the holding company's costs charged to other administration expenses. The incidence on gross premiums therefore rose from 15.2% in the last year to 16.9% in the first half of 2007.

Overall, technical provisions amounted to € 14,858m (€ 14,760m as at 31/12/2006), an increase of approximately 0.7%: of these € 6,309m relate to the Non-Life Business (€ 6,332m as at 31/12/2006) and € 8,550m to the Life Business (€ 8,428m as at 31/12/2006).

Investment income is showing significant growth compared with the previous year, in a context characterised by the generalised rise in interest rates and the higher contribution of dividends of participating interests in the Group and outside the Group. Added to this is the effect of the value readjustment on Capitalia shares already mentioned.

Overall net investment income reached € 333m (€ 208m as at 30/06/2006). Of this, the net profits on dealing exceed € 27m (€ 44m as at 30/06/2006), whereas the net impact on the profit and loss account of the write-ups of financial instruments including shareholdings in subsidiaries, is negative by € 22m (as at 30/06/2006 the amount was negative by € 116m).

The balance of other ordinary headings, negative by € 62m, includes € 35m of depreciation on intangible assets (of these € 24m approximately are charged to goodwill). Consequently, the result of ordinary business is around € 216m, doubling the final figures for the previous half year.

---

The balance of other extraordinary headings is essentially nil

The total tax burden is basically aligned with that in the corresponding half of the previous year. It is positively influenced by the value readjustment on the shareholding in Capitalia, already widely commented on, which is, to a large extent, fiscally irrelevant. Nevertheless, it is pointed out that the end of year figures might not confirm the half year figures by virtue of a framework where the tax regulations are continually changing.

It is reported that with the conversion into a law of Decree-Law 81 of 2 July 2007 the so-called “tax wedge” was extended to insurance companies for the purposes of IRAP (regional income tax on production activities) introduced by the 2007 Finance Law. The expected benefits could nevertheless in fact be cancelled out by the increase in the share decided at regional level and by the introduction of provisions aimed at recovering the scheduled lack of fiscal revenue by virtue of the above-mentioned extension of that facilitating regulation.

Finally, it is reported that the result for the period was not influenced by any significant non-recurrent events or unusual transactions compared with the usual running of the business, with the exception of the stated value readjustment on the Capitalia shares.



---

## **Non-Life Insurance Business**

---

With reference to the first half of 2007, the Italian insurance market recorded growth in gross premium income in the direct portfolio of the Non-Life Business of 1.6% (+2.8% in the first half of 2006), with income of € 9,136.2m and an incidence of 36% on the total non-life and life portfolio (33% in the same period in 2006).

Within the scope of the most representative classes in the sector, the portfolio of premiums in the Motor TPL and Marine TPL classes totalled € 4,649.9m (+0.1% compared with the first half 2006), with an incidence of 50.9% on the total non-Life premiums (51.7% in the same period last year) and 18.3% on the total income (17% in the first half of 2006).

The other non-life classes with the highest income are:

- Land vehicles - own damage or loss, with an incidence on the total portfolio of 8.8% (stable compared with the first half of 2006);
- General TPL, with 8% (as in the first half of 2006);
- Accidents, with 7.9% (similar to the same period in 2006);
- Other property damage, with 5.6% (5.5% in the first half of 2006);
- Fire and natural forces, with 5.8% (5.9% in the first half of 2006);
- Health, with 5.5% (5.2% in the same period in 2006).

The analysis by distribution channel continues to show income predominantly through the authorised agencies: in fact the latter arranged 84.6% of the total non-Life portfolio (85.2% in the first half of 2006) and 90.5% of the portfolio only for the Motor TPL class (91.2% in the first half of 2006).

With reference to the sector of the non-marine classes, the scenario for the years ahead is conditional on a series of elements such as:

- a highly competitive market context with falling tariff policies;
- the positive effect of the economic recovery and the development in the demand for company type cover;
- the activation of the bank networks in the personal injuries sector;
- the operations of the agency networks for which the recent regulatory measures (the Bersani decrees) might have consequences in terms of their remuneration and stability.

On the other hand, the Motor class is facing a radical change in the regulatory framework: the introduction of the new settlement system called direct settlement means that some information is missing and so the full effects and prospects cannot be defined. The liberalisation of the authorised agencies and the abolition of the time constraint for multi-year policies will impose a series of charges, which are added to those already in progress for bring the settlements systems into line with the direct settlement system.

Organisational charges are increasing, compared with a freeze on tariffs due to the recent provisions of the second Bersani decree in terms of rigidity of the category, also in the case of the purchase of another vehicle.

---

That trend emerged clearly already in the three year period just ended in which there was a fall of approximately 8% in the price of the policies in real terms.

In that context, there is still a not inconsiderable problem with the high average cost of claims: that is approximately € 4,150 against a European average of approximately € 3,000.

The phenomenon continues to be explained by its structural nature and the fact that claims often for slight and very slight personal injuries exceed 20 % of the total with an incidence more than double that in Germany and France.

Also the claims frequency of approximately 8%, although falling, continues to show values higher than the European average (of 7%) and the coverage of those in countries such as Germany (6.8%) and France (4.8%).

In that context, the reduction in the average Motor TPL tariffs must necessarily go through the reduction of the frequency and the containment of the average costs, introducing increasingly incisive initiatives to fight against fraud in the sector and to improve road safety.

## PREMIUM INCOME

Overall premiums written amounted to € 2,013,578K compared with € 2,013,315K in the first half of 2006, an increase of 0.01%.

Premium income from the direct business amounted to € 2,008,931K, an increase of 0.08%.

In particular, premium income was distributed as follows:

<b><u>DIRECT BUSINESS</u></b> (€ K)	<b>Half year 2007</b>	<b>Half year 2006</b>	<b>Variation %</b>	<b>% Distribution</b>	
				<b>Half year 2007</b>	<b>Half year 2006</b>
Accidents	124,664	124,537	0.10	6.19	6.19
Health	90,195	80,956	11.41	4.48	4.02
Railway rolling stock	-	2	-	-	0.00
Aircraft – hull	525	662	(20.69)	0.03	0.03
Marine – hull	2,964	2,560	15.78	0.15	0.13
Goods in transit	7,479	8,896	(15.93)	0.37	0.44
Fire and other natural forces	91,604	91,819	(0.23)	4.55	4.56
Other property damage	106,007	101,042	4.91	5.26	5.02
Aircraft – TPL	312	260	20.00	0.02	0.01
Marine TPL	2,029	1,932	5.02	0.10	0.10
General TPL	137,439	135,637	1.33	6.83	6.74
Credit	57	72	(20.83)	-	0.00
Bonds	18,317	17,416	5.17	0.91	0.87
Pecuniary losses	5,685	5,402	5.24	0.28	0.27
Legal protection	3,846	3,670	4.80	0.19	0.18
Assistance	9,168	7,736	18.51	0.46	0.38
<b>TOTAL NON-MOTOR CLASSES</b>	<b>600,291</b>	<b>582,599</b>	<b>3.04</b>	<b>29.81</b>	<b>28.94</b>
Land vehicles - own damage or loss	236,834	216,839	9.22	11.76	10.77
Motor TPL	1,171,806	1,207,869	(2.99)	58.20	59.99
<b>TOTAL MOTOR CLASSES</b>	<b>1,408,640</b>	<b>1,424,708</b>	<b>(1.13)</b>	<b>69.96</b>	<b>70.76</b>
<b>TOTAL DIRECT BUSINESS</b>	<b>2,008,931</b>	<b>2,007,307</b>	<b>0.08</b>	<b>99.77</b>	<b>99.70</b>
<b><u>INWARD REINSURANCE</u></b>	<b>4,647</b>	<b>6,008</b>	<b>(22.65)</b>	<b>0.23</b>	<b>0.30</b>
of which					
Italian business	3,940	5,737	(31.32)	0.20	0.28
Overseas business	707	271	160.89	0.04	0.01
<b>OVERALL TOTAL</b>	<b>2,013,578</b>	<b>2,013,315</b>	<b>0.01</b>	<b>100.00</b>	<b>100.00</b>

## CLAIMS PAID AND REPORTED

Claims paid in the direct business – gross of recoveries from reinsurers – and including settlement expenses amounted to € 1,414,649K, a decrease of 1.3% compared with the figure as at 30/06/2006.

The distribution, by accounting class, of the claims paid and reported in the Italian direct business are set out below including expenses directly chargeable to the claim and the indirect expenses of the functioning of the settlement structure:

	Claims paid			Claims reported		
	1° half 2007	1° half 2006	Variation	1° half 2007	1° half 2006	Variation
	€ K)	€ K)	%	Number	Number	%
<b>ITALIAN DIRECT BUSINESS</b>						
<b>Non-Life Business</b>						
Accidents	61,192	61,638	(0.72)	27,923	27,389	1.95
Health	71,881	73,089	(1.65)	91,591	81,030	13.03
Railway rolling stock	-	-	-	-	-	-
Aircraft – hull	647	1,481	(56.31)	3	-	-
Marine – hull	1,155	693	66.67	77	78	(1.28)
Goods in transit	3,617	4,567	(20.80)	902	1,299	(30.56)
Fire and other natural forces	51,741	50,747	1.96	13,438	13,844	(2.93)
Other property damage	71,271	65,282	9.17	43,424	41,496	4.65
Aircraft – TPL	21	58	(63.79)	6	3	100.00
Marine TPL	152	297	(48.88)	36	43	(16.28)
General TPL	103,979	103,474	0.49	28,635	30,632	(6.52)
Credit	380	461	(17.57)	1	5	(80.00)
Bonds	11,351	18,397	(38.30)	251	240	4.58
Pecuniary losses	1,319	1,660	(20.54)	1,888	1,548	21.96
Legal protection	478	637	(24.96)	599	476	25.84
Assistance	4,340	3,366	28.94	17,047	14,919	14.26
<b>TOTAL NON-MOTOR CLASSES</b>	<b>383,524</b>	<b>385,847</b>	<b>(0.60)</b>	<b>225,821</b>	<b>213,002</b>	<b>6.02</b>
Motor TPL	92,,820	945,939	(2.66)	256,401	257,,456	(0.41)
Land vehicles - own damage or loss	110,305	101,496	8.68	83,197	7,,063	12.33
<b>TOTAL MOTOR CLASSES</b>	<b>1,031,125</b>	<b>1,047,435</b>	<b>(1.56)</b>	<b>339,598</b>	<b>331,519</b>	<b>2.44</b>
<b>TOTAL NON-LIFE BUSINESS</b>	<b>1,414,649</b>	<b>1,433,282</b>	<b>(1.30)</b>	<b>565,419</b>	<b>544,,521</b>	<b>3.84</b>

With regard to the Motor TPL class, it is reported that the claims paid also include the charge borne for the management of claims as a “Manager” (claims suffered) in the new direct settlement system, net of what was recovered under the Consap clearing house management lump sum (forfait). With reference to the claims reported, it is stated that, due to homogeneous comparison with the previous period, these relate to claims caused and do not include the numbers relating to claims under the “Card Management” system.

The loss ratio in the period is approximately 69.2% (69.8% as at 30/06/2006). The ratio of claims handling expenses to premiums is 22.5% compared with 20.9% as at 30/06/2006. The combined ratio is therefore 95.2% in line with what was recorded in the first half of 2006 also thanks to the lower incidence of technical charges on the result in the period.

## CLAIMS HANDLING EXPENSES

Claims handling expenses in the direct business amounted to € 437,915K, a total increase compared with the previous financial year of 6.33% (€ 411,849 K as at 30/06/2006). The trend in claims handling expenses is summarised in the table below:

(€ K)	30/06/2007	30/06/2006	Variation %
<b>Direct business</b>			
Commission and other acquisition expenses	358,679	344,237	4.20
Other administration expenses	79,236	67,612	17.19
<b>TOTAL Claims handling expenses</b>	<b>437,915</b>	<b>411,849</b>	<b>6.33</b>

The increase in other administration expenses was achieved through the Parent company sustaining the holding costs and the occurrence, in the first half of 2007, of some charges which will not recur in the second part of the year.

## TECHNICAL PERFORMANCE OF THE MAIN INSURANCE SECTORS

### Motor and Marine Third Party Liability

Premiums recorded amount to € 1,172m, a decrease of -2.99% compared with the first half of the 2006 financial year.

The fall in premiums is due mainly to the effect of tariff changes aimed more at a territorial rebalancing than the realisation of an increase in the claims managed and the entry into force of the Bersani Decree which makes it compulsory to assign to insurance policies for the latest vehicles purchased by a person or a member of their family the same category as that given to the first vehicle, rather than the entry category laid down by the company. This all translates into a reduction in premiums for new purchases, which record an appreciable contraction in the average premium.

The total number of vehicles insured by Fondiaria-SAI shows a slight fall compared with the previous year as a consequence of a more accentuated action on cancelling policies on which several claims have been made and further tariff customisation aimed at improving the quality of the portfolio.

---

With reference to the operating performance of the Motor TPL class, it is reported that the figures up to 30/06/2007 are not completely homogeneous and therefore comparable with similar amounts to the previous year.

In particular, with effect from 01/02/2007, the start of the new direct settlement procedure involved a series of management and organisational measures with the Manager of the Clearing House, with a consequent slippage in the traditional times for processing and producing the data relating to claims.

Unlike the last financial year, the cost of the claims also takes account of the so-called Card management claims (or claims suffered) net of the recovery of relevant lump sum (forfait). Added to that, as a further cost element, the flat-rate charge borne by the Group for claims caused which come under the direct settlement system. The fact that there is a flat-rate charge (whereas in the past the cost borne was precise) means that the data to be compared are not completely homogeneous.

The adaptation of the computer systems and training the resources involved allow it to be considered that the process of transition to the new compensation methods is continuing effectively. Nevertheless, the short period of time which has elapsed since the start of the new procedures means that it is not possible to make a complete assessment of all the economic and financial impacts.

As at 30 June, there were 98,758 claims from our policyholders followed up within the scope of the new payment system (CARD management). Of these, 54,933 have already been paid in full. There were 106,311 claims through the clearing house set up for that purpose at CONSAP, in relation to claims for which our policyholders are fully or partly liable (CARD debtor). 49,370 of these gave rise to full payment of the claim and 56,941 were recorded in the reserves. From the financial point of view, as at 30 June, 58,066 debits with a total equivalent value of € 112,423K were received from the clearing house. 63,259 credits were received with an equivalent value of € 121,773K..

With reference to the Parent company, the number of claims caused in the Motor TPL class fell approximately 0.4%, the latter figure was partly dependent on the temporary discrepancies at the start of the direct settlement procedure.

The average cost of claims paid in the current year is showing an increase which cannot be compared, in view of the fact that the charge borne for CID (direct settlement) debtor claims (now the lump sum due), the same as in the direct settlement procedure, was determined on the lump sum basis with the debit tending to be higher than that which would have been borne by the Company according to the settlement system in force previously.

With reference to claims in the previous year, it is reported that in the first six months of 2007 the phenomenon of late claims was widely estimated at the time the reserves policy was defined at the end of last year. Lastly, an increase was reported in the average cost of claims paid in previous years, also consequent on the levels of efficiency in the settlement processes which, in the past, allowed for the gradual reduction of the remaining charges of a low unit amount.

## **Land vehicles - own damage or loss**

Premiums € 236.834K (€ 216.839K +9.2%)

---

Claims reported 83.197 (74.063 +12.3%)

Premiums amounted to € 236.8m, an increase of 9.22% compared with the first half of 2006. The increase in premiums is mainly due to important business written with some motor vehicle companies and the appreciable increase (+6.53%) in the number of cars registered, partly due to the renewal of vehicles and, unlike what happened with compulsory insurance where the impact on premiums is minimal, for the Land vehicles - own damage or loss class there is a significant effect due to the effect of the introduction of new cover and higher levels of capital insured.

On technical performance, good profit margins continue to be recorded, although in a context characterised by an increase in the number of claims reported and an increase in the average cost.

### **Other Non-Life classes**

Premiums are showing a good percentage increase of 3.04%. The increase is concentrated mainly in the Retail sector, whereas the corporate sector is reporting lower results.

The mass risks portfolio is developing in terms of the number of policies and premiums, with percentages higher than 2%. The corporate sector is reporting an increase in premiums of approximately 5%, even if the number of policies is fluctuating slightly.

The cost of claims in the current year is falling to levels of above -5%, that improvement is due to the fall in the number of disaster claims (-24.5 million compared with the first half of 2006). The cost of claims from policies delegated to other companies is also falling considerably and the number of late claims is fluctuating considerably.

The positive trend in claims is concentrated in the Corporate risks sector, whereas mass risks are recording an increase.

In the retail sector, a good increase in receipts is being recorded in market segments linked to household, family and buildings risks; in those sectors the technical performance also closed with positive results.

To complete the Group product list, during the second half of 2007, a Public Liability policy will be put on sale, which has the objective of standardising the insurance response to specific customer targets (school – sports and leisure – tour operators).

In the segment of risks linked to sales activities, a new Group product is also being designed to introduce the new insurance requirements of this market, it is proposed to rationalise and standardise the type of cover offered by the Group's sales networks.

The new Group Industrial Companies Public Liability product was launched onto the market in the corporate sector. This reviews the regulatory/tariff conditions and takes account of the changes in the rules on working relationships.

The new Group Collective Accidents policy is currently being prepared which standardises the Group Companies' underwriting activities, introducing innovations on the level of cover and tariffs.

The regulations, furthermore, stipulate the alignment with what is laid down in the Insurance Code on transparency.

The new Group product for car and decennial insurance cover relating to Law 210/04 to pro-



---

test purchasers of property not yet built was brought out in the second half of the year.

The Large Enterprises segment recorded a +17% increase in premiums, which is especially concentrated in the Broker channel. There was positive development in receipts, also taking into consideration the continual fall in rates charged on the market in the Fire and Accidents classes. The cost of claims in the current year fell considerably, thanks to the significant reduction in the number of disaster claims in the Theft and RCD classes in the previous year.

The Public Institutions segment closed the half with a fall in premiums, combined with a considerable reduction in the cost of claims in the current year, therefore, the balance is improving, although still remaining negative.

Again, in the public tenders for insurance services for the 2007 financial year, there were indications of bid-based premiums or amounts presumed to be increasingly contained and, in the TPL class, the use of the excess tool, also in aggregate, which involves lower premium revenue. In the area of health, hospitals continue their intention to have recourse even more often to forms of insurance agreements on a territorial basis, that phenomenon involves a reduction of the number of policies and the total premium amounts.

In that sector, the performance of TPL cover continues to represent a critical area. For that reason, the Group's appropriate Public Institutions structure is operating and will also continue during the second half of the year with cancellations and a reform of structurally negative policies, especially in the areas: Hospital and Territorial Authorities.

Looking at the individual classes in the accounts:

#### **Accidents**

Premiums € 124,664K (+0.10%)

Claims reported 27,923 (+1.95%)

The development of premiums is due to the growth in Corporate premiums, whereas mass risks recorded a contraction of receipts. The trend in claims in the year is improving due to the strong reduction achieved in Corporate costs. The retail sector, however, closed the half year with an increase in the number of claims.

The class is confirming a positive balance overall.

In February, the new regulations on underwriting Corporate Accidents risks were published relating to schools, with the related regulations and tariffs made available through the agency network, adapting the terms of the cover to the sector's requirements.

#### **Health**

Premiums € 90,195K (+11.41%)

Claims reported 91,591 (+13.03%)

The class continues to show negative performance: an increase in premiums contrasts with an increase in the cost of claims.

The critical area is Retail where, the cancellations in or the reform of the portfolio with negative technical performance and the parallel underwriting of new risks on more profitable Group products, have not yet produced a reversal of the trend.

#### **Fire and other natural forces**

---

Premiums € 91,604K (-0.23%)  
Claims reported 13,438 (-2.93%)

The positive performance of the class improved further, in particular due to the considerable reduction of claims made in the year which benefit from the fall in the number of damages due to disasters. The Corporate result was particularly good.

#### **Other property damage**

Premiums € 106,007K (+4.91%)  
Claims reported 43.424 (+4.65%)

There was a good increase in premiums, especially in Retail. There was also a considerable reduction in the number of claims in the year, which can be wholly attributed to the net fall in the number of disaster claims (-64%) which in 2006 affected Technological risks and the bank theft sector in particular.

Currently, typographical products are being brought into line with the stipulations on transparency in the Insurance Code.

With regard to hail risks, the trend is for a reduction in average rates as a consequence of the good performance in previous years, however, the establishment of multi-risk and pluri-risk cover allows for forecasts of a good increase in premiums at the end of the 2007 financial year. Substantial damage occurred in the first ten days of July, however, the result does not appear to be compromised; risk exposure remains significant up to the end of September.

#### **General TPL**

Premiums € 137,439K (+1.33%)  
Claims reported 28.635 (-6.52%)

The class is recording an increase in premiums, but, above all, a considerable fall in the number of claims made in the year (including those made in the year and late claims); disasters also fell by 36%.

When the result is analysed at the level of the insurance sectors, the situation is different: the Corporate sector closed the half year with stability of premiums and a definite reduction in the number claims due to the continuation of a strict policy on risk selection and reorganisation of the portfolio; whereas good growth was recorded in premiums and a contained increase in claims in the Retail sector.

The new regulations on underwriting Corporate TPL Risks for schools were published in February with related regulations and tariffs made available through the agency network, adapting the terms of cover to the sector's requirements.

#### **Bonds**

Premiums € 18,317K (+5.17%)  
Claims reported 251 (+4.58%)

The class reported good performance, showing a growth in premiums and a large reduction in the number of claims, partly due to the reduction in the number of disasters. In the first half of the financial year, a timid recovery was recorded in the traditional sector of public works contracts. The Company refined the methods of analysis for transactions involving the issue of guarantees pursuant to Law 210/04 in favour of purchasers of property to be built.

---

Furthermore, training interventions were carried out with the sales networks.

## Speed of settlement

The speed of settlement is summarised below for the main classes in the first half of 2007 compared with the values in the previous financial year:

CLASSES – Current year <i>(Values expressed in %)</i>	2007	2006
Accidents	19.92	18.71
Health	67.89	75.63
Land vehicles - own damage or loss	72.20	78.30
Fire and other natural forces	47.85	56.86
Other property damage	51.98	53.80
General TPL	36.65	40.76
Other classes	53.05	59.07
Motor TPL	49.14	54.40
CLASSES – Previous years <i>(Values expressed in %)</i>	2007	2006
Accidents	38.86	40.34
Health	78.51	82.82
Land vehicles - own damage or loss	76.81	76.78
Fire and other natural forces	59.77	61.16
Other property damage	61.81	63.56
General TPL	25.04	27.13
Other classes	37.28	39.16
Motor TPL	47.33	48.10

In the first half of 2007, claims handling was affected by the organisational and processing changes derived from the new regulatory framework for the management of Motor TPL claims and the extension of the IES computer application to the Group companies.

## Direct settlement

Direct settlement introduced by the reform of the Insurance Code is the new insurance payments procedure which, with effect from 1st February 2007, for road accidents, allows the injured parties not liable, or only partly liable, to be paid directly by their own insurer. This applies in the case of an accident between two motor vehicles both with an Italian registration plate, identified and properly insured. It is activated by presenting the claim, filled in using the accident report form and the application for compensation from their own Company which, once the policyholder's total or partial right is ascertained, an offer of compensation of the damages suffered is made

---

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

- within 30 days, for damages to the vehicle and property, if the accident report form was signed by everyone and both drivers or policyholders of the vehicles involved;
- within 60 days, for damages to the vehicle and property, without an accident report form with double signature,
- within 90 days, for the driver's personal injuries, proposing the offer of compensation or explaining the reasons why it is not obliged to compensate the damage.

In order to comply not only with the regulatory provisions but even to improve the settlement times stipulated in law, in order to offer excellent customer service, the whole "claims process" has been revisited in terms of flows and processing skills of the individual Claims Offices and the computer application.

The focal points of the project, which concerned all the Group companies, are:

- Specialisation in the settlement structures, delegated to the management of the different types of damage. In redesigning the areas of competence of the claims structures, arrangements were also made to re-name existing areas according to the new operating and merit contents.
- Initiatives started aimed at making the excellent service provided to customers one of the Company's and the Group's competitive and distinctive operating advantages
- The analysis and study of projects aimed at a "vertical integration" of the process, with the objective of capturing value in the spare parts distribution "chain".

Consequently, the Group's claims settlement structures were strengthened as follows:

- Simple Damages Department  
The "Simple Damages Department" will deal exclusively with "double signature" management claims only with damages to the vehicle.
- Property Damage Department  
The "Property Damage Department" competent in the territory will deal exclusively with:
  - "single signature" claims only with property damage"
  - Simple Motor TPL claims to which the regulations on "Direct Payment" do not apply, simple ARD claims
- Settlement Services Centre  
The Settlement Services Centre competent in the territory will manage:
  - I.D. claims with injuries and/or damages to the goods transported
  - All TPL claims
  - complex ARD claims (total theft, total theft with retrieval)

The change made is consistent with the forecasts on the number of claims to be processed divided according to the different types stipulated for direct payment and is constantly monitored to bring it numerically and organisationally into line with the effective scenarios which arise.

To June, the charge of “management” claims for direct payment attributed to the different structures was as follows:

■ SIMPLE DAMAGES DEPARTMENT

	Charge with follow-up to 06/2007
Fonditaria	19,595
SAI	47,572
Milano	31,277
NMAA	18,241
SASA	7,261
<b>TOTAL</b>	<b>124,306</b>

■ PROPERTY DAMAGE DEPARTMENT

	Charge with follow-up to 06/2007
Fonditaria	11,874
SAI	24,607
Milano	17,803
NMAA	7,833
SASA	3,369
<b>TOTAL</b>	<b>72,156</b>

■ SETTLEMENT SERVICES CENTRES

	Charge with follow-up to 06/2007
Fonditaria	4,584
SAI	11,829
Milano	7,856
NMAA	3,573
SASA	1,587
<b>TOTAL</b>	<b>28,619</b>

Therefore, it is reported that 172% of double signature claims are single signature claims, signifying agreement between the parties involved in the accident.

### **IES claims application**

The extension of the IES claims application to all the Group companies started in February and was completed as scheduled by June and affected 74 Settlement Services Centre in the Fonditaria and Milano Divisions and 1,538 Agencies.

2,000 days’ training in the classroom were provided and shadow training on site for the extension of IES to the network of Inspectorates and Fonditaria- Milano Agencies.

---

## NON-LIFE REINSURANCE

### *Outward reinsurance*

Premiums ceded in the period amounted to € 64,911K, in line with the same period last year (€ 66,882K).

The Company's whole reinsurance structure consists of proportional quota and excess cover, non-proportional cover in excess of claim, and non-proportional stop loss cover.

Proportional cover was used for the classes: Credit, Bonds, Transport, Technological Risks, Aviation and Assistance.

For the Bonds, Transport and Aviation classes, measures were also taken to protect the net retention with specific excess of claim programmes to protect individual risks and events.

The net retention for Technological Risks, with the exception of that for decennial cover, is protected only after the event together with the Fire and Land vehicles – own damage or loss classes: the latter enjoys this specific cover only; only the Electronics and Computer sectors have risk protection.

Non-proportional programmes were also used to protect the Fire, Accidents, Motor TPL, General TPL and Theft classes.

Only the hail class is protected with a stop loss programme.

The choice of types of cover indicated is determined by the specific features of each individual portfolio, also taking into consideration the economic validity of the solutions indicated and their availability on the reinsurance market.

All the programmes reported on are reinsured by the Irish associate The Lawrence Re, 100% controlled by Fondiaria-SAI, which then transfers the underwritten risks to retrocession.

The only exceptions are Aviation cover, which is placed directly on the reinsurance market, and finally the Assistance class, which has guaranteed protection by Pronto Assistance without subsequent retrocession.

In the case of the Transport sector, in compliance with the plan to concentrate underwriting with the Group's specialist Company, it was decided to reinsure the whole portfolio with Siat, using proportional cover with a cession quota of 99% and commission equivalent to the acquisition costs.

The Company's composite reinsurance structure involves it having relationships, through The Lawrence Re, with the main market operators, having particular reference to their financial solidity, their specific professionalism and their proven interest in establishing long-term relationships.

The strategy adopted by the Company in the facultative sector is normally to supplement that on reinsurance treaties; the capacity required is consequently in excess of the automatic capacity stipulated in each treaty and, therefore, can be proportional or non-proportional (excess of loss) according to the underlying treaty.

### *Inward reinsurance*

The figures to 30/06/2007 are included for business accepted by the Group companies and to 2006 for acceptances outside the Group. Premiums accepted in the period totalled € 4,647K, mainly thanks to the contribution of the reinsurance of the Group companies. The results are showing a substantial balance, net of retrocession, reporting a profit of € 2,327K.

---

## **Life Business, Pension Funds and Managed Savings**

---

## THE LIFE INSURANCE MARKET

Affected by slower performance in the bancassurance sector, premium income in 2006 was 5.6% lower than in 2005. This negative result is also due to policies in classes I and V, in which income was strongly negative, while income from policies in class III grew by 3.8% over the year. The predicted increase in interest rates and the improvement in asset and liability management techniques should continue to guarantee good profitability in the sector.

2007 was negatively affected by the performance of traditional type products (-11%), both in the class I component (-5.9%) and in class V capitalisation operations (-35%), given that the altered market conditions made investment in these types of contracts less convenient.

Income from index-linked policies remained stable, however, thanks above all to the contribution from the banking networks at the end of the 2007 financial year.

After years of constant growth, this led to the incidence of mathematical reserves on GDP for 2007 remaining substantially unchanged (around 25%).

A further element that characterised the last financial year was a strong acceleration in the payment of benefits as a result of corporate policies coming to maturity as well as a failure to channel maturing traditional type products into new production.

Forecasts for the current financial year point to a coexistence of substantially unambiguous situations: the Prometeia scenario is characterised by forecasts of a containment of volumes for the current year, accompanied by a gradual acceleration for the following two years.

Equally, the trade association estimates that income should confirm the final balance for 2007. In this context, one of the factors of uncertainty is the potential development of individual pension plan products, considering, among other things, the speeding-up of the timetable for the introduction of complementary welfare.

In this context, the data available to date show that premium income in the Life Classes of national insurance companies and representative offices in Italy of non-EU companies slowed down during the first half of the year, Premium income amounted to approximately € 16.3bn, a fall of 11% compared to the January-March period of 2007. During the first half of last year, income was decidedly steadier at € 18.2bn.

During June, new production in the Life Classes however recorded income of € 5.1bn, a figure very close to that of the same month of the previous year.

New insurance business since the beginning of the year has brought in € 25.2bn, a fall of 4.2%.

In this context, a significant role has been assumed by the banking channel, the income from which has allowed the fall recorded during the first half of the year to be partly offset.



### *New Life production – individual policies*

Year	Month	Premiums (€m)	Δ % previous year		
			1 month	3 months	From the beginning of the year
2006	May	4,124	(21.5)	(9.2)	(9.7)
	June	5,137	10.9	(11.7)	(6.3)
	July	3,524	(24.2)	(12.1)	(8.9)
	August	3,162	(12.0)	(8.2)	(9.2)
	September	3,083	(17.2)	(18.4)	(9.9)
	October	4,590	0.2	(9.0)	(8.9)
	November	4,201	(7.5)	(7.6)	(8.8)
	December	3,931	(1.4)	(2.9)	(8.2)
2007	January	3,010	(13.6)	(7.2)	(13.6)
	February	4,567	6.4	(2.2)	(2.6)
	March	4,673	(19.7)	(9.8)	(9.8)
	April	3,805	6.7	(4.5)	(6.4)
	May	4,164	1.0	(6.3)	(4.9)
	June	5,086	(1.0)	1.8	(4.2)

## WELFARE IN ITALY

Before 31 December 2006, the Italian pension system was based primarily on a compulsory public system which was managed by over 30 public organisations, with optional complementary collective and/or individual schemes that were not yet particularly developed.

The ratio between spending on pensions and gross domestic product had remained within a five-year range of between a minimum of 13.5% (in 2001) and a maximum of 14% (in 2003).

The greatest burden on the basic welfare system during this period consisted of the pensions paid to private employees, which amounted to 59.5% of spending on pensions, 59.7% of pensions disbursed and 58.2% of contributions paid: these are followed by the category of civil servants (28.5% of pension spending, 13.5% of the number of pensions, 28.6% of contributions paid) and lastly by the category of self-employed workers (12% of pension spending, 26.8% of the number of pensions disbursed and 13.2% of contributions).

During 2007, the sector was involved in a reform of complementary welfare and by the month of June workers were required to decide whether to have their leaving indemnity (*Trattamento di fine rapporto* or *TFR*) paid into a pension fund or keep it within the company. The definitive results of this operation are not yet known. Only once all the data are available will it be possible to express an opinion.

The initial data available show that there have been 727,000 new pension fund subscriptions (including 372,000 to occupational funds, 200,000 to open funds and 155,000 to welfare investment plans). In total there are apparently over 2 million people registered with complementary funds, amounting to 23.6% (13.3% before the reform came into force). This is in addition to subscriptions resulting from consent by silence, which amount to approximately 10%. The Ministry of Labour is therefore predicting a rate of subscription of 34 to 35%, in

---

line with predictions of an overall rate of subscription of 40% by the end of the year.

## **MANAGED SAVINGS**

Italian households are increasingly opting for less risky investments.

During the first nine months of 2006, compared to the previous year, households opted primarily for financial instruments offering low levels of risk and return, reducing the purchase of shares and shareholdings and selling units in mutual funds. The share of the portfolio invested in low-risk activities therefore settled at around 50%.

At the end of the year, the financial debts of households had grown by 11% to approximately € 480bn, but the ratio between debt and available income, which stands at 46%, continues to be about half that of the area. Last year, bank loans slowed down by 12.6% under the effect of the rise in interest rates.

The growth in consumer credit, which nonetheless remained high, fell by 13%, reflecting the slow growth in spending on durable goods.

The costs incurred by families to serve debts reached 7% of available income, a percentage that remains low based on an international comparison. The incidence of new outstanding debts remained small, at around 0.8% of loans.

As regards the managed savings industry, during the month of February there was a fall in the assets managed of € 1,108bn, due to a total outflow of € 10.7bn. In detail, the greatest outflows were recorded in respect of open OICRs (collective savings investment undertakings), at € 2.4bn, while flows relating to the management of welfare products and closed OICRs remain positive (€ 196m and € 29m respectively).

With regard to Fondiaria-SAI, activity in the managed savings sector continued through the Group's specialised companies. Please refer to the consolidated report which describes the programmes implemented by the subsidiaries operating in the sector.

## **PREMIUM INCOME**

Premiums written in the first half of 2007 reached a total of € 673,922K (- 10.39%) (€ 752,033 as at 30/06/06) are broken down as follows:

(€K)	1st half year 2007	1st half year 2006	% variation
<b>DIRECT BUSINESS</b>			
I - Whole of life insurance	309,822	322,178	(3.84)
III – Insurance linked to investment funds	57,494	4,876	1079.12
IV – Health insurance	17	182	(90.66)
V – Capitalisation operations	289,146	404,352	(28.49)
VI – Pension fund management operations	12,534	11,928	5.08
<b>TOTAL</b>	<b>669,013</b>	<b>743,516</b>	<b>(10.02)</b>
<b>INDIRECT BUSINESS</b>			
of which	4,909	8,517	(42.36)
Italy	4,844	7,469	(35.15)
Overseas	65	1,048	(93.80)
<b>TOTAL</b>	<b>673,922</b>	<b>752,033</b>	<b>(10.39)</b>

Premium income from the Italian direct business is split as follows:

(€K)	30/06/2007	30/06/2006	% Variation
Individual policies	311,441	276,607	12.59
Group policies	345,038	454,981	(24.16)
Pension funds	12,534	11,928	5.08
<b>TOTAL</b>	<b>669,013</b>	<b>743,516</b>	<b>(10.02)</b>

## SUMS PAID AND RELATED CHARGES

Sums paid in the direct business recorded an increase of 41.8%, primarily due to large redemptions of major Jumbo-type policies, amounting in total to € 606,506K (€ 385,331K as at 30/06/2005) and are split as follows:

(€K)	30/06/2007	30/06/2006	% Variation
Claims	12,870	11,788	9.2
Matured policies	272,831	251,420	8.5
Redemptions	320,805	164,472	95.1
<b>TOTAL</b>	<b>606,506</b>	<b>427,680</b>	<b>41.8</b>

## OPERATING EXPENSES

Operating expenses for direct business amount to € 38,033 in total, an overall increase compared to the previous year of 4.36% (FY 2006 €36,444K)

This performance confirms the trend towards structural cost containment as shown in the following table:

(€K)	2007	2006	% Variation
<b>Direct business</b>			
Commissions and other underwriting costs	19,394	14,281	35.80
Other administrative costs	18,639	22,163	(15.90)
<b>Total operating costs</b>	<b>38,033</b>	<b>36,444</b>	<b>4.36</b>

## TECHNICAL PERFORMANCE

As regards individual products, the offer of products associated with special funds (*Gestioni Speciali*) that provide security for savings and investments continued.

During January, a new single-premium, immediate return product was made available called RENDITA ASSICURATA (guaranteed income). In addition to the payment of an annuity to the insured for as long as he/she lives, the product also provides a decreasing counter-insurance that guarantees designated beneficiaries the payment of a capital amount in the event of death, if a “dread disease” should develop or the insured should become disabled.

Given these features, the product could constitute a further tool for retaining maturing capital, particularly among middle-aged and elderly clients.

During February, a new Index-Linked tranche (INDEX-LINKED MATCH RACE) was also launched. This is characterised by an innovative optional mechanism that allows two share indices to be compared, one being European and built on a selection of high-yield securities and one being “generic” and representing the whole of the US equity market.

As of the second half of March, the Company launched a new web-based technical management system for the administration of individual policies known as ATDV (Assistenza Tecnica Direzione Vita), which can be used by logging onto the Company intranet site.

At the end of May, the Company launched a further Index-Linked tranche known as GLOBAL RACE. The product is characterised by a comparison, within the 3 main financial areas of the world, of the performance of a share index built on a selection of high dividend securities (Select Dividend) and the corresponding generic index, representing the whole market, therefore focusing on the potential yield from the more remunerative securities compared to the reference market as a whole.

During April, at the same time as the annual update required by ISVAP Circular 551/d, the Company launched a new product, OPEN FREE, connected with separately managed funds. OPEN FREE complements the current single-premium products in the Investment area and has a number of interesting features: In particular, OPEN FREE fulfils increasing market demands by not placing charges on the premium, except for a fixed amount, but only an annual management commission, which is set according to the amount invested and the duration of the policy.

At the same time as the new product was launched, with a view to maintaining the overall consistency of the range offered, a number of products underwent minor restyling.

On the same occasion, in the light of the Group’s portfolio experience and on the basis of the

---

most recent insurance performance, in order to promote marketing of the Dedicata line of products, the Company reviewed the parameters applied to determining the death risk by conducting a review of occupations and sports considered to be dangerous.

As regards complementary welfare, during the month of May 2007, COVIP decided to approve the regulations of the “PIP Più Pensione” product and consequently its registration in the register of pension funds (*Albo dei Fondi Pensione*).

Since the last few weeks of May, therefore, the agency network has been able to start collecting contributions from self-employed workers. Based on legal provisions, the collection of contributions from employees only became operational from the beginning of the second half of 2007.

The “corporate” segment focused its activities on the management of pre-existing Pension Funds. In particular, we should point out that almost all Clients in the portfolio have been contacted for the purpose of creating the best conditions for promoting the transfer of any maturing leaving indemnity into the Pension Funds themselves. Given the time allowed to subscribe to pension funds established by the reform of complementary welfare, the quantitative results of this activity will only be apparent during the second half of the year. In qualitative terms, we can however report that there is great interest in this initiative among clients.

As regards the sector of capitalisation policies, given the current developments in the financial markets, there was increased difficulty in penetrating the segment of clients to whom these products are directed (institutional investors with large amounts of liquidity: lending, financial and co-operative establishments), which tends to involve the distribution of policies with decreasing margins of profitability. Consequently, a significant fall was recorded in premiums written, although satisfactory profitability margins were maintained.

As regards the distribution of VALORE TFM and VALORE TRF products, despite the activities in the area of complementary welfare outlined above, which imply that the trend is towards the transfer of maturing leaving indemnities to complementary welfare plans rather than to this kind of contract, we should point out that even though there has been an objective (and furthermore expected) reduction in the number of new clients, we have been able to maintain a certain level of distribution, resulting from intense advisory activity aimed at Client Companies on the contents of the reform of complementary pensions, which has allowed us to focus on the previous leaving indemnity .

Finally, with regard to death insurance products, the Company is working with the non-marine classes structure to create a new product providing life and non-life cover related to loans granted following the transfer of a percentage of the person’s salary. The launch of this new product is planned for the end of the current financial year.

As regards the three Open Pension Funds set up by the Company during the first half of 2007, we have recorded a slowdown in the number of new subscriptions due to the approval of new regulations by Covip, according to the terms of Legislative Decree 252/05. The flow of contributions, which is nonetheless greater than it was during the corresponding period of 2006, will benefit from the implementation of the welfare reform as of the third quarter of 2007.

---

## **LIFE REINSURANCE**

### ***Outward reinsurance***

Total premiums ceded in the period amount to € 6,282K, slightly down compared to the previous period (€ 7,576K). The reinsurance programme remains unchanged and consists of an excess treaty ceded to the subsidiary The Lawrence Re. There is also excess loss disaster cover.

This structure continues to provide a large reduction in the administration charges and, at the same time, provides the Life Management with a standardised tool to control technical performance more easily.

### ***Inward reinsurance***

Data to 30/06/2007 are included for business accepted by Group companies and, as at 2006, for acceptances from outside the Group. The volume of premiums (€ 4,909K) was down compared to the same period of the previous year (€ 8,517K) mainly as a result of the definitive closure of reinsurance relations with the subsidiary Novara Vita. Other ceased treaties for acceptances from Group companies continue to have effects on the accounts due to the dismantlement of reserves and renewal of multiannual policies. The rest of the portfolio, which includes the run-off of non-Group business, shows balanced results in line with the characteristics of the class. Net of retrocessions, the result for the class is profit of € 1,417K.

---

## Asset and financial management

## INVESTMENTS AND AVAILABLE FUNDS

The volume of investments reached € 16,425,821K, an increase of 2.13% compared with the investments existing as at 31/12/2006.

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

(€K)	30/06/2007	comp. %	31/12/2006	Comp.%	30/06/2006	comp.%
Land and buildings (1)	1,184,234	7.21	1,161,592	7.22	1,151,469	7.24
Debentures and fixed income securities	9,597,337	58.43	9,497,394	59.05	9,443,840	59.37
Shareholdings and shares of investment funds	5,392,362	32.83	5,129,596	31.89	4,710,295	29.62
Financing	72,431	0.44	70,206	0.45	93,283	0.59
Deposits with Credit Institutions	111,945	0.68	156,297	0.97	130,238	0.82
(2)						
Deposits with ceding companies	67,265	0.41	67,970	0.42	326,117	2.05
Sundry financial investments	247	0.00	163	0.00	49,784	0.31
<b>TOTAL</b>	<b>16,425,821</b>	<b>100.00</b>	<b>16,083,218</b>	<b>100.00</b>	<b>15,905,026</b>	<b>100.00</b>

(1) gross of the provision for depreciation (€ 112,280K as at 30/06/2007; € 108,362K as at 31/12/2008).

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

## CLASS D INVESTMENTS

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

(€K)	30/06/2007	comp.%	31/12/2006	Comp.%	30/06/2006	comp.%
					6	
Titoli a reddito fisso	464,311	67.83	491,570	70.58	494,547	72.21
Stocks and shares	196,042	28.64	193,722	27.81	180,173	26.31
Cash at bank and in hand	9,668	1.41	5,489	0.79	5,243	0.77
Other net assets	14,510	2.12	5,701	0.82	4,889	0.71
<b>TOTAL</b>	<b>684,531</b>	<b>100.00</b>	<b>696,482</b>	<b>100.0</b>	<b>684,852</b>	<b>100.00</b>



---

## INVESTMENT INCOME

The following table shows the results of the financial and property management activities relating to class C investments:

(€K)	30/06/2007	30/06/2006	% var.	31/12/2006
Income from stocks and shares	114,984	102,597	12.07	225,525
Income from land and buildings	21,220	20,437	3.83	42,464
Income from other investments	235,100	204,615	14.90	421,536
<b>Total gross income</b>	<b>371,304</b>	<b>327,649</b>	<b>13.32</b>	<b>689,525</b>
<b>Management charges</b>	<b>(53,770)</b>	<b>(46,751)</b>	<b>15.01</b>	<b>(90,864)</b>
<b>Total net income</b>	<b>317,534</b>	<b>280,898</b>	<b>13.04</b>	<b>598,661</b>
Profit realised on land and buildings	-	1,628	(100.00)	2,333
Profit realised on short-term investments	4,160	1,258	230.68	(8,752)
Profit realised on long-term investments	26,316	42,583	(38.20)	46,810
<b>TOTAL</b>	<b>348,010</b>	<b>326,367</b>	<b>6.63</b>	<b>639,052</b>

The total average rate of return, calculated on the half-sum of investments and with any distortions removed, was 3.49% (3.04% as at 30/06/2006).

## FINANCIAL BUSINESS

During the first half of 2007, the world economic performance was positively affected by the continued growth in the BRIC countries (Brazil, Russia, India, China) and by the excellent performance of the European economy.

For the most part, these growth generators offset the slower rate of development in the USA, which was hit by a major economic slowdown in the manufacturing sector and, above all, the property sector. Only in the first of these two sectors has there been some sign of recovery over the past few weeks.

Overall steadiness in the US labour market nonetheless allowed internal consumption in the USA to remain strong, thus limiting the consequences for the US system.

Continued growth in the Far East in particular allowed Europe to continue growing over the first half of this year at a rate higher than its potential (3.1% in Q1), with the initial signs beginning to appear of an increase in internal consumption, favoured by continuing growth in consumer optimism, among Germans in particular, resulting from a continuing fall in the European unemployment rate.

Obviously, the ongoing rises in the price of raw materials, combined with wage pressures associated with an almost saturated production capacity, particularly in Europe, have led the Central European Bank to continue its work of standardising reference rates, which currently stand at 4%, a level which will probably not be its highest peak during this restrictive period.

---

In the United States, however, the Fed has maintained its “on hold” monetary policy, keeping the rate at 5.25%, given that, at the moment, the US economy as a whole would not benefit from a cut in rates because, even though this would definitely help to achieve a recovery in the property sector, it would create too many opportunities for dangerous increases in inflation which would subsequently be difficult for the economic cycle to deal with other than by the imposition of heavy restrictions.

The bond market, which is clearly going through a period of monetary tightening coordinated by the main Central Banks, with the exception, as we have said, of the USA and Japan, at least for the time being, has had no choice but to adapt to the new higher rates. In particular, we have witnessed better performance by US government bonds than European ones as a result of the uncertainties about the strength of the US economy and a widespread consensus about European capacity to continue growing and therefore the Central Banks ability to continue the monetary tightening process.

The corporate market experienced a fairly positive half year, particularly as regard the “investment grade” sector. Companies are continuing to produce profits with substantially healthy balance sheets but the US property crisis caused tensions in relation to a number of financial engineering structures like CDOs and CLOs, the effect of which also led to a general repricing of the corporate risk, higher than the rating level assigned by international agencies.

The euro performed excellently against the dollar and the yen during the half year, thanks to the various monetary strategies of the two Central Banks on the one hand and the different state of the real economy on the other. New historic highs were recorded against the Japanese and US currencies. The continuing strength of the currency reduces the burden of the energy bill and the import of inflation, but it also complicates international competition for many European companies (French and Italian in particular).

The equity market recorded another positive half year, recording growth in the main share indices of between 6% and 10%. The share asset class therefore remains the best place to be, as it has been for the past four years. World economic growth is extremely strong and balance in geographic terms. Rates remaining at reasonable levels, corporate debt under control and attractive dividend yields are reassuring for investors seeking efficient investments in terms of performance risk.

A number of uncertainties emerged however, primarily with regard to the USA, during the last quarter as the backtracking that took place in March was not totally offset, leaving a few fears among investors which is only apparent for time being in terms of the greater existing and implicit volatility of derivative instruments. This may however be the prelude to a phase of maturity of the economic cycle, which is no longer seeing double figure growth in company profits. The securities selection activity has become more important, as has the opportunity that has opened up in trading as a result of the increased volatility.

In terms of sectors, the financial ones were the most heavily hit by the fundamental situation, affected by the rates scenario and by fears about the property sector (subprime in particular) and the future with regard to outstanding debts. Industrials and primary goods performed excellently, however, due to their direct connection with the strong growth in emerging countries.

---

Equities desk operations increased their contribution during a difficult phase on the rates front. Assisted by the favourable market performance, we tried to take advantage of a number of trading opportunities, achieving capital gains on financial, utility and oil securities, reducing the weight and re-orienting the portfolio towards non-cyclical sectors such as healthcare and TMT. In the non-life classes, the working capital component fell between May and the beginning of June, although it had previously increased during the first few months of the half year.

In operational terms, financial activities developed by the Company during the first half of 2007, at Fixed Income level, experienced a slight increase in duration in the non-life sector, benefiting from greater ordinary profitability as a result, among other things, of higher market rates compared to the previous half year.

Trading activity continued, making the most of market opportunities.

The variable rate government component was slightly reduced, after having enjoyed better performance in terms of coupons as the market began to focus on the end of the policy of rate increases by the authorities in Frankfurt.

In the lift sector, preference continued to be given to investments offering good ordinary profitability and low risk, trying to monitor and fill the duration gaps of the various separately managed funds at the most appropriate times.

The Corporate component stands at around 18%, focusing primarily on diversified, high rating issues in sectors that are less sensitive to rising rates.

Corporate securities belong for the most part to the “investment grade” category.

The Non-life Class consists of fixed rate government and supranational bonds (68.8%) and variable rate bonds (29.7%), with the rest consisting of sale and repurchase agreements.

The total duration of the portfolio is 2.00 and the profitability of the Non-life portfolio is 4.17%.

The Life Class has an asset allocation that is richer in fixed rate government and supranational bonds (84.8%) compared to variable rate bonds in the same asset class (15.2%), with total portfolio duration of 5.92, higher than in 2006, and profitability, which has also increased, of 4.57%.

### **CONSOB Communication no. 7079556 of 30 August 2007**

With regard to the request made by CONSOB relating to the crisis in the so-called subprime loans sector, we report that neither Fondiaria-SAI nor any of its group companies have any exposure as disbursers of so-called subprime loans, investors at their own risk or managers of financial products having the said loans as their underlying assets.

---

## **SIGNIFICANT FINANCIAL TRANSACTIONS**

With regard to listed shareholdings:

- ABN AMRO: purchase of 317,700 shares for € 8,095K, conversion of the dividend into 5,384 shares with a countervalue of € 191K; sale of 176,988 shares, achieving a capital gain of € 1,871K. The direct shareholding percentage is 0.008%.
- BANCA POPOLARE DI MILANO: sale of 1,500,000 shares, achieving a capital gain of € 5,282K.
- ITALMOBILIARE: sale of 130,000 shares, achieving a capital gain of € 7,974K. The direct shareholding percentage is 0.933%.
- MILANO ASSICURAZIONI: purchase of 6,194,300 shares for € 40,423K and sale of 6,747,300 shares, achieving a capital gain of € 25,298K. The direct shareholding percentage is 56.45%.

Here are the main transactions involving unlisted shareholdings:

- MERIDIANO QUINTO: payment into capital increase account involving a disbursement of € 50,600K. The direct shareholding percentage is 100%.
- MERIDIANO RISPARMIO: payment into capital increase account involving a disbursement of € 6,000K. The direct shareholding percentage is 100%.
- NUOVE INIZIATIVE TOSCANE: payment into capital increase account involving a disbursement of € 8,767K. The direct shareholding percentage is 96.88%.
- SAI INVESTIMENTI: purchase of 430,495 shares with a disbursement of € 1,100K. The direct shareholding percentage is 51%.
- SAI MERCATI MOBILIARI: payment into capital increase account involving a disbursement of € 4,207K. The direct shareholding percentage is 100%.
- SASA VITA: subscription to capital increase with the purchase of 3,250,000 shares and a disbursement of € 3,000K. The direct shareholding percentage is 50%.
- VILLA RAGIONIERI: payment into capital increase account involving a disbursement of € 1,610K. The direct shareholding percentage is 100%.

## OWN SHARES, SHARES IN THE PARENT COMPANY AND ITS SUBSIDIARIES

As at 30/06/2007 and 31/12/2006, the parent company held own shares and shares in the parent company Premafin Finanziaria according to the following table:

(€K)	30/06/2007		31/12/2006	
	Number	Book value	Number	Book value
<b>Own shares registered to:</b>				
Fondiarria-SAI	163,000	5,845	9,490,212	182,201
Milano Assicurazioni	6,958,723	161,930	6,802,557	149,440
Sai Holding	1,200,000	28,306	1,200,000	28,306
<b>Grand total</b>	<b>8,321,723</b>	<b>196,081</b>	<b>17,492,769</b>	<b>359,947</b>
<b>Shares in the parent company registered to:</b>				
Fondiarria-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	165	66,588	151
<b>Grand total</b>	<b>27,564,325</b>	<b>43,197</b>	<b>27,564,325</b>	<b>43,183</b>

### Own shares

On 5 June 2007, action was taken to purchase own shares pursuant to the resolution approved by the shareholders' meeting on 30 April 2007.

As of 5 June 2007, therefore, 163,000 shares have been purchased with a disbursement of € 5,845K.

Therefore, as of 30/06/2007, there were 163,000 ordinary shares in the portfolio, equal to 0.130% of the ordinary share capital.

Subsequently, on 30/06/2007, 580,000 ordinary shares were purchased with a disbursement of € 20,630K. Therefore, as at 31/08/2007, there were 743,000 ordinary shares in the portfolio, equal to 0.593% of the ordinary share capital, while the subsidiary Sai Holding S.p.A. holds 1,200,000 ordinary shares, amounting to 0.958% and the subsidiary Milano Assicurazioni S.p.A. owns a further 7,528,723 ordinary shares, amounting to 6.012%.

We should also point out that the subsidiary Sai Holding S.p.A. holds 1,200,000 ordinary shares and the subsidiary Milano Assicurazioni S.p.A. holds a further 6,958,723 ordinary shares.

Finally, we report that on 24 March of this year, the company implemented the resolution approved by the shareholders' meeting on 4 December 2006, which required the cancellation of all the own shares in the portfolio. Therefore, 9,490,212 shares were cancelled.

---

### Shares in the parent company

During the first half of 2007, purchase and sale operations were carried out on ordinary shares in the parent company Premafin Finanziaria S.p.A..

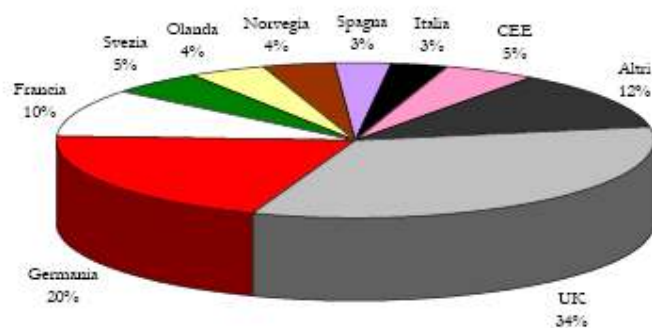
As at 30/06/2007, the Parent Company owned 18,340,027 shares of the parent company, equal to 4.469% of the share capital. The subsidiary Saifin-Saifinanziaria owned a further 66,588 ordinary shares, equal to 0.016% of the share capital, and the subsidiary Milano Assicurazioni owned a further 9,157,710 ordinary shares, equal to 2.232% of the share capital.

No purchase and sale transactions have been carried out since 30/06/2007. Therefore, as at 31/08/2007, the Parent Company owned 18,340,027 ordinary shares, amounting to 4.469% of the share capital, while the subsidiary Saifin-Saifinanziaria S.p.A. owned a further 66,588 ordinary shares, amounting to 0.016% of the share capital and the subsidiary Milano Assicurazioni owned a further 9,157,710 ordinary shares, amounting to 2.232% of the share capital.

## PROPERTY BUSINESS

2006 was a year of strong growth in the property market across the world, despite the repeated increases in interest rates implemented by the Central Banks. In particular, the markets in which institutional investors primarily operate (markets for commercial properties) continued to expand, achieving an increase by the end of 2006 of 33% on the previous year, with a volume of transactions amounting to approximately € 500bn. In this context, property investments made in mature markets such as the UK (34%), Germany (20%) and France (10%) continued to dominate, with an increasing amount of investments being made in East European countries, while the role of Italy remains primarily marginal (3%).

### *Destination of property investments in Europe - 2006*



UK – Germany – France – Sweden – Netherlands – Norway – Spain – Italy – EEC – Others

Source: Jones Lang LaSalle – Nomisma report – Property Market Observatory, 1-07.

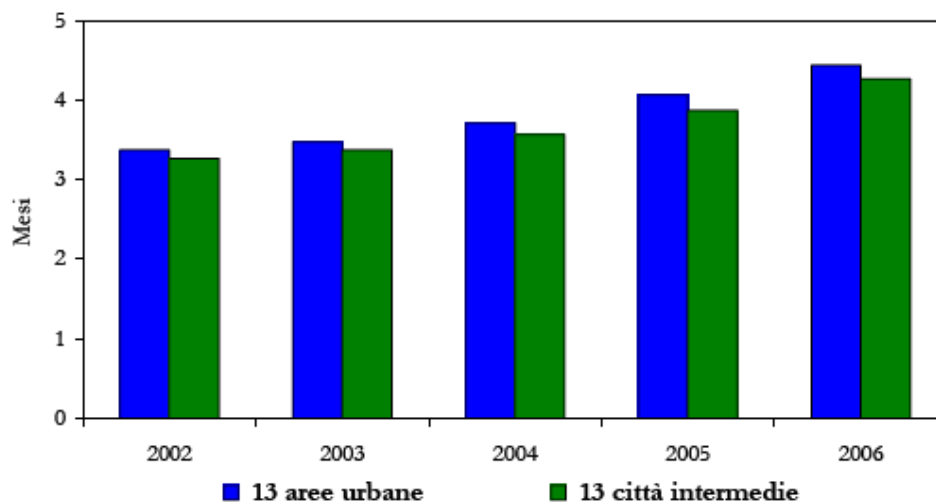
---

This is the result of a series of characteristics of our market, such as:

- low debt-to-wealth ratio, which in Italy stands at around 5%, while in the USA, UK and Germany it stands at between 20 and 25%, while in France it is between 10 and 15%;
- high level of savings, which remains among the highest, despite having fallen in recent years, during which there has been a greater propensity to take on debts, from 19.4% in 1994 to 10.2% in 2006;
- low level of outstanding debt on loans, despite the recent rate rises. The percentage of households with outstanding debts on loans is just 1.7%.

The Italian residential property market, represented by the accumulated figures for the markets of the 13 largest urban areas and the 13 intermediate cities, shows a certain amount of stability at the end of 2006 as regards both supply and demand. The economic situation in the non-residential market is however weaker. On the leasing front too there has been a gradual fall in rental income, particularly in the segment of intermediate cities, while the time-to-sale is similar in the larger areas and the intermediate cities, having grown slightly longer since 2005.

***Average sale times of houses (months)***



*Months / 13 urban areas – 13 intermediate cities*

*Source: Nomisma.*

With regard to 2007, the improved economic climate should further assist the office and service sector properties sector, with a positive effect on both quotations and rental income.

During the first half of 2007, property prices continued to grow as they have done for the past ten years, although the rate of increase was lower than in the past.

The average annual increase in the price of houses therefore stands at +5.6% (+4.2% in real terms), significantly lower than in previous years (the greatest annual increase occurred between 2003 and 2004, when an increase of 10.8% was recorded). The slowdown is however controversial because growth in the last six months exceeded growth in the previous six

---

months, when the rate of increase was +2.6%. The reason for the greater vitality of the second semester compared to the first is seasonality, given that there is greater pressure on prices during the first half of the year than during the second half.

The residential sector recorded a turnover of € 99bn, fuelled by a strong current of purchases, particularly by immigrants and young couples. Forecasts for 2007 are for a further increase in turnover of 3%, while for average quotations the increases should be in the order of 3.2%, with a significant difference between cities and smaller towns.

During 2006, the service sector/office market reversed the negative trend of previous years. Turnover increased by 6% to € 7bn. The improved economic climate in the country will further help the office sector during 2007. According to our estimates, turnover in this sector will grow to € 7.4bn (+5.7%).

If the economic trend strengthens during the second half of the current year, the market should grow further.

The improved economic climate overall is also driving the corporate property market towards a recovery.

Persistent tensions on prices are however accompanied by a worsening of the economic framework, as witnessed by the longer average times taken to sell and lease properties, the increase in discounts granted during negotiations, the fall in the number of contracts and, in general, the weakening demand.

The number of sales during 2007 therefore seems to be destined to fall slightly compared to the record level of 850,000 sales reached in 2006. It is interesting to note how the greatest falls have been recorded, as they were last year, in the largest regional and provincial capitals, while sales in the smaller markets around the major urban centres should remain steady.



---

## FONDIARIA-SAI DEBTS

As at 30/06/2007, the debt situation of Fondiaria-SAI S.p.A. was as follows:

(€K)	30/06/2007	31/12/2006	Variation	30/06/2006
Subordinated loan 2002	400.0	400.0	-	400.0
Subordinated loan 2005	100.0	100.0	-	100.0
Subordinated loan 2006	150.0	150.0	-	-
Sundry borrowings and other financial payables	351.0	350.0	1.0	303.5
<b>Total debts</b>	<b>1,001.0</b>	<b>1,000.0</b>	<b>1.0</b>	<b>803.5</b>

On 12 December 2002, the incorporating company SAI had signed a financing contract with MEDIOBANCA on the basis of which the latter had disbursed the amount of € 400m to the Company in order to increase the constituent elements of the solvency margin. Based on the agreements reached with Mediobanca, and with prior authorisation from ISVAP, in July 2003 Fondiaria-SAI had obtained a new subordinate loan, for the same amount, at the same time as the existing loan was repaid early.

During December 2005, with prior authorisation from ISVAP, the interest rate spread of the loan was renegotiated and as of January 2006 it was reduced from the 6-month Euribor plus 2.65% to the 6-month Euribor plus 1.80%.

At the same time, a new subordinate loan contract was signed for € 100m with the same characteristics of the existing loan.

Finally, with a value date of 14 July 2006, a subordinate loan contract was signed with Mediobanca for € 150m, with the same characteristics as those of the previous contracts. This loan will contribute to further improving the available solvency margin in the amount of 25% of the available margin or of the solvency margin required, whichever is the smallest.

With reference to the subordinate loan of € 400m as at December 2006, an interest rate swap was agreed lasting 6 years on a notional amount of € 200m with a fixed interest rate of 3.97%. The swap will run from 23 January 2007 and will cover part of the interest rate risk associated with the aforesaid loan, stabilising the flow of interest to be paid to the counterpart on an annual basis.

The item “Sundry borrowings and other financial payables” consists mainly of the financing granted by the subsidiary Sainternational S.A. of € 180,400K, relating to the liquid assets from the Convertible and Refundable Bonded Loan (Mandatory Exchangeable Guaranteed Notes) with Intesa SanPaolo ordinary shares owned by Fondiaria-SAI, due date 29/09/2010. For further details, please refer to the report on consolidated debt.

---

The remainder of the item 'Sundry borrowings and other financial payables' is for loans to subsidiaries. For more details, please refer to the information in the relevant section of the notes to the accounts.

---

## Other information

---

## STRUCTURE OF THE SALES ORGANISATION

With reference to the first half of 2007, the territorial distribution of Fondiaria-SAI Agencies is as follows:

	SAI mandate	Fondiaria mandate	Total 30/06/2007	Total 31/12/2006
North	416	250	666	666
Centre	186	162	348	362
South	184	142	326	311
TOTAL	786	554	1.340	1.339

There are 786 agencies with a SAI mandate, of which 222 are city agencies and 564 general agencies.

With reference to agencies with a La Fondiaria Assicurazioni S.p.A. mandate, please note that as at 30/06/2007, there were 558 agencies, of which 554 were under contract and 4 were under direct management.

With reference to the Group, please note that there were 4,044 agencies in the first half of 2007 (4,012 as at 31/12/2006) operating via 3,146 points of sale (3,169 as at 31/12/2006) representing the traditional distribution channel.

## MANAGEMENT AND DEVELOPMENT OF HUMAN RESOURCES

As at 30/06/2007, the Company employed 2,633 staff (2,649 as at 31/12/2006) including 76 managers, 2,541 insurance officers and clerks and 16 employees working in caretaker's lodges at company-owned buildings, whose employment is governed by the caretakers' contract.

Please note that the Company workforce figure of 2,617 insurance officers as at 30/06/2007, includes 7 employees from other Group companies transferred to Fondiaria-SAI.

In the first half of 2007, industrial relations were conducted in line with the existing Fondiaria-SAI Group consolidated system, in line with principles of education, dialogue and dispute resolution in terms of issues raised under corporate bargaining.

One of the agreements concluded in the period in question that proved to be particularly relevant and was beyond the scope of ordinary agreements relating to the implementation of current supplementary agreements, was the one signed on 30 January 2007, upon the conclusion of the union dispute resolution procedure instituted in accordance with legislation and the national labour agreement for the insurance industry, relating to the transfer of the line of business for management of the Group's Information Technology infrastructures. These infrastructures were entrusted by Fondiaria-SAI S.p.A., Milano Assicurazioni S.p.A. and Starvox S.p.A. to Fondiaria-SAI Servizi Tecnologici S.r.l., a company set up as a joint venture with EDS Italia S.p.A..

---

Another topic on which company-level union dispute procedures focused was the harmonisation of contractual regulation of working hours and part-time work schedules, in line with the principle of Group rationalisation at local level; in particular, the Record of Agreement signed on 18 June 2007 redefined regulations applicable to the local area of Turin for all insurance companies belonging to the Fondiaria-SAI Group.

Over the same period, industrial relations throughout the territory were improved; this included audit meetings held in March and April 2007, in Rome and Naples respectively, with regard to some specific issues relating to claims settlement structures.

Talks for the renewal of the Industry-wide National Labour Agreement for non-executive employees which expired on 31 December 2005, first launched during the course of last year, are still in progress.

Disputes over individual employment contracts to be settled in court were kept, in line with the trend in previous years, within certain limits.

### **Fondiaria-SAI training in the first half of 2007**

From a training perspective, the first half of 2007 is witnessing the development of initiatives already started in 2006 to support the growth in new Managers and cultural integration between the Group's various arms.

Managerial training activities have, therefore, witnessed the:

- 2nd offering of the General Management course, split into two courses held between May and June;
- completion of the first part of the Skills development course for all Managers (Leadership, Planning/Coordination) and the start of the second part (Delegation and Sensitivity to change);
- at the same time, the Professional skills development course started (Valuation and Development Model, Attitudes to Change).

In addition, the technical/insurance and professional training programmes listed in the New Catalogue of in-house Courses distributed at the start of the year are in progress. Intensive planning activity aimed at supplementing the range of training programmes on offer also started in this first half year, the 'Progetto Facoltà' [Faculty Project] being supplemented with blended-type initiatives (mixture of traditional and distance learning).

There has also been a massive amount of classroom teaching on Claims structures in relation to the new provisions on Direct Compensation.

Attendances and trainee days for the first half year were around 3,000 and 4,500 respectively.

---

## Stock option plans

On 14 July 2006, the Fondiaria-SAI Board of Directors decided to allocate the options referred to in the Fondiaria SAI 2006-2011 Stock Option plans to executive directors and management of said Fondiaria-SAI, its subsidiaries and parent company, to purchase Fondiaria-SAI savings shares. The Board made this allocation in execution of the decision taken by the Fondiaria-SAI extraordinary shareholders' meeting on 28 April 2006.

The Board of Directors, meeting on 20 June 2007, decided to bring forward the expiry of the vesting period laid down by stock option plan regulations.

In particular, each tranche of options may be exercised a year early.

The decision to bring forward the expiry of the vesting period takes into consideration, on the one hand, the early achievement of some of the objectives of the Group's 2006-2008 Industrial Plan, upon which the exercising of the options was dependent and, on the other hand, the change in the taxation system to which the plans are now subject compared to the system in place on the date that they were approved,

As a consequence of the amendments made to the regulations of Fondiaria-SAI Board of Directors' plans of 20 June 2007, options cannot be exercised prior to the completion of a vesting period, running from the allocation date, in accordance with the following procedures:

- 40% of the options can be exercised from 14 July 2007 (12 months after the allocation date);
- 30% of the options cannot be exercised within 24 months of the allocation date;
- 30% of the options cannot be exercised within 36 months of the allocation date.

Alternatively, once the vesting period is over, the beneficiaries may:

- keep the options until maturity;
- exercise the options, subscribing the shares and keeping them in a portfolio;
- exercise the options, subscribing the shares and selling them on the market;

In any event, options not exercised within 5 years of the date of the Shareholders' meeting will lapse automatically.

The entitlement to exercise the option right is, however, suspended for 10 days prior to the date on which the Board of Directors is due to approve the accounts, until the dividend coupon date.

Regulations also place restrictions on the exercising of options and, more specifically:

- after the options have been exercised and the related shares have been subscribed, no more than a total of 10% or 15% (for management and executive director plans respectively) of the daily average of the volumes recorded in the thirty days prior to the date selected for the sale, may be sold, on a daily basis, on the market;
- shares deriving from the exercise of options cannot be traded within the month in which the Board of Directors convened the meeting to approve the accounts and the half-yearly report.

---

If, due to amendments to the current state of tax and social security regulations or any other applicable regulation or their related interpretation and application, implementation of the Plan involves considerable liabilities in terms of social security contributions, taxes or other liabilities for the Company, the latter shall be entitled to modify the Plan or withdraw from said Plan, without the beneficiaries being entitled to claim compensation.

In short, the Board of Directors has decided to tie the exercising of options to the achievement of the main objectives of the Group's 2006-2008 Industrial Plan, already made known to the market.

With reference to the economic effects for the period in question and the cumulative effects relating to the stock option plans selected, please refer to the relevant section of the consolidated half-yearly report, assuming that IFRS 2 "Share-based payments" applies.

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

### **External communications**

The first half of the year was dedicated, in particular, to developing two new Corporate communications projects which, in different ways and with varying significance, pursue objectives that are typical of this field of activity i.e. to communicate the values and resources used by the Group to operate on the market, to clearly express its competitive positioning and reinforce the Group's brand awareness.

From this perspective, the "**Libera la Vita**" [Free to be free] initiative was conceived, which – referring to the Group institutional payoff defined the year before – relates to Agencies from all distribution networks and aims to harmonise communications throughout the territory and give expression to Fondiaria-SAI Group positioning. The operation makes a monetary contribution to local initiatives of a social/welfare nature and in line with the communications philosophy which supports the "Libera la vita" promise, by selecting projects capable of conveying the strong role of social responsibility played by the Fondiaria-SAI Group and of being remarkable for their innovation and visibility.

This is an effective way of conveying to the market the personality, values and uniqueness of our brand, at the same time reinforcing the role of the Agencies.

The second project, developed within the corporate arena, is the new Group magazine **VISION**, aimed at employees and at all the Agencies and entirely dedicated to subjects that are important to the world of Communications i.e. scenarios, fact-finding inquiries into the state of health of our main brands and on major emergent social phenomena, successful case-histories, new projects implemented by the Group.

The newsletter, published every six months, aims to promote a more widespread and mature communications culture and to provide informative/educational tools of use to insurance sales networks and also of interest to all Group Management.

Its very name, 'Vision – Valore e Valori della Comunicazione' [Vision - the Value and Val-

---

ues of Communication], is a declaration of intent: to contribute knowledge, clarity and substance to the understanding of communications dynamics, paying particular, but not exclusive, attention to changes in the insurance/financial market, to investigate today what will form the public's taste and opinion tomorrow, the serviceability of the correct use of 'communication' in achieving corporate objectives and to disclose the Values on which our Group vision is based.

Within the scope of its mandate, the Turin centre has, in addition, guaranteed appropriate back-up together with the high profile required by the initiatives developed by corporate business centres and by Group Companies:

- plan to harmonise the image of Claims Inspectorates;
- review of SIAT's institutional communications with the aim of developing its new positioning as the Group's Transport Hub.

The Agencies have, in addition, been guaranteed, on a permanent basis, the assistance needed to implement local communications tools, in line with specific territorial marketing requirements.

## **Internal Group Communications**

In order to consolidate the creation of a corporate culture shared by the whole Group, numerous Internal Communications activities were planned over the period in question which have involved, or will involve, the Group over the coming months, either by providing employees with printed/online material or by organising internal events.

Some of the most significant activities were:

- sharing information via the NEWS newsletter and the house magazine TEAM aimed at all Group employees and all distribution networks;
- production of ad hoc Communications Plans (in particular, for Milano Assicurazioni which is currently collaborating on research into a new dedicated paper publication called "Milano Magazine") and the completion of communications projects aimed at various Group companies;
- development of loyalty among the best clients (Club Assicurati [Policyholders' Club]) by publishing the four-monthly magazine LINEA DIRETTA CLUB;
- production of the 2007/2008 Gifts Catalogue, intended for all employees and all distribution networks, to manage the Group's promotional giftware;
- continuation of intranet integration work;
- management of major signage (with particular reference to the new Fondiaria-SAI headquarters in Rome) and agency signage for the entire Group;
- research in to the plan to computerise the 'Signage request procedure', with the collaboration of Wave Group;
- events planning for employees and agency networks.

## **Press Office**

The Press office supported the release of results for the 2006 financial year and for the first quarter of this year to the media, objectives set and major strategic operations undertaken by



---

the Company such as, for example, the development of Life business bancassurance agreements with Banco Popolare.

In particular, 19 press releases were issued by Fondiaria-SAI S.p.A., 14 of which were price-sensitive.

The Press office also collaborated with Investor Relations in setting up a meeting with Financial Analysts on the state of progress of the Group's 2006-2008 Industrial Plan and the new market challenges arising from the introduction of direct compensation and from the Bersani Law, thereby supporting their media impact.

## **Sponsorship and donations**

One of the initiatives planned for 2007 which was of particular importance in the first half year, both in terms of the size of the investment and in terms of media exposure was the sponsorship of the +39 challenge, the Italian vessel backed by the Ministry for Welfare which, with the Fondiaria-SAI logo on the sails, took part, in Valencia, in the final qualification races for the 32nd America's Cup. Just like last year, this sponsorship was combined with some trade marketing initiatives and dedicated training for Group agency networks.

In the field of culture and art, the early part of the year saw renewed commitment as benefactors and supporters of some major Milanese institutions such as, amongst others, the La Scala Theatre, the PierLombardo Foundation which supports the restructuring of the Franco Parenti Theatre, and the AIM-‘Associazione Interessi Metropolitani’ [Association for Metropolitan Interests], which is studying the problems of the Lombardy metropolitan area to promote balance modernisation within the Italian metropolitan system and to increase international competitiveness.

The sponsorship relationship with the La Scala Philharmonic Orchestra continued and support for the G.Verdi Conservatory Philharmonic Orchestra was renewed.

To highlight the fact that it is firmly rooted in the history of Milan and has ties with the city, for the first two months of the year, Fondiaria-SAI continued the economic initiative, first started in November 2006, to rebuild the facade of the Duomo.

In the social arena, attention was focused, in line with the Company's tradition of sensitivity, to problems relating to physical and mental illness and marginalization. Support was renewed for the AIMAC-Associazione Italiana Malati di Cancro [Cancer sufferers' association], for ANDOS-Associazione Nazionale Donne Operate al Seno [Association for women undergoing breast surgery] and for AID-Associazione Italiana Dislessia [Italian Dyslexic Association], conceived with the aim of raising awareness in the professional and scholastic arenas as well as public opinion on the subject of dyslexia. Support was also given to ARCA, a socially useful not-for-profit organisation which works on behalf of those with severe mental disabilities, the Cooperativa Sociale Ideando, a Milanese socially useful NPO involved in rescuing minors trapped in highly dysfunctional family situations and the Associazione Amici del Centro Dino Ferrari, a charitable trust which fights for the diagnosis and treatment of neuromuscular and neurodegenerative diseases. A contribution was also made to the Gulliver Centre, a social cooperative which is working towards recovery for young drug addicts.

In the first half of 2007, some major events were held to confirm the strong ties between Fondiaria-SAI and the city of Florence.

---

On 21 March, celebrate the 50th anniversary of the Treaties of Rome, Florence played host to delegations from all countries of the European Community together with Presidents of the European Parliaments, welcoming them with a huge concert at the Teatro del Maggio Musicale Fiorentino, with the performance of Beethoven's Ninth Symphony. Fondiaria-SAI partnered the Maggio in offering this concert to the city of Florence and the European delegations.

As is now the tradition, Fondiaria-SAI also sponsored the closing concert of the May Florentine Music Festival, this being in its 70th year. The concert was held in the splendid setting of Piazza della Signoria with an "all Tchaikovsky" programme conducted by Maestro Zubin Mehta. The same Zubin Mehta had previously conducted a concert, exclusively for Fondiaria-SAI guests, in the Botticelli Room at the Uffizi Gallery with the performance of Mozart's K550 symphony.

The half year was also marked by a major advertising campaign for the subsidiary Dialogo Assicurazioni, a direct Group Company, which re-launched its own brand onto the market via a massive campaign on TV, in the press and on the radio.

## **Customer Relations**

In terms of the number of complaints reaching the Company for management in accordance with ISVAP Circular no. 518/03, a considerable rise in complaints (54.4%) was noted in the half year, mainly caused by the Company's position in terms of the current restructuring of the sales network (cancellations, agency closures, portfolio shift).

Other sales-related factors contributing to the rise in complaints are the right to withdraw from multi-year policies (as laid down by the Bersani Law) and requests to maintain the same risk category for both first and second vehicles.

When it comes to claims, the issue is the same for the whole of the domestic territory: the arrival of the no-claims certificate at the customer's home causes a reaction both in respect of increases for bad loss experience and the amounts paid to counterparties that the customer believes are too high.

With the introduction of direct compensation this phenomenon should gradually diminish.

With regard to sanctions, ISVAP disputed a total of 174 for an estimated maximum of € 2,977,628.92, as per the new provisions arising from application of the Private Insurance Code; the Supervisory Authority also gave notice of 94 Injunctions (orders to pay) in respect of practices for which it has previously already forwarded an 'Atto di Contestazione' [Notification of objection].

These Injunctions were for a total of € 1,665,265.11.

With regard to activities to increase customer loyalty, the new version of the Policyholders' Club for the two-year period 2006-2007 is now operational. The Club specialises in "Last Minute" offers which are accessible both via the website and through an insert in the 'Linea Diretta Club' magazine.

The flexibility of the initiative means that new members can be welcomed both at the request of Agencies and upon the recommendation of other Head office departments.

At the moment there are around 13,000 members of the Policyholders' Club.

---

## **Social, Cultural and Sporting Initiatives**

In order to consolidate the Group's institutional role and the Group's profile in Turin and Piedmont, over the period in question the Group continued to support and work together with the following cultural institutions:

- the Teatro Regio foundation in Turin, of which Fondiaria-SAI is a founding member;
  - the National Museum of Cinema, for which Fondiaria-SAI is on the steering committee;
  - the Turin "Consulta per la valorizzazione dei Beni Artistici e Culturali" [Council for the enhancement of Artistic and Cultural Heritage];
  - the International Book Fair (Turin was 2006/2007 world book capital);
  - Turin Industrial Union Convention Centre;
- and many other institutions operating within the social and cultural arena.

## **Outlook**

Management's main commitments for the second half of the year in support of the launch of new Non-life products (Corporate and Retail) planned for 2007 are:

- the "Libera la vita" initiative: help for Agencies, selection of best projects and support for their realisation;
- production of the second issue of 'Vision';
- development and materialisation of the image project for Claims Centres;
- consolidation of the Group's visible identity system via gradual extension of its codes to all on-line and off-line institutional communications and Group products;
- new In-house Communications initiatives for Group companies;
- checking and analysis of complaints received, also taking into consideration problems relating to the Direct Compensation system operational since 01/02/2007;
- identifying particular activities or initiatives intended for the Group's Private Insurance Customers within the scope of the Policyholders' Club.

---

## DEALINGS WITH GROUP COMPANIES AND RELATED PARTIES – MANAGEMENT AND COORDINATION

The Company is not subject to management and coordination by others pursuant to articles 2497 and subsequent articles of the Italian Civil Code. On the other hand, it does perform management and coordination activities in accordance with the aforementioned regulation in respect of its own subsidiaries, including Milano Assicurazioni, Immobiliare Lombarda and their direct subsidiaries.

The Company has, moreover, applied rules of conduct to its subsidiaries with the aim of ensuring that Group Companies are coordinated and monitored, as well as guaranteeing adherence to obligations in terms of transparency and disclosure in respect of the public, for which listed issuers are responsible under current legislation. These rules of conduct provide, amongst other things, for appropriate Board of Directors or Fondiaria-SAI Executive Committee decisions about some subsidiary-related transactions, deemed to be significant in terms of the nature or the amount of the transaction.

### Fondiaria-SAI S.p.A. related parties:

With reference to Fondiaria-SAI related parties, evidence of the main relationships entered into during the course of the half year and still in existence on 30/06/2007 is given below:

(€K)	30/06/2007		31/12/2006	
	Assets	Liabilities	Assets	Liabilities
Parent company	-	-	-	1,283
Subsidiaries	160,796	517,127	401,000	731,000
Associated companies and joint ventures	681	-	2	-
Affiliated companies	-	20	1	20
Other related parties	2,469	-	31,361	-

(€K)	30/06/2007		30/06/2006	
	Income	Expenditure	Income	Expenditure
Parent company	345	291	289	-
Subsidiaries	47,720	126,744	15,758	64,944
Associated companies and joint ventures	729	-	82	-
Affiliated companies	19	-	-	-
Other related parties	1,980	9,512	18	9,630

In particular, the main relationships relate to:

### Subsidiaries:

#### Assets

- Banca SAI S.p.A for liaison accounts of € 67.5m that the Parent company has with the subsidiary;
- Milano Assicurazioni S.p.A. for reinsurance amounting to € 39.7m;
- Sasa S.p.A. for an active loan provided with a subordination clause of € 10m;

- 
- Siat S.p.A for reinsurance of € 8.3m;
  - Sim Etoile S.A. for dividends assessed at € 8m.

#### Liabilities

- Sai International S.A. for loans obtained of € 250m;
- The Lawrence Re Ireland Ltd, for a deposit account relating to a reinsurance cession of €46.5m;
- Finsai International S.A. for a loan of € 34m;
- Milano Assicurazioni S.p.A. for the company's membership of the national fiscal consolidation system amounting to € 32m relating to payments on account of Ires, for which it is liable, made to the consolidating company Fondiaria-SAI and € 19m for reinsurance transactions;
- Sim Etoile S.A. for a loan of € 23m;
- Fondiaria Nederland B.V. for a loan of € 19m;
- Sai Holding Italia S.p.A. for a loan of € 15m;
- Sai Lux S.A. for a loan of € 10m;
- Mantegna s.r.l. for Group VAT payables for receivables sold to the Parent company of € 9.5m;
- Immobiliare Lombarda S.p.A for Group VAT payables for receivables sold to the Parent company of € 8.7m.

#### Income

- Fondiaria Nederland B.V. for dividends paid of € 11m;
- Sim Etoile S.A. for dividends assessed at € 8m;
- Milano Assicurazioni S.p.A for dividends paid of € 5.5m; exceeding the estimate for the period at the end of 2006, as well as income from outsourced workers of € 2.2m;
- Lawrence Re S.A. for reinsurance-related income of approximately € 12m.

#### Expenditure

- Uniservizi S.c.a.r.l. for consortium-related relations in respect of the fruition of standardised group services of € 43m;
- Lawrence Re S.A. for reinsurance-related costs of € 42.2m;
- Siat S.p.A. for reinsurance-related costs of € 11m;
- Pronto Assitance S.p.A. for reinsurance-related costs of € 7.8m;
- Sai International S.A. for interest on loans payable of € 6.9m;
- Pronto Assistance Servizi S.p.A. for costs incurred for claims settlement and call center services of € 5m;
- Immobiliare Lombarda S.p.A. for consultancy and service provisions of € 3.7m.

---

## **Other related parties:**

### Assets

- Immobiliare Costruzioni IM.CO S.p.A. for incremental expenses and property improvements of € 2.4m.

### Expenditure

- The expenditure item includes € 8m for directors' emoluments, already paid or decided on as at 30/06/2007.

Please note that the aforementioned transactions were conducted at market values and present no atypical or unusual characteristics.

Please refer to the consolidated half-year report for information on relations with other related parties, other than fully consolidated Group companies.

## **CURRENT DISPUTES**

### **Antitrust Dispute**

In the first half of 2007, the so-called "Antitrust" dispute, consisting of the well-known civil action brought (with effect from April 2001) by our policyholders claiming reimbursement of part of the Motor TPL premium paid, continued to be fuelled beyond expectations, despite the favourable judgement of the United Sections of the Court of Cassation of 4 February 2005 which declared that the Justices of the Peace did not have the jurisdiction required to judge the cases in question, confirming that this jurisdiction lay with the Court of Appeal. After the aforementioned judgement from the Court of Cassation, the number of new cases brought before Justices of the Peace fell to virtually zero.

As at 30/06/2007, there were a total number of 5,028 cases still pending.

The provision for risks and charges is adequate to meet the estimated outlay if the company loses these cases.

### **Writs of summons from shareholders**

In relation to proceedings instituted against the Company by shareholders in the incorporated company La Fondiaria Assicurazioni S.p.A. for the fulfilment of its alleged duty to make a public purchase offer, deriving from the well-known Consob decision of December 2002, please note that there are five actions pending at first instance.

Proceedings brought before the Milan Court of Appeal by the Company to appeal against sentence number 5259/2006 and no. 10987/2006 issued by the Court of Milan in actions brought by Messrs. Marcegaglia and by the trust company Promofinan s.r.l. and by other shareholders are also pending. Appeals are being prepared with a request for suspension of provisional enforceability against Court of Milan ruling no. 7292/2007 in the case brought by Società Almaf, no. 6212/2007 in the case brought by Giuseppe Gazzoni Frascara and others and no. 5184/2007 in the case brought by Mr Daniele Savelli.

---

Please remember that the Milan Court of Appeal, with ruling no. 54/2007 given on 15/1/2007, heard the appeal made by Fondiaria-SAI and by other defendants against Court of Milan ruling no. 6688/2005 which had sentenced the Company and Mediobanca to pay compensation for damages claimed by the plaintiff Promofinan S.p.A. in its capacity as a La Fondiaria Assicurazioni S.p.A. shareholder. Further to the judgement, Fondiaria-SAI recovered what was paid to Promofinan in execution of the amended judgement, plus first and second instance legal costs. The judgement has been contested before the Court of Cassation where the Company will appear with a counterclaim which is currently being prepared.

The Company maintains a provision for risks and charges that is adequate to meet liabilities arising from current disputes.

---

## **SIGNIFICANT EVENTS OCCURRING AFTER HALF YEAR-END**

### **Purchase of a holding in BPV Vita S.p.A.**

On 07/09/2007, the Fondiaria-SAI Group and the Banco Popolare Group finalised an agreement to set up an exclusive strategic partnership in respect of the Banco Popolare Group's Life and Welfare bancassurance business.

Once the necessary authorisations had been obtained from the relevant Authorities, Fondiaria-SAI purchased a 50% holding plus a capital interest in BPV Vita S.p.A. from the Banco Popolare Group for a price of €530m.

More specifically, this holding was purchased by Fondiaria-SAI by means of obtaining a 35% capital interest from Banco Popolare S.c.a.r.l., for a price of € 371m and a 15% capital interest from Credito Bergamasco S.p.A., for a price of € 159m.

The Fondiaria-SAI Group and the Banco Popolare Group have also signed a shareholders' agreement to govern the industrial aspects of the partnership and the rules of corporate governance of BPV Vita. In addition to containing appropriate clauses that will make it possible for the Fondiaria-SAI Group to fully consolidate BPV Vita, the agreement also provides for reciprocal put&call options in the event of the partnership being dissolved, with provision for the Fondiaria-SAI holding to be valued using the appraisal value method.

Again on 07/09/2007, BPV Vita and the Banco Popolare Group networks signed a ten-year distribution agreement with the option to renew for additional 5 year periods. This agreement will be exclusive as of 1 January 2008, without prejudice to the remaining distribution agreements with Aviva (non-exclusive agreement expiring at the end of 2009) and Aurora (exclusive agreement expiring in May 2009) using BPI branches and S.p.A. banking network branches, respectively. At full capacity, BPV Vita can, therefore, count on a total network of approximately 2,200 branches and aims to achieve annual premium income of around € 6 billion.

### **Repairs Initiative**

Fondiaria-SAI has prepared an appropriate 100% owned special purpose vehicle, called Auto Presto & Bene S.r.l. (formerly SAI Sistemi Assicurativi S.r.l.), to be used to complete a project to launch a new system for managing repairs which will enable the Company to take advantage of the opportunities arising from the introduction of the new direct compensation system.

Considering that in 2006 Fondiaria-SAI paid out just over 1 billion Euro for repairs, we must stress how direct compensation widens the possibility to extract value from the repairs system and how the market share achieved means that the Company and the Group as a whole are in a position to seize market opportunities.

The mandatory and optional channels provided for by the new regulations represent one of the drivers for value creation, together with the opportunity to control the level of service and to intervene in the supply chain via agreements with suppliers and repairers. The objective of all this is to pay the right price, offer an excellent service and capture margins in the value chain.

The project would make it possible to reduce labour costs and the costs involved in purchasing spare parts. The first step towards reducing repair costs is to ensure appropriate controls



---

aimed at identifying criticalities in respect of repair activities.

Due to the fact that the repairs business is entirely different to the insurance business, it is necessary – in line with what has already been done by other companies – to keep the two activities separate. To this end, the aforementioned special purpose vehicle has been specifically identified to perform the following activities:

- aggregation of demand and negotiation with suppliers;
- control over repair costs with specialist resources;
- control over IT infrastructures;
- monitoring of working capital and balancing of stocks;
- audit and development of repairers.

Both the special purpose vehicle and the development of models of high integration at local level could benefit from partnerships and/or acquisitions.

The winning model is a variable geometry model with selective multi-establishment integration over the territory. The range of motor claims is, in fact, highly varied throughout the territory and local specificities suggest a variable geometry approach with high integration limited to the high density areas of Central and Northern Italy.

The operating model sets the following main objectives:

- implementation of peripheral monitoring system for assessors and body shops;
- optimisation of fiduciary audit system;
- involvement of agents to optimise channelling system;
- implementation of IT interfaces.

Please also note that:

- In July the Tikal R.E. Fund sold the building for commercial use located in Rome at Piazzale dell'Industria for € 120m, with a significant capital gain.
- Immobiliare Lombarda S.p.A., via the newly formed company Chrysalis S.p.A. in which it has a 20% capital interest, on 26 July 2007 filed an offer document at the CONSOB offices in Milan for the purchase of all the shares in "BETA Immobiliare - Fondo Comune di Investimento Immobiliare di Tipo Chiuso" [Closed-end type property investment fund] constituted and managed by FIMIT Sgr. The payment offered for each share was agreed at € 1,213.00. The offer period, agreed with Borsa Italiana S.p.A., will run from 20 August 2007 to 14 September 2007 unless there are subsequent extensions. Capitalia S.p.A. was identified as an intermediary charged with coordinating the collection of consents.

---

## BUSINESS OUTLOOK

During the course of 2007, managerial actions and initiatives aimed at achieving the objectives of the strategic plan for the three-year period 2006-2008 will continue.

In particular, activities will pursue the following objectives:

- to be leader in Motor business and in the Non-life business retail sector in Italy;
- to maintain excellent levels of profitability;
- to develop new growth initiatives in Italy and, possibly, abroad;
- to offer an attractive risk profile and yield for shareholders.

Within this context, initiatives to strengthen existing sales networks and form new ones are being consolidated, whilst Non-Motor business will also be grown via the start-up and/or re-inforcement of agreements within the Non-life bancassurance sector. Motor business leadership will then, in turn, be supported via the re-launch of direct sales channels, which will receive dedicated resources to guarantee the visibility and publicity required.

Life business activity will continue with greater protection of capital upon maturity, giving priority to commercial objectives mainly focused on the intrinsic value of the portfolio rather than on volumes as such. The growth of bancassurance channels will continue both via targeted trade agreements and joint-ventures.

With regard to property, activities based on different risk profiles will continue i.e. with reference to the Group's insurance companies, investment in property with significant returns to protect technical reserves will continue; Immobiliare Lombarda and the Tikal fund will, viceversa, be tied into growth initiatives, both on their own and in joint ventures, with the aim of maximising the return on the investment in the medium-term.

Finally, the initiative to reinforce equity in terms of improving the rating, increasing the diversification of investments with the aim of reducing risk and increasing profitability, will continue.

In a domestic market where structural processes of change are in progress, such as the new direct compensation procedure for Motor TPL business and the new provisions introduced by the Bersani Law, the Group is, however, in a position to seize the opportunities for growth and profitability offered by the new scenarios.

In this context, although concrete objective data is still not available with regard to the economic effects of the recently introduced provisions, we can be confident that the result for 2007 will border on absolute excellence.

*Milan, 12 September 2007*

*For the Board of Directors  
The Chair*

*Jonella Ligresti*

---

## Accounts Tables



		2. Bonds	7	156	81	156	155	156		C.	Technical reserves							
		3. Loans	8	22,677	82	16,152	156	20,831			I	- Non-life business						
		Total investments in group undertakings and other participating interests	9	3,062,812	83	2,674,308	157	2,977,468				1. Premiums reserve	44	1,398,672	118	1,380,050	192	1,346,849
												2. Claims reserve	45	4,889,231	119	5,003,369	193	4,965,602
	III	- Other financial investments										3. Miscellaneous technical reserves	46	7,516	120	7,790	194	7,602
		1. Stocks and shares	10	1,921,706	84	1,694,156	158	1,770,990				4. Equalization reserve	47	13,306	121	11,049	195	12,187
		2. Quotas in unit trusts	11	430,676	85	358,139	159	402,125				Total technical reserves non-life business	48	6,308,725	122	6,402,258	196	6,332,240
		3. Bonds and other fixed income securities	12	9,597,180	86	9,443,684	160	9,497,237			II	- Life business						
		4. Loans	13	49,754	87	77,131	161	49,376				1. Mathematical reserves	49	7,676,004	123	7,579,015	197	7,537,709
		5. Others	14	725	88	63,874	162	641				2. Reserves for sums to be paid	50	126,032	124	104,545	198	127,662
		Total other financial investments	15	12,000,041	89	11,636,984	163	11,720,369				3. Miscellaneous technical reserves	51	63,181	125	64,315	199	65,732
												Total technical reserves life business	52	7,865,217	126	7,747,875	200	7,731,103
	IV	- Deposits with ceding undertakings	16	67,265	90	326,117	164	67,970										
												Total	53	14,173,942	127	14,150,133	201	14,063,343
		Total	17	16,202,072	91	15,685,243	165	15,819,037										
										D.	Technical reserves when the risk of the investment is borne by the policyholders and reserves deriving from pension fund management							
D.	Investments for the benefit of life policyholders who bear the risk thereof and deriving from pension fund management																	
											I	- Reserves relating to contracts whose transactions are connected to						
	I	- Investments										investment funds	54	546,153	128	570,308	202	570,550

		relating to trans- actions connected with investment funds									and market indices						
		and market in- dices	18	546,155	92	570,912	166	570,622		II	- Reserves deriving from pension fund management	55	138,376	129	113,939	203	125,860
	II	Investments de- riving from pen- sion fund man- agement	19	138,376	93	113,939	167	125,860									
											Total	56	684,529	130	684,247	204	696,410
		Total	20	684,531	94	684,851	168	696,482									
									E.	Fund for risks and charges		57	455,503	131	399,692	205	545,164
D.bis		Reinsurers' share of techni- cal reserves															
	I	- Technical re- serves in non-life business	21	318,814	95	334,016	169	320,818	F.	Deposits received from reinsurers		58	154,707	132	156,986	206	150,743
	II	- Technical re- serves in life business (exclud- ing those under III)	22	93,517	96	87,422	170	87,301									
	III	- Technical re- serves in life business when the risk of in- vestment is borne							G.	Payables and other liabilities							
		by the policy- holders and re- serves deriving from pension fund manage- ment	23	0	97	0	171	0		I	- Payables deriving from direct insur- ance	59	44,405	133	142,431	207	57,228
										II	- Payables deriving from reinsurance	60	49,620	134	29,647	208	42,953
		Total	24	412,331	98	421,438	172	408,119		III	- Bonded loans	61	0	135	0	209	0
										IV	- Payables to banks and financial insti- tutions	62	0	136	0	210	0
										V	- Sundry payables and borrowings	63	572,970	137	583,718	211	717,006

E.	Receivables								VI	- Staff leaving indemnity	64	57,274	138	57,634	212	56,830
	I	- Receivables deriving from direct insurance	25	1,059,231	99	1,166,233	173	1,209,592	VII	- Other liabilities	65	499,958	139	825,982	213	398,479
	II	- Receivables deriving from reinsurance	26	51,309	100	54,352	174	66,316								
	III	- Other receivables	27	346,263	101	476,350	175	666,574		Total	66	1,224,227	140	1,639,412	214	1,272,496
		Total	28	1,456,803	102	1,696,935	176	1,942,482	H.	Deferred income and accrued liabilities	67	22,152	141	18,878	215	17,270
F.	Other assets									TOTAL LIABILITIES	68	20,002,766	142	20,191,982	216	20,214,873
	I	- Tangible assets and stocks	29	14,462	103	15,506	177	15,819								
	II	- Cash at bank and in hand	30	111,486	104	116,356	178	156,462								
	III	- Own stocks and shares	31	5,845	105	167,244	179	182,201								
	IV	- Other assets	32	609,309	106	828,015	180	462,620								
		Total	33	741,102	107	1,127,121	181	817,102	I.	Guarantees provided	69	8,227	143	7,298	217	8,227
									II.	Guarantees received or given by third parties in the interests of the company	70	208,737	144	173,341	218	164,783
G.	Prepayments and accrued income		34	140,716	108	138,989	182	133,741	III.	Commitments	71	749,165	145	783,037	219	318,470
									IV.	Assets relating to pension funds managed for and on behalf of third parties	72	0	146	0	220	0
		TOTAL ASSETS	35	20,002,766	109	20,191,982	183	20,214,873	V.	Others	73	15,411,666	147	14,315,215	221	14,916,595
										TOTAL MEMORANDUM ACCOUNTS	74	16,377,795	148	15,278,891	222	15,408,075

[illegible]



6.	Reversals and profit sharing, net of reinsurance surrenders	6	0	62	0	118	0	13.	Result of technical account life business	35	14,431	91	3,722	147	20,914
7.	Operating expenses:								III. NON-TECHNICAL ACCOUNT						
a)	Acquisition costs net of commission and profit sharing														
	received from reinsurers	7	348,090	63	332,092	119	663,266	1.	Result of technical account non-life business (item I. 10)	36	216,100	92	142,303	148	411,943
b)	Administration expenses	8	79,238	64	67,614	120	155,595								
	Total	9	427,328	65	399,706	121	818,861	2.	Result of technical account life business (item 11.13)	37	14,431	93	3,722	149	20,914
8.	Other technical expenses, net of reinsurance surrenders	10	75,951	66	94,906	122	159,435	3.	Income from investment non-life business						
								a)	Income deriving from investments	38	174,522	94	166,202	150	362,476
9.	Variation in equalisation reserves	11	1,119	67	1,004	123	2,142	b)	Recoveries of value adjustments on investments	39	54,708	95	4,068	151	6,055
								c)	Profits on realisation of investments	40	24,258	96	16,247	152	19,726
10.	Result of technical account non-life business	12	216,100	68	142,303	124	411,943		Total	41	253,488	97	186,517	153	388,257
	II. TECHNICAL ACCOUNT LIFE BUSINESS							4.	(+) Quota of profit of investments transferred from the technical account						
									life business (item II. 12)	42	0	98	0	154	10,297
1.	Premiums for the year, net of reinsurance surrenders	13	664,978	69	741,131	125	1,346,127								
2.	Income from investment							5.	Investment and financial expenditure in non-life business						
a)	Income deriving from investments	14	196,781	70	161,446	126	327,049	a)	Expenses for management of investments and interest payable	43	18,412	99	28,850	155	60,187
b)	Recoveries of value adjustments on investments	15	2,113	71	2,427	127	1,652	b)	Value adjustments on investments	44	21,987	100	42,222	156	40,244
c)	Profits on realisation of investments	16	47,297	72	69,218	128	83,865	c)	Losses on realisation of investments	45	41,394	101	43,099	157	53,772
	Total	17	246,191	73	233,091	129	412,566		Total	46	81,793	102	114,171	158	154,203
								6.	(-) Quota of profit of investments transferred to the technical account						

3.	Income and capital gains not realised relating to investments to the benefit of policyholders who bear the risk thereof and investments deriving from pension fund management	18	27,350	74	19,352	130	52,662	7.	Other income	47	124,235	103	52,946	159	170,661
4.	Other technical income, net of reinsurance surrenders	19	420	75	594	131	1,344	8.	Other expenditure	48	23,688	104	16,908	160	157,287
5.	Expenditure relating to claims, net of reinsurance surrenders	20	604,522	76	499,548	132	1,127,204	9.	Result of ordinary activity	49	85,685	105	79,363	161	303,901
6.	Variation in the mathematical reserves and other technical reserves net of reinsurance surrenders	21	164,384	77	372,534	133	484,967	10.	Extraordinary income	50	215,994	106	102,970	162	359,933
a)	Mathematical reserves, premiums reserve for supplementary insurance and other technical reserves	22	-11,881	78	-44,987	134	-32,824	11.	Extraordinary expenditure	51	5,462	107	34,672	163	48,337
b)	Technical reserves when the investment risk is borne by the policyholders and deriving from pension fund management	23	152,503	79	327,547	135	452,143	12.	Result of extraordinary activity	52	5,572	108	8,979	164	33,186
	Total	24	0	80	0	136	28	13.	Pre-tax result	53	-110	109	25,693	165	15,151
7.	Reversals and profit sharing, net of reinsurance surrenders	25						14.	Tax on result for period	54	215,884	110	128,663	166	375,084
8.	Operating expenses	26						15.	Profit (loss) for period	55	45,000	111	27,000	167	103,010
a)	Acquisition costs net of commission and profit sharing received	27								56	170,884	112	101,663	168	272,074

		from reinsurers	25	19,311	81	13,207	137	31,375									
	b)	Administration ex-	26	18,111	82	21,755	138	37,539									
		penses															
		Total	27	37,422	83	34,962	139	68,914									

---

---

## B. VALUATION CRITERIA

---

The drafting principles and valuation criteria used for the annual accounts were applied to the half year report.

Please refer to what is published in the accounting documents for further details.

In drawing up the interim accounts, however, the approach has been based more on valuation with greater recourse to simplifications; consequently some methods used are based more on estimates.

The items for which the valuation process has been supplemented or modified compared with the data reported at the close of the financial year, using simplified methods, are set out below.

## **Goodwill**

Goodwill acquired for a fee is recorded in the assets and systematically amortised over a limited period, having taken into account the expected profitability of the business to which it relates. Half the estimated annual amortisation allowance was allocated to the half year.

## **Technical reserves for direct business**

### **- Non-life unearned premium reserve**

With regard to this reserve, any component of the reserve for unexpired risks was prudently kept unchanged from 31/12/2006, in those classes in which the loss ratio showed some improvement at the half year over the data at the close of the previous financial year. In cases where it is clear that this ratio has deteriorated, the figure as at 30 June has been entered in the calculation procedure provided for in ISVAP circular no. 360/D. In case of abnormal trends in the level of premium income generated, however, sums will be set aside as a precaution, based on the expected loss ratio.

### **- Non-life claims reserve**

The multi-stage technical valuation process has undergone a few changes in terms of simplification of procedures, mainly due to the fact that it is impossible to perform an analytical audit of the remaining charges, as is the accepted practice at year end.

In particular, in Motor TPL business, the valuation of current year claims is highly dependent on the launch of the new direct compensation procedure. As we know, since the first of February 2007, the new system has enabled non-labile or only partly liable injured parties to be reimbursed direct by their own insurer for claims meeting specific requirements.

The fact that the compensation procedure only started a short time ago, means that it has not been possible once again to express a complete and definitive valuation of the related economic and financial impacts and to trace an accurate path in terms of the expected trend in key indicators, which are showing signs of major disparity compared with past years.

Consequently, current year claims and those from previous years were determined using half-year performance indicators.

The current year reserve was, therefore, valued separately for the various types of business covered by the new system, using methods based on the valuation of respective average costs, in particular:

- 
- for claims up to 31 January, i.e. prior to the new system coming into force, the final cost was determined by a value adjustment of claims opened by the various settlement departments, based on relevant key indicators;
  - for claims under the 'CARD Debitore' system, the valuation was made on the basis of the fixed amounts defined by the Technical Committee set up in accordance with Presidential Decree 254/2006;
  - for 'CARD Gestionario' claims, the expected final cost, net of recoverable fixed amounts, was recorded;
  - for claims after 31 January, but not coming under the new system (mainly because more than two vehicles were involved or the claims are distinguished by permanent biological damage resulting from over 9% injuries), the final cost was valued by making a value adjustment of the amounts indicated by the settlement offices, taking into consideration the specific average costs that can be assumed for these types of claims which are, of course, more expensive.
- A prudent valuation of current 2007 claims has, however, made it possible to identify a resultant higher cost than the previous year.

For claims for previous financial years, already posted to the reserves, trends relating to the reduction of claims settled during the half year were observed, checking the capacity of reserves posted as at 31 December 2006 and performing targeted value adjustments after having taken into consideration sufficiency parameters on the amount paid .

In other Non-life classes, for claims made in the current year and in previous years, the estimate of losses on technical offices was completed by using parameters used in the 2006 accounts, if no substantial changes were recorded compared with the trends consolidated on the basis of the statistics.

### **Financial investments**

Bonds and other fixed-income securities and holdings, including own shares, were valued in accordance with the accounting principles adopted for the accounts, based on prices on the last day of the half year, rather than on the average of prices over the last month or six months of the period.

### **Direct taxation**

Provisions for income taxes are made on the basis of an assessment of current and deferred tax liability.

These are calculated on the basis of current tax regulations and by applying the corresponding current nominal rates to the taxable amounts for each tax.

### **Multi-currency accounting**

The Company has adopted the multi-currency accounting system. Consequently, receivables, payables and financial assets expressed in foreign currency are converted at the exchange

---

rate on 30 June, with the sole exception of the long-term loans and investments represented by capital securities.

Any increase or decrease in the value of foreign currencies compared with the currency of account is, therefore, recorded, in full, in the profit and loss account for the half year.



---

## C. NOTES TO THE BALANCE SHEET

---

## BALANCE SHEET - ASSETS

### INTANGIBLE ASSETS - (Item B)

Intangible assets, considered entirely long-term, amounted to € 365,211, net of amortisation allowances for the half year.

(€K)	30/06/2007	31/12/2006	Variation	30/06/2006
Deferred acquisition costs	1,140	1,669	(529)	2,318
Other assets	364,071	396,241	(32,170)	435,087
<b>TOTAL</b>	<b>365,211</b>	<b>397,910</b>	<b>(32,699)</b>	<b>437,405</b>

Deferred acquisition costs relate to the former La Fondiaria portfolio and follow the original amortisation plan.

Other intangible assets comprise:

- losses on the cancellation emerging from the merger by incorporation of La Fondiaria S.p.A. into Fondiaria-SAI S.p.A. of € 222,811K;
- goodwill deriving from the incorporated La Fondiaria and relating to the transfer of a line of company business in 1990 of € 81,342K;
- goodwill deriving from the incorporated La Fondiaria and relating to the merger by incorporation in 1995 of € 32,744K;
- goodwill deriving from the portfolio transfer from the subsidiaries Profilo Life and Bim Vita of € 2,431K;
- start-up and expansion costs of € 1,821K for the merger by incorporation of La Fondiaria into Fondiaria-SAI S.p.A.;
- research and development costs of € 12,508K, capitalised on the basis of their multi-year benefit;
- cost of Mediobanca subordinated loan of € 8,017K;
- cost of financing granted by the subsidiary Sainternational SA of € 1,820K;
- multi-year costs for computer product user licenses of € 554K;
- costs relating to “Principi di Piemonte” and “Finanza e Previdenza” trademarks of € 18K;
- incremental expenses on third party assets of € 5K.

During the half year, only amortisation allowances for the period were posted to the profit and loss account and impairment losses were not recorded.

New capitalised costs for the period amounted to € 2,759K, including € 2,627K for research and development costs relating to management consultancy. The remaining € 132K relates to the purchase of an application software user license.

Please note that, further to the joint venture with EDS in the IT sector on 01/02/2007, all our basic software has been transferred. The transaction did not have any effect on the profit and loss account.

## INVESTMENTS - (Item C)

### I. Land and buildings

These amount to € 1,071,954K and can be broken down as follows:

(€K)	30/06/2007	31/12/2006	Variation	30/06/2006
Property for company use	171,233	168,795	2,438	164,953
Property for use by third parties	1,003,256	983,218	20,038	970,999
Other property	4,683	4,682	1	4,694
Other rights in rem	2,279	2,279	-	2,279
Fixed assets under construction and payments on account	2,783	2,618	165	8,544
<b>GROSS TOTAL</b>	<b>1,184,234</b>	<b>1,161,592</b>	<b>22,642</b>	<b>1,151,469</b>
Amortisation funds	112,280	108,362	3,918	103,635
<b>NET TOTAL</b>	<b>1,071,954</b>	<b>1,053,230</b>	<b>18,724</b>	<b>1,047,834</b>

The increase in the gross value of properties compared to the position as at 31/12/2006 is due solely to incremental expenses incurred: increased costs posted to the accounts were incurred on the property in Milan, at Via Senigallia (€ 7.2m), on the Naxos hotel complex (€ 4.9m) and on the property in Florence at P.za della Repubblica (€ 3.8m).

No properties were sold and no new property units were purchased over the half year.

### II. Investments in Group companies and in other participating interests

These amount to € 3,062,812K and can be broken down as follows:

(€K)	30/06/2007	31/12/2006	Variation	30/06/2006
Stocks and shares	3,039,979	2,956,481	83,498	2,658,000
Bonds	156	156	-	156
Loans	22,677	20,831	1,846	16,152
<b>TOTAL</b>	<b>3,062,812</b>	<b>2,977,468</b>	<b>85,344</b>	<b>2,674,308</b>

Class C.II. of the Balance Sheet includes listed short-term assets, represented by the interest in the parent company Premafin Finanziaria S.p.A.- a Group Holding company with a book value of € 30,836K (€ 30,836K as at 31/12/2006).

---

### Stocks and shares

The holdings shown in item C.II.1 of the Balance Sheet total € 3,039,979K, after write-downs of € 1,969K relating to holdings in the subsidiaries Banca Sai and Sai Mercati, classed as long-term assets.

This item can be broken down as follows:

(€K)	30/06/2007	31/12/2006	Variation	30/06/2006
Parent company	30,836	30,836	-	30,836
Subsidiaries	2,937,009	2,841,519	95,490	2,543,042
Associates	48,712	38,483	10,229	38,479
Others	23,422	45,643	(22,221)	45,643
<b>TOTAL</b>	<b>3,039,979</b>	<b>2,956,481</b>	<b>83,498</b>	<b>2,658,000</b>

The book value of the listed companies shown in item C.II.1 of the Balance Sheet is € 746,486 less than the market value, determined on the basis of prices on 29/06/2007. This difference is mainly due to the parent company Premafin Finanziaria S.p.A. which accounts for € 14,666K and to the subsidiaries Milano Assicurazioni, which accounts for € 593,923K, and Immobiliare Lombarda which accounts for € 137,990K. The drop of € 22,221K recorded by the other companies was mainly due to income relating to the reduction in the share capital of the company Consortium S.r.l..

The increase in relation to subsidiaries was mainly due to the following transactions:

- MERIDIANO QUINTO: payment into share capital increase account with a disbursement of € 50,600K.
- MERIDIANO RISPARMIO: payment into share capital increase account with a disbursement of € 6,000K.
- NUOVE INIZIATIVE TOSCANE: payment into share capital increase account with a disbursement of € 8,767K.
- SAI INVESTIMENTI: purchase of shares with a disbursement of € 1,100K.
- SAI MERCATI MOBILIARI: payment into share capital increase account with a disbursement of € 4,207K.
- SASA VITA: subscription to a capital increase with a disbursement of € 3,000K.
- VILLA RAGIONIERI: payment into share capital increase account with a disbursement of € 1,610K.
- MILANO ASSICURAZIONI purchase of 6,194,300 shares with a disbursement of € 40,423K and sale of 6,747,300 shares, with a capital gain of € 25,298K.

### Bonds

Bonds total € 156K and relate to issues by subsidiaries and are not listed on regulated markets.

### Loans

Loans total € 22,677K and relate to loans issued to Sasa S.p.A. (€ 10,000K), Ex VAR S.C.S. (€ 10,725K) and Villanova S.r.l. (€ 1,952K).

The Sasa loan contains subordination clauses whilst the Ex Var loan is to finance current property projects.

### **III. Other financial investments**

Comprising:

(€K)	30/06/2007	31/12/2006	Variation	30/06/2006
Stocks and shares	1,921,706	1,770,990	150,716	1,694,156
Unit trusts	430,676	402,125	28,551	358,139
Bonds and other fixed-income securities	9,597,180	9,497,237	99,943	9,443,684
Loans	49,754	49,375	379	77,131
Other Investments	725	641	84	63,874
<b>TOTAL</b>	<b>12,000,041</b>	<b>11,720,368</b>	<b>279,673</b>	<b>11,636,984</b>

### Stocks and shares included under other financial investments

These are classed as long-term investments of € 1,543,761K and short-term investments of € 377,945K and can be broken down as follows:

(€K)	30/06/2007	31/12/2006	Variation	30/06/2006
Listed shares	1,888,699	1,739,439	149,260	1,663,230
Unlisted shares	33,007	31,551	1,456	30,926
<b>TOTAL</b>	<b>1,921,706</b>	<b>1,770,990</b>	<b>150,716</b>	<b>1,694,156</b>

Capital losses of € 3,431K were recorded from the valuation of shares and entirely relate to listed shares; write-ups amounted to € 55,440K and relate to € 55,133K in listed shares and € 307K in unlisted shares.

The book value of listed holdings was € 595,554 less than the market value determined on the basis of prices as at 29/06/2007.

The most significant transactions involving item C.III.I were as follows:

- ABN AMRO: purchase of 317,700 shares with a disbursement of € 8,095K, conversion of the dividend into 5,384 shares with an equivalent value of € 191K; sale of 176,988 shares with a capital gain of € 1,871K. The direct holding percentage is 0.008%.
- BANCA POPOLARE DI MILANO: sale of 1,500,000 shares, with a capital gain of € 5,282K.
- ITALMOBILIARE: sale of 130,000 shares, with a capital gain of € 7,974K. The direct holding percentage is 0.933%.

Spot purchases and forward sales of listed shares together with the dividend coupon were made over the half year. The aforementioned transactions generated financial income of € 37,280K and realised capital losses of € 34,079K.

This particular activity, limited to the dividend distribution period, was considered as an alternative to the money market.

The shares involved in the aforementioned transactions were as follows:

<b>Security</b>	<b>Number of shares</b>
Atlantia ord. (formerly Autostrade)	8,000,000
Enel ord.	21,000,000
Eni ord.	7,000,000
Intesa Sanpaolo ord.	20,000,000
Mediaset ord.	2,000,000
Telecom Italia ord.	106,000,000
Telecom Italia sav.	4,500,000
Unicredito ord.	20,000,000

#### Unit trusts

(€K)	<b>30/06/2007</b>	<b>31/12/2006</b>	<b>Variation</b>	<b>30/06/2006</b>
Unit trusts	430,676	402,125	28,551	358,139
<b>TOTAL</b>	<b>430,676</b>	<b>402,125</b>	<b>28,551</b>	<b>358,139</b>

The main funds in this sector are the Tikal closed-end property investment fund of € 215,456K and the Fondo Immobili Pubblici (Public Property Fund) of € 83,840K. The capital losses recorded due to alignment amount to € 3,486K whilst write-ups amount to € 374K.

#### Bonds and other fixed-income securities

(€K)	<b>30/06/2007</b>	<b>31/12/2006</b>	<b>Variation</b>	<b>30/06/2006</b>
Listed	8,973,995	9,335,120	(361,125)	8,920,178
Unlisted	622,170	161,102	461,068	522,490
Convertible bonds	1,015	1,015	-	1,016
<b>TOTAL</b>	<b>9,597,180</b>	<b>9,497,237</b>	<b>99,943</b>	<b>9,443,684</b>

The increase in unlisted securities can mainly be ascribed to the loan, taken out in the first quarter of 2007, of € 480,000K with Morgan Stanley, for which Credit default swap contracts were stipulated to hedge the issuer's risk.

The capital loss due to alignments with market values, recorded in the profit and loss account, amounts to € 70,102K; mandatory write-ups amount to € 1,005K.

Listed bonds were posted to the accounts at a value of € 139,709K higher than their market value determined on the basis of prices on 29/06/2007.

On 30/06/07 the following portfolio positions were held with regard to securities with subordination clauses, with a total equivalent book value of approximately € 314m (€ 273m as at 31/12/2006):

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%	10-Mar-16
C.III.3	ALPHA CREDIT GROUP	5,987	6,000	01-FEB-17	Lower Tier 2	Euribor 3m+40	01-Feb-12
C.III.3	ANGLO IRISH BANK	999	1,000	19-Jun-17	Lower Tier 2	Euribor 3m+25	19-Jun-12
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	15,066	14,500	perpetual	Tier 1	5.7770%	06-Jul-16
C.III.3	BANCA ANTONVENETA	101	100	23-Apr-13	Lower Tier 2	Euribor 3m+90	23-Apr-08
C.III.3	BANCA CARIGE	4,994	5,000	07-Jun-16	Lower Tier 2	Euribor 3m+42	07-Jun-11
C.III.3	BANCA INTERMOBILIARE	997	968	29-Jul-15	Lower Tier 2	1.5000%	29-Jul-07
C.III.3	BANCA LOMBARDA	2,995	3,000	30-Jun-14	Lower Tier 2	Euribor 3m+45	30-Jun-09
C.III.3	BANCA POPOLARE EMILIA ROMAGNA BANCA POPOLARE DI VERONA E	300	300	23-Mar-16	Lower Tier 2	Euribor 3m+40	23-Mar-11
C.III.3	NOVARA	500	500	15-Jun-16	Lower Tier 2	Euribor 3m+40	15-Jun-11
C.III.3	BANCHE POPOLARI UNITE	5,002	5,000	07-Dec-15	Lower Tier 2	Euribor 3m+40	07-Dec-10
C.III.3	BANCO BILBAO VIZCAYA ARG.	2,011	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%	20-Sep-16
C.III.3	BARCLAYS BANK	15,226	17,000	perpetual	Tier 1	4.7500%	15-Mar-20
C.III.3	BCP FINANCE BANK	1,008	1,000	18-Oct-13	Lower Tier 2	Euribor 3m+55	28-Oct-08
C.III.3	CAM INTERNATIONAL	4,991	5,000	26-Apr-17	Lower Tier 2	Euribor 3m+30	26-Apr-12
C.III.3	CASSA RISPARMIO FIRENZE	1,992	2,000	05-Dec-13	Upper Tier 2	Euribor 3m+95	no
C.III.3	CASSA RISPARMIO FIRENZE	6,995	7,000	15-Dec-14	Lower Tier 2	Euribor 3m+40	15-Dec-09
C.III.3	COMMERZBANK	12,492	12,500	21-Apr-09	Lower Tier 2	4.7500%	No
C.III.3	COMMERZBANK	4,961	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%	09-Nov-15
C.III.3	CREDITO EMILIANO	2,509	2,500	26-Nov-14	Lower Tier 2	Euribor 3m+50	26-Nov-09
C.III.3	DANSKE BANK	10,000	10,000	perpetual	Tier 1	4.8780%	15-May-17
C.III.3	DANSKE BANK	984	1,000	16-Mar-18	Upper Tier 2	4.1000%	16-Mar-15
C.III.3	DEUTSCHE BANK	2,617	2,500	31-Jan-13	Lower Tier 2	5.1250%	No
C.III.3	DONG ENERGY	7,505	7,500	perpetual	Tier 1	5.5000%	29-Jun-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	1,599	1,650	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	GOTHAER 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-15
C.III.3	HSBC	7,519	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	HTI 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	IBERCAJA	4,000	4,000	25-Apr-19	Lower Tier 2	Euribor 3m+36	25-Apr-14
C.III.3	INTESA BANK OVERSEAS	6,640	6,603	10-Jun-08	Lower Tier 2	3m+62.5	no
C.III.3	JP MORGAN CHASE	1,991	2,000	29-May-17	Lower Tier 2	4.6250%	29-May-12
C.III.3	MIZUKO CAPITAL INVEST	2,005	2,000	perpetual	Tier 1	5.0200%	30-Jun-11
C.III.3	MONTE DEI PASCHI DI SIENA	987	1,000	24-Sep-15	Lower Tier 2	4.5000%	24-Sep-10
C.III.3	MONTE DEI PASCHI DI SIENA	4,971	5,000	31-May-16	Upper Tier 2	4.8750%	No
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	01-Dec-09	Altre clausole	Euribor 3m+80	01-Dec-07
C.III.3	MUFG CAPITAL	8,000	8,000	perpetual	Tier 1	5.2710%	25-Jan-17
C.III.3	MUNICH RE	4,000	4,000	perpetual	Tier 1	5.7670%	12-Jun-17
C.III.3	ROYAL BANK OF SCOTLAND	4,106	4,000	22-Sep-21	Lower Tier 2	4.6250%	22-Sep-16
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 ISSUANCE	7,495	7,500	23-Mar-17	Lower Tier 2	Euribor 3m+25	23-Mar-12
C.III.3	SANTANDER PERPETUAL	9,875	10,000	perpetual	Lower Tier 2	4.3750%	10-Dec-14
C.III.3	SL FINANCE	2,780	2,500	12-Jul-22	Lower Tier 2	6.3750%	12-Jul-12
C.III.3	SNS BANK NEDERLAND	2,717	2,500	perpetual	Tier 1	5.7500%	22-Jul-13
C.III.3	SOCIETE GENERALE	12,173	12,500	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	14,551	15,000	03-Feb-17	Lower Tier 2	3.6250%	03-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	01-Jan-16	Lower Tier 2	5.5000%	01-Jan-11
		314,452	315,637				

---

### Loans

This item, amounting to € 49,754K includes loans on life insurance policies of € 42,591K, loans to employees of € 6,120K and other secured loans of € 1,043K.

### Other Investments

This item, amounting to € 725K includes derivatives operations of € 247K and deposits with credit institutions of € 478K.

## **DERIVATIVES OPERATIONS**

Pursuant to the stipulations of art. 7 point 3 of ISVAP Instruction no. 297 of 19/07/1996, please note that in the first half of 2007 the Company stipulated derivative contracts. The activity was conducted entirely in accordance with the framework decision taken by the Board of Directors on 23 March 2005 on the use of derivatives and structured financial instruments by recourse to auditing and monitoring tools, including preventative measures, existing within the company and capable of checking both the consistency of the transactions with the strategy determined beforehand and the efficacy of the hedging transactions in respect of the limits adopted. In addition, related “Hedging Relationship Documentation”, required by the aforementioned decision and also in accordance with what is laid down on the subject by international accounting standards, was compiled for each hedge transaction.

### **Open positions**

Derivative positions taken as at 30/06/2007 related to:

- Operations to hedge listed securities by setting up a combined options portfolio (put purchases – call sales). The shares in the portfolio being hedged were made up of 9,500,000 Mediobanca shares (8,500,000 as at 31/12/2006), 102,000,000 Pirelli & C. Ordinary shares (72,000,000 as at 31/12/2006), 19,000,000 Monte dei Paschi di Siena shares and 33,700,000 Capitalia shares. In addition, over the half year the derivative position on RCS Mediagroup ordinary shares was reduced to zero (3,750,000 as at 31/12/2006). With this strategy, provision was made to hedge a significant part of the latent market capital gains on the listed shares segment, providing for settlement of the differential at term rather than delivery of the underlying security;
- Purchase and sale of Forward Variance Swap contracts:
  - purchase from Goldman Sachs of 4,297.99 contracts on the variance of the DJ Eurostoxx50 index, strike 304.50 expiry 21/12/2007;
  - sale to Credit Suisse of 2,578.79 contracts on the variance of the DJ Eurostoxx50 index, strike 333.06 expiry 21/12/2007;
  - purchase from Credit Suisse of 4,310.34 contracts on the variance of the DJ Eurostoxx50 index, strike 302.76 expiry 21/12/2007;
  - sale to JP Morgan of 2,586.21 contracts on the variance of the DJ Eurostoxx50 index, strike 329.42 expiry 21/12/2007;
  - purchase from Credit Suisse of 3,370.79 contracts on the variance of the DJ Eurostoxx50 index, strike 316.84 expiry 21/12/2007;



- 
- sale to Goldman Sachs of 3,370.79 contracts on the variance of the DJ Eurostoxx50 index, strike 318.62 expiry 21/12/2007;
  - purchase from Credit Suisse of 4,200.00 contracts on the variance of the Dax30 index, strike 329.42 expiry 21/12/2007;
  - sale to Goldman Sachs of 4,200.00 contracts on the variance of the Dax30 index, strike 342.25 expiry 21/12/2007;
  - purchase from Credit Suisse of 3,243.24 contracts on the variance of the Dax30 index, strike 355.32 expiry 21/12/2007;
  - sale to Goldman Sachs of 3,243.24 contracts on the variance of the Dax30 index, strike 357.21 expiry 21/12/2007;
  - purchase from JP Morgan of 3,926.70 contracts on the variance of the DJ Eurostoxx50 index, strike 357.21 expiry 20/03/08;
  - sale to Société Generale of 3,926.70 contracts on the variance of the DJ Eurostoxx50 index, strike 364.81 expiry 20.03.08;

The purchase of Forward Variance Swap contracts makes it possible to take a bullish position on the volatility of the underlying instruments.

- Interest Rate Swap with an expiry date of 23 July 2013 entered into with Mediobanca on a nominal amount of € 200,000,000: to hedge the rate risk on part of the subordinated loan plan stipulated in 2002. With this contract the counterparty collects the fixed rate of 3.97%, paying the 6 month Euribor rate.
- A Range Accrual Swap on a notional amount of € 10,000,000 with Calyon with an expiry date of 20 November 2007. With this contract, the counterparty again collects the Euribor 3 month rate and pays the Euribor 3 month rate plus 110 bps, only using the days when the difference between the Euribor 12 month rate and the Euribor 3 month rate is positive for calculation purposes. The flow is quarterly and over the course of the first half of 2007 was € 55K.
- A Credit Default Swap on a nominal amount of € 31,500,000 with Morgan Stanley and € 15,000,000 with JP Morgan. Both contracts expire on 20 September 2009 and are intended to hedge the risk generated by the issuer Telecom Italia. Premiums paid and reimbursed in the first half of 2007 amounted to € 110K.  
A Credit Default Swap on a nominal amount of € 150,000,000 with Mediobanca, € 100,000,000 with JP Morgan, € 50,000,000 with Banca IMI and € 100,000,000 with Merrill Lynch. The four contracts expire on 19 December 2007 and are intended to hedge the risk generated by the issuer Morgan Stanley. Premiums paid and reimbursed in the first half of 2007 amounted to € 88K.
- Options linked to baskets or international share indices for an equivalent value of premiums of € 252K (€ 163K as at 31/12/06). The increase compared with 31/12/2006 was mainly due to two new types of options purchased.

### **Closed transactions**

Over the first half year of 2007 the following positions were closed:

- Combined options (put purchases – call sales) on 3,750,000 RCS Mediagroup ordinary shares. The positive differential between the average strike price of the options and the market price of the underlying security on the closing date of the contracts amounted to € 123K and was posted to the accounts as a drop in book value of the shares hedged.

- Combined options (put purchases – call sales) on 500,000 AEM ordinary shares; transactions opened and concluded in the half year. The negative differential paid between the average strike price of the options and the market price of the underlying security on the closing date of the contracts amounted to € 142K and was posted to the accounts as an increase in book value of the shares hedged.
- A Range Accrual Swap on a notional amount of € 10,000,000 with JP Morgan with receipts of € 78K following early closure of the contract.
- A Forward Variance Swap relating to 1,139.6 contracts on the variance in the DJ Eurostoxx50 index acquired at a strike price of 308 from Goldman Sachs and closed early with the same counterparty with receipts of € 9K; a contract for novation with Société Generale at a strike price of 361 for 3,000 contracts on the variance in the DJ Eurostoxx50 index sold to Goldman Sachs at a strike price of 376.36 with receipts of € 41K.
- An Equity Swap on 70,177,902 Immobiliare Lombarda shares with the counterparty Scontofin. The contract closed with receipts of € 185K.

## LONG-TERM ASSETS

ISVAP, with Instruction no. 893 G of 18/06/1998, issued provisions on the classification and valuation of insurance companies' securities portfolios, in particular, with regard to the identification of essential features, in terms of quality and quantity, of long-term and short-term Investment sections.

Pursuant to art. 15 of Legislative Decree 173/97, equity intended to be held for stable investment is attributed to the "Long-term assets" section.

These are Investments under classes B "Intangible assets", C.I "Land and buildings" and "Securities" class C.II and C.III, the latter within the limits of the "framework decision" approved by the Board of Directors on 24/09/1998 and illustrated in the Notes to the Accounts - Part B of the 1998 Balance sheet, as amended by the Board of Directors on 29/09/1999. With a decision dated 26/03/2004 the Board of Directors redefined the guidelines in order to rebalance the structure of the securities portfolio to contain the level of asset investments and the risks deriving from their composition, in line with portfolio management planning and the timescale of commitments to policyholders. In particular, the decision states that securities belonging to the "Long-term investments" sections are those held as equity for "stable investment", a requirement that must continue to be met at the time the security is allocated to the section.

In addition, a further requirement for investment of the security is that it has a rating of at least BBB- or the equivalent.

The new guidelines were applied to allocations to sections subsequent to 01/01/2004.

Long-term assets represented by securities and holdings amounted as at 30/06/2007 to € 7,942,470K corresponding to 52.99% of the company's securities portfolio (classes C.II and C.III), broken down as follows:

(€K)	30/06/2007	31/12/2006	Variation	30/06/2006
Holdings and Funds	4,554,187	4,415,079	139,108	4,064,437
Fixed-income securities	3,388,283	3,173,311	214,972	2,962,530
<b>TOTAL</b>	<b>7,942,470</b>	<b>7,588,390</b>	<b>354,080</b>	<b>7,026,967</b>

The comparison between the book value of listed securities included in the long-term assets section and their market value calculated on the basis of prices on 29/06/2007 shows net implicit capital gains of € 1,112,190K including € 1,255,044K relating to net capital gains on holdings and € 142,854K relating to net losses on fixed-income securities.

In particular, long-term assets includes holdings in the following listed companies:

<b>Company</b>	<b>Number of shares</b>	<b>Book value (€K)</b>
Aem	5,150,158	9,161
Banca Intermobiliare	2,683,400	18,991
Capitalia	67,911,042	336,765
Gemina	15,334,147	29,999
Generali	17,607,947	451,122
Immobiliare Lombarda	2,057,550,000	325,782
Intesa Sanpaolo	44,184,083	181,491
Mediobanca	26,765,972	159,219
Meliorbanca	7,700,000	29,683
Milano Assicurazioni ord.	249,163,878	933,701
Milano Assicurazioni risp.	450,000	2,909
Monte dei Paschi di Siena	35,255,250	106,158
Pirelli & C.	223,543,498	159,918
Rcs Mediagroup	14,915,971	54,788

The net increase over 31/12/2006 of € 354,080K was mainly due to:

Total as at 31/12/2006	7,588,390
- purchases of shares	52,118
- purchases of bonds	233,298
- share capital operations	56,285
- other net increases	1,336
- sales of shares	(20,517)
- sales of bonds	(19,985)
- net adjustments	(51,545)
Total as at 30/06/07	7,942,470

There were no section transfers in the first half year of 2007.

#### **IV - Deposits with ceding companies**

These amounted to € 67,265 (€ 67,970K as at 31/12/2006) and reflect reinsurance transactions only: € 38,662K relates to Group companies and € 28,603K to third party companies.

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

These amount, in total, to € 684,531K (€ 684,851K as at 31/12/2006) and relate to:

(€K)	30/06/2007	31/12/2006	Variation	30/06/2006
Class DI investments	546,155	570,622	(24,467)	570,912
Class DII investments	138,376	125,860	12,516	113,939
<b>TOTAL</b>	<b>684,531</b>	<b>696,482</b>	<b>(11,951)</b>	<b>684,851</b>

## REINSURERS' SHARE OF TECHNICAL RESERVES - (Item D bis)

These are shown in the table below:

(€K)	30/06/2007	31/12/2006	Variation	30/06/2006
I - Non-life technical reserves	318,814	320,818	(2,004)	334,016
II - Life technical reserves (excluding the reserves referred to in point III)	93,517	87,301	6,216	87,422
III- Life technical reserves where the investment risk is borne by policyholders and reserves arising from pension fund management	-	-	-	-
<b>TOTALE</b>	<b>412,331</b>	<b>408,119</b>	<b>4,212</b>	<b>421,438</b>

---

## RECEIVABLES - (Item E)

(€K)	30/06/2007	31/12/2006	Variation	30/06/2006
Receivables from direct insurance operations	1,059,231	1,209,592	(150,361)	1,166,233
Receivables from reinsurance operations	51,309	66,316	(15,007)	54,352
Other receivables	346,263	666,573	(320,310)	476,350
<b>TOTAL</b>	<b>1,456,803</b>	<b>1,942,481</b>	<b>(485,678)</b>	<b>1,696,935</b>

The aforementioned receivables are net of the related write-down fund, amounting to € 69,835K.

Receivables arising from direct insurance operations include, amongst other things, net of the related write-down fund:

- with regard to Non-life business, receivables for premiums of € 323,948K and receivables from insurance brokers of € 463,840K;
- with regard to Life business, receivables from policyholders for premiums of € 74,751K, and receivables from insurance brokers of € 18,812K.

Please note that, of the amount posted to the accounts at the end of the previous financial year for receivables from policyholders for premiums, as at 30/06/2007 a total of over € 179m (or 3%) for Non-life business and € 57m (or 85%) for Life business, had been received. On the other hand, € 88m worth of premiums were cancelled.

Other receivables fell from € 666,573K as at 31/12/2006 to € 346,263K and include receivables from the tax authorities for advance withholding tax, advance taxes, credits claimed as refunds and related interest of € 255,463K.

Of this, € 57,254K relates to the receivable for IRES arising from consolidated taxation pursuant to article 117 and subsequent articles of Presidential Decree 917/1986, including € 24,218K relating to what was actually paid as the first tax payment on account on behalf of the entire Group.

Again due to the adoption of Group taxation, "Other receivables" includes receivables from subsidiaries and fiscally consolidated companies of € 53,103K, corresponding to IRES for the period for said companies, calculated on the basis of respective incomes "attributable" to the Group at the end of the half year.

In addition, please note that receivables from tax authorities includes € 39,053K relating to the receivable for tax on Life business mathematical reserves pursuant to Legislative Decree 209/2002 for the residual amount after recoveries made in the half year totalling € 8,761K.

The drop in "other receivables" compared to 31/12/2006 is mainly due in the amount of € 70,144K to a smaller receivable for Ires and Irap relating to the second tax payment on account and in the amount of € 63,096K to a smaller Company receivable for Group Ires at the half year, relating to consolidated companies, compared to the same receivable which, at the previous year end, related to tax calculated on an annual basis. In addition, the balance as at 31/12/2006 included € 28,838K relating to the tax payment on account on insurances pursuant to Legislative Decree 282/2004 made in November.

---

Receivables due after 30 June the following year amounted to € 211m.

## **OTHER ASSETS**

(€K)	30/06/2007	31/12/2006	Variation	30/06/2006
Tangible assets and stocks	14,462	15,819	(1,357)	15,506
Cash at bank and in hand	111,486	156,462	(44,976)	116,356
Own stocks and shares	5,845	182,201	(176,356)	167,244
Other assets	609,309	462,620	146,689	828,015
<b>TOTAL</b>	<b>741,102</b>	<b>817,102</b>	<b>(76,000)</b>	<b>1,127,121</b>

With regard to tangible assets, please note that, further to the joint venture with EDS in the IT sector on 01 February 2007, all our hardware has been transferred. The operation did not have any effect on the profit and loss account.

Cash at bank and in hand amounted to € 111,486K (€ 156,462K as at 31/12/2006).

Other assets include, amongst other things, assets for taxes paid on account of € 163,012K, the Life and Non-life business liaison account which shows a credit balance on life business of € 235,530K and assessments of assets payable for the period of € 81,227K.

## **PREPAID EXPENSES AND ACCRUED INCOME (Item G)**

Prepaid expenses and accrued income totalled € 140,716K and € 139,790 was due to accrued interest on securities.

---

## BALANCE SHEET LIABILITIES

### NET EQUITY - (Item A)

Net equity, excluding the result for the period, dropped from € 2,547,373K as at 31/12/2006 to € 2,466,823K. The drop followed the cancellation of the reserve for own shares of € 182,201K in application of the aforementioned decision taken by the extraordinary shareholders' meeting of 4 December last, to reduce the share capital, added to which the allocation to the reserve of the undistributed part of the profit for 2006, in line with the decision taken at the shareholders' meeting of 30/04/2007, of a total of € 101,340K plus the effect of the presentation of warrants for conversion of € 311K.

### SUBORDINATED LIABILITIES - (Item B)

These amounted, as at 30 June, to € 650,000K (€ 650,000K as at 31/12/2006) and relate to three subordinated loans stipulated with Mediobanca. Please refer to the paragraph on debt, in the Management Report, for an illustration of the terms and conditions of the loans. Interest paid over the period amounted to € 18,396K.

### TECHNICAL RESERVES - (Item C)

These amounted to € 26,926,593K and recorded an overall variation of € 110,599K. Details of the technical reserves appear below:

(€K)	30/06/2007	31/12/2006	Variation	30/06/2006
NON-LIFE BUSINESS				
Unearned premium reserve	1,398,672	1,346,849	51,823	1,380,050
Claims reserve	4,889,231	4,965,603	(76,372)	5,003,369
Equalisation reserve	13,306	12,187	1,119	11,049
Others	7,516	7,602	(86)	7,790
<b>TOTAL</b>	<b>6,308,725</b>	<b>6,332,241</b>	<b>(23,516)</b>	<b>6,402,258</b>
LIFE BUSINESS				
Mathematical reserves	7,676,004	7,537,709	138,295	7,579,015
Reserve for sums payable	126,032	127,662	(1,630)	104,545
Others	63,181	65,731	(2,550)	64,315
<b>TOTAL</b>	<b>7,865,217</b>	<b>7,731,102</b>	<b>134,115</b>	<b>7,747,875</b>
<b>TOTAL TECHNICAL RESERVES</b>	<b>14,173,942</b>	<b>14,063,343</b>	<b>110,599</b>	<b>14,150,133</b>

The claims reserve also includes the reserve for unreported claims, as well as the reserve for settlement costs.

The favourable trend in business, relating to current year premiums, meant it was not necessary to record the reserve for unexpired risks.

## **TECHNICAL RESERVES WHERE THE INVESTMENT RISK IS BORNE BY POLICYHOLDERS AND RESERVES ARISING FROM PENSION MANAGEMENT FUNDS - (Item D)**

(€K)	30/06/2007	31/12/2006	Variation	30/06/2006
Reserves relating to contracts whose performance is related to investment funds and market indices	546,153	570,550	(24,397)	570,308
Reserves arising from pension fund management	138,376	125,860	12,516	113,939
<b>TOTAL</b>	<b>684,529</b>	<b>696,410</b>	<b>(11,881)</b>	<b>684,247</b>

## **PROVISIONS FOR RISKS AND CHARGES - (Item E)**

These amount to € 455,503K and can be broken down as follows:

(€K)	30/06/2007	31/12/2006	Variation	30/06/2006
Funds for severance pay and similar obligations	3,072	3,072	-	2,874
Provisions for taxes	260,153	360,563	(100,410)	234,362
Other provisions	192,278	181,529	10,749	162,456
<b>TOTAL</b>	<b>455,503</b>	<b>545,164</b>	<b>(89,661)</b>	<b>399,692</b>

Funds for severance pay and similar obligations include amounts set aside in previous years to supplement staff-leaving indemnity.

Other provisions include, in the main, amounts set aside for estimated expenses for existing disputes with brokers, insurers, policyholders and third parties.

At the same time, the sums set aside in previous years were released from the provision, for releases recorded in the half year of an insignificant amount.

The fund also includes sums set aside for the tax saving on losses that participating interests contributed to Group income within the scope of national consolidated taxation and which, temporarily, and in accordance with agreements signed, were allocated to the direct parent company if deemed not to be recoverable autonomously by the companies that produced said losses.

The tax saving on these losses is, however, likely to be returned to the subsidiary where the latter realises sufficient taxable income to reabsorb, in whole or in part, the losses produced and within the time limits laid down by specific regulations.



Provisions for taxation include the amount set aside for corporation tax (Ires and Irap) for the period. The variation in funds for taxation mainly relates to withdrawals for the payment of corporation and Group taxes for 2006 totalling € 193,741K and from provisions of € 98,103K. Of this, € 85,103K relates to Group Ires for the period.

## **DEPOSITS RECEIVED FROM REINSURERS - (Item F)**

These rose by € 3,964K increasing from € 150,743K as at 31/12/2006 to € 154,707K.

## **PAYABLES AND OTHER LIABILITIES - (Item G)**

These comprised:

(€K)	30/06/2007	31/12/2006	Variation	30/06/2006
Payables deriving from direct insurance operations	44,405	57,228	(12,823)	142,431
Payables deriving from reinsurance operations	49,620	42,953	6,667	29,647
Sundry payables and loans	572,970	717,006	(144,036)	583,718
Staff-leaving indemnity	57,274	56,830	444	57,634
Other liabilities	499,958	398,479	101,479	825,982
<b>TOTAL</b>	<b>1,224,227</b>	<b>1,272,496</b>	<b>(48,269)</b>	<b>1,639,412</b>

In all, payables to insurance brokers, included under the item “Payables deriving from direct insurance operations” amounted to € 32,767K including € 23,743K for Non-life business and € 9,024K for Life business.

Sundry payables and loans amounted to € 572,970K and consist of “Sundry loans and other financial payables” of € 351,000K and “Other payables” of € 221.970.

The item "Other payables" includes a total of € 221.9K consisting of payables for policyholders' tax liabilities of € 61m, sundry tax liabilities of € 30.9m, payables to welfare and social security organisations of € 5.5m and sundry payables of € 124.5m.

Sundry payables and loans were down, compared with 31/12/2006, by € 144,036K.

The variation was mainly due to the gradual reduction in payables to subsidiaries for taxes of € 83m, to the settlement of the payable to the Srl Consortium for dividends and repayment of capital of € 23m and to the reduction to zero of the payable for settlements not cashed by policyholders of € 19m, insofar as they relate to claims for 2006 but had a financial outcome in 2007.

Other liabilities amounted to € 499,958K and include, amongst other things, the assessment of debit items in the half year of € 48,329K, commissions for premiums in the process of be-

ing collected of € 69,970K and the Life and Non-life business liaison account of € 235,530K.

Payables due after 30 June the following year amounted to € 180m.

The item also includes € 1K of roundings pursuant to art.1 paragraph 3 of ISVAP Instruction no. 1008-G of 5 October 1998.

Sundry loans amounted to € 351m (was € 350m as at 31/12/2006) and relate to inter-company positions as detailed below:

(amounts in €K)	<i>Amount</i>	<i>Due date</i>	<i>Repayment terms</i>	<i>Interest rate</i>
<b>SAINTERNATIONAL S.A.</b>	€ 69,600,000.00	31/12/2007	One single payment or individual tranches giving at least 7 working days notice prior to the valuation date	EURIBOR 3 month average plus a spread of 1.05%
<b>SAINTERNATIONAL S.A.</b>	€ 180,400,000.00	Five working days from Rome prior to 29/09/2010	Single payment on due date, apart from conversions of related convertible bonds issued by Sainternational	5.90% per annum
<b>SIM ETOILE S.A.</b>	€ 23,000,000.00	31/12/2007	One single payment or individual tranches giving at least 3 working days notice prior to the valuation date	EURIBOR 3 month average plus a spread of 1.05%
<b>FINSAI INTERNATIONAL S.A.</b>	€ 34,000,000.00	31/12/2007	One single payment or individual tranches giving at least 7 working days notice prior to the valuation date	EURIBOR 3 month average plus a spread of 1.05%
<b>SAILUX S.A.</b>	€ 10,000,000.00	31/12/2007	One single payment or individual tranches giving at least 7 working days notice prior to the valuation date	EURIBOR 3 month average plus a spread of 1.05%
<b>SAI HOLDING ITALIA S.p.A 100.00</b>	€ 15,000,000.00	31/12/2007	One single payment or individual tranches giving at least 7 days notice prior to the valuation date	EURIBOR 3 month average plus a spread of 1.05%
<b>FONDIARIA NEDERLAND B.V.</b>	€ 19,000,000.00	31/12/2007	Single payment or individual tranches	EURIBOR 3 month average plus a spread of 1.05%

## PREPAYMENTS AND ACCRUED LIABILITIES - (ITEM H)

In total, these amounted to € 22,152K (€ 17,270K as at 31/12/2006). Of this, € 8,019K was constituted by accrued liabilities on the Sainternational loan and € 14,053K by accrued liabilities for interest on subordinated loans.

## Guarantees, commitments and other memorandum items

These amounted, in total, to € 16,377,795K (€ 15,408,075K as at 31/12/2006).

(€K)	30/06/2007	31/12/2006	Variation	30/06/2006
Guarantees given	8,227	8,227	-	7,298
Guarantees received or given by third parties in the interest of the undertaking	208,737	164,783	43,954	173,341
Commitments	749,165	318,470	430,695	783,037
Other	15,411,666	14,916,595	495,071	14,315,215
<b>TOTAL</b>	<b>16,377,795</b>	<b>15,408,075</b>	<b>969,720</b>	<b>15,278,891</b>

Guarantees received or given by third parties in the interest of the company rose from € 164,783K to € 208,737K, mainly as a result of the new guarantee constituted, in the interest of the company, on the basis of the ‘Convenzione tre Assicuratori per il Risarcimento Diretto’ (CARD) [Insurers’ Direct Compensation Agreement] to which Fondiaria-SAI signed up on 27/11/2006. In addition, some guarantees given to cover agents’ commitments have expired.

Commitments mainly comprise € 180,400K recorded for Intesa SanPaolo ordinary shares, sold forward to Sainternational S.A. to service the convertible bond loan (Mandatory). In addition, hedge transactions on shares via combined options (put purchases – call sales), include € 138,348K relating to the cash settlement to be paid in relation to the valuations made on 30/06/2007; exposure is, however, counterbalanced by latent capital gains generated on the underlying securities from the moment when the hedge contract was stipulated. This also included € 426,428K for forward bond sales.

“Others” includes third party assets of € 9,895K, securities lodged with third parties of € 14,728,695K and Other memorandum items of € 673,075K.

Securities lodged with third parties include the book value of securities owned by the company said to be on deposit. The main custodians are credit institutions for € 12,571,832K, subsidiaries for € 1,780,106K, associates for € 48,712K, other participating interests for € 23,343K and other custodial entities for € 304.702.

Other Memoranda Items mainly consist of notional securities underlying derivative transactions and, more specifically: € 46,500K relating to Credit Default Swap contracts on Telecom Italia, € 400,000K relating to Credit Default Swap contracts on Morgan Stanley, € 200,000K relating to an Interest Rate Swap contract with Mediobanca and € 10,000 relating to a Range Accrual Swap contract with Calyon.

---

## **D. NOTES TO THE PROFIT AND LOSS ACCOUNT**

---

## PROFIT AND LOSS ACCOUNT

### NOTES TO THE NON-LIFE BUSINESS TECHNICAL ACCOUNT

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

#### PREMIUM INCOME, NET OF REINSURANCE CESSIONS - (Item I)

(€K)	30/06/2007	30/06/2006	31/12/2006
Gross premiums recorded	2,013,578	2,013,315	3,896,351
Earned reinsurance premiums	(65,477)	(67,432)	(138,681)
Variation in gross amount of unearned premium reserve	(51,820)	(37,525)	(4,341)
Variation in reinsurers' share of the unearned premium reserve	719	3,409	5,701
<b>TOTAL</b>	<b>1,897,000</b>	<b>1,911,767</b>	<b>3,759,030</b>

The item "gross premiums recorded" does not include, in accordance with ISVAP Instruction no. 735 of 01/12/97, cancellations of securities issued in previous years.

#### CHARGES FOR OUTSTANDING CLAIMS, NET OF RECOVERIES AND REINSURANCE CESSIONS - (Item IV)

These can be broken down as follows:

(€K)	30/06/2007	30/06/2006	31/12/2006
Gross amounts paid	(1,448,925)	(1,470,651)	(2,807,091)
Amounts paid by reinsurers	26,102	36,774	71,231
Variation in gross recoveries	37,905	15,848	38,176
Variation in gross amount of claims reserve	74,652	86,479	127,204
Variation in reinsurers' share of claims reserve	(1,029)	(1,986)	(10,352)
<b>TOTAL</b>	<b>(1,311,295)</b>	<b>(1,333,536)</b>	<b>(2,580,832)</b>

---

## NOTES TO THE LIFE BUSINESS TECHNICAL ACCOUNT

### PREMIUM INCOME, NET OF REINSURANCE CESSIONS - (Item I)

(€K)	30/06/2007	30/06/2006	31/12/2006
Gross premiums recorded	673,923	752,034	1,365,612
Earned reinsurance premiums	(8,945)	(10,903)	(19,485)
<b>TOTAL</b>	<b>664,978</b>	<b>741,131</b>	<b>1,346,127</b>

The item “gross premiums recorded” does not include, in accordance with ISVAP Instruction no. 735 of 01/12/97, cancellations of first year premiums issued in previous years.

### CHARGES FOR OUTSTANDING CLAIMS, NET OF REINSURANCE CESSIONS - (Item V)

These relate to sums paid over the year for claims and matured and surrendered policies and include expenses incurred for their settlement. They comprise:

(€K)	30/06/2007	30/06/2006	31/12/2006
Sums paid	(610,123)	(486,566)	(1,098,762)
Reinsurers' share	5,954	3,784	11,595
Gross variation in the reserve for payables	1,630	(17,513)	(41,562)
Reinsurers' share	(1,983)	747	1,525
<b>TOTAL</b>	<b>(604,522)</b>	<b>(499,548)</b>	<b>(1,127,204)</b>

## OTHER INFORMATION RELATING TO THE PROFIT AND LOSS ACCOUNT

### INVESTMENT INCOME (Items II.2, II.3 and III.3)

(€K)	30/06/2007	30/06/2006	31/12/2006
Income from investments	371,303	327,648	689,525
Write-ups on investments	56,821	6,495	7,707
Profits from the realisation of investments	71,555	85,465	103,591
Class D-related investment income	27,350	19,352	52,663
<b>TOTAL</b>	<b>527,029</b>	<b>438,960</b>	<b>853,486</b>

Income attributable to Life business amounted to € 273,541K, whilst Non-life business income was € 253,488K.

Investment income attributable to land and buildings amounted to € 21,219K, whilst income from stocks and shares amounted to € 114,984K; of this € 26,495K relates to income from investment in Group companies and other participating interests. Income from other financial investments amounted to € 235,100K, and mainly comprised income from debt securities.

Write-ups include the write-up on the Capitalia security of € 52,902K.

“Profits from the realisation of investments” includes capital gains of € 22,768K on long-term securities, allocated here in line with the appropriation of said assets to segregated accounts. This transaction allows for a more accurate calculation of the Life business technical account balance.

### INVESTMENT CHARGES - (Items II.9, II.10 and III.5)

These comprised:

(€K)	30/06/2007	30/06/2006	31/12/2006
Investment management charges and interest payable	53,770	46,751	90,864
Value adjustments on investments	82,576	119,444	96,247
Losses on the realisation of investments	44,693	47,330	71,564
Class D-related investment charges	12,631	17,506	15,719
<b>TOTAL</b>	<b>193,670</b>	<b>231,031</b>	<b>274,394</b>

Charges attributable to Life business amounted to € 111,877K, whilst Non-life business charges amounted to € 81,793. Investment charges attributable to land and buildings amounted to € 14,391K; the remainder mainly relates to other financial investments.

Investment value adjustments include property amortisation of € 3,582, holding and unit trust alignments of € 8,892K and fixed income securities of € 70,102K. “Losses on the realisation of investments” includes capital losses of € 67K on long-term securities, allocated here in

line with the appropriation of said assets to segregated accounts. This transaction allows for a more accurate calculation of the Life business technical account balance.

## **OTHER INCOME - (Item III.7)**

Comprising:

(€K)	30/06/2007	30/06/2006	Variation
Interest on current bank accounts			
with no fixed-term deposits	4,258	2,791	1,467
Foreign exchange differences	2,024	2,414	(390)
Others	17,406	11,703	5,703
<b>TOTAL</b>	<b>23,688</b>	<b>16,908</b>	<b>6,780</b>

The “Others” item includes € 2,649K relating to interest on agents’ recoupment instalments and for claims management for the Road Victims Fund and € 7,824K relating to the provision of various services.

In addition, € 3,521K was drawn from the provision for risks and charges and € 2,937 from the receivables write-down fund, for the gradual reduction of related risks or losses on receivables.

## **OTHER CHARGES (Item III. 8)**

Comprising:

(€K)	30/06/2007	30/06/2006	Variation
Amortisation allowance for intangible assets	34,937	39,995	(5,058)
Others	50,748	39,368	11,380
<b>TOTAL</b>	<b>85,685</b>	<b>79,363</b>	<b>6,322</b>

Amortisation allowances for intangible assets include € 24,328K for amortisation of goodwill. The remainder relates to amortisation of research and development costs of € 5,919K and amortisation of other multi-year costs of € 4,690K. The Others item includes, amongst other things, € 18,396K relating to interest on subordinated liabilities, € 9,306K relating to interest on other loans, € 14,343K in shares allocated to the provision for risks and charges, € 2,937 relating to losses on receivables and € 2,727K for negative exchange differences.

In particular, the shares allocated to the provision for risks and charges includes, what is prudently estimated by the Company as a future liability, in terms of contributions, for the exercise, by management and by executive directors, of the stock option plan reserved for them.



---

## EXTRAORDINARY INCOME (Item III.10)

This amounted to € 5,462 and can be broken down as follows:

(€K)	30/06/2007	30/06/2006	Variation
Capital gains on property	-	1,957	(1,957)
Capital gains on shares and securities	3,622	6,485	(2,863)
Others	1,840	26,230	(24,390)
<b>TOTAL</b>	<b>5,462</b>	<b>34,672</b>	<b>(29,210)</b>

Capital gains on shares and securities consist entirely of gains on shares.

The "Others" item includes contingent assets of € 1,836K.

The remaining € 4K consists of capital gains on moveables.

## EXTRAORDINARY EXPENDITURE (Item III.11)

These amounted to € 5,572K and can be broken down as follows:

(€K)	30/06/2007	30/06/2006	Variation
Cost of property sales	-	329	(329)
Capital losses on shares and securities	7	779	(772)
Others	5,565	7,871	(2,306)
<b>TOTAL</b>	<b>5,572</b>	<b>8,979</b>	<b>(3,407)</b>

The "Others" items includes contingent liabilities of € 4,941K.

## INCOME TAX FOR THE YEAR (Item III.14)

Provisions amounted to € 45,000K and relate to the Ires and Irap estimate for the half year, thereby taking into account the impact of deferred tax assets and liabilities for the period.

Ires only relates to what is attributable pro-rata to the company within the scope of the Group taxation system to which it has signed up, in its capacity as consolidating entity, together with numerous subsidiaries.

In calculating the tax liability, the current and most significant tax rules were taken into consideration.

No consideration was given, even taking a prudent approach, to the new provisions introduced by Legislative Decree 81 of July (converted with amendments, L.127 of 03/08/2007 and subject of the so the so-called “summer manoeuvre”, which specified, amongst other things, the extension to insurance companies of the so-called “tax wedge” for Irap purposes introduced by the 2007 Finance Act.

---

The overall tax liability was pretty much in line with that of the previous half year. The latter was positively influenced by the write-up on the holding in Capitalia, already widely discussed, which proved to be, for the most part, fiscally irrelevant. What's more, please note that the tax system at year end may not support the half year data due to a constantly changing regulatory framework.

---

## **E. OTHER INFORMATION**

---

## **SOLVENCY MARGIN AND HEDGING OF TECHNICAL RESERVES**

On the basis of the economic trend for the half year, the solvency margin as at 31/12/2007 should not show significant variations compared to 31/12/2006.

The margin's components show an upward trend compared to the end of last year and look like they will be more than sufficient to guarantee cover even at year end.

Technical reserves estimated as at 30/06/2007 totalled € 14,618K (including € 6,123m for Non-life business and € 8,495m for Life business and € 685m for class D-related reserves).

Assets exceeding those already allocated as at 30 June to hedge existing technical reserves on the date required by regulations (31/12/2006 for Non-life business and 30/06/2007 for Life business) and belonging to classes identified in ISVAP Instruction nos. 147 and 148, are currently sufficient to guarantee cover for the increase in the reserve.

*Milan, 12 September 2007*

*For the Board of Directors  
The Chair*

*Jonella Ligresti*

---

**Declaration pursuant to article 154- bis, paragraph 2, of Legislative Decree  
24/2/1998 no. 58**

The undersigned Pier Giorgio Bedogni, in the capacity of Director responsible for preparing Fondiaria-SAI S.p.A. accounting documents

certifies

in accordance with what is laid down by the second paragraph of article 154- bis of the "Consolidated text on financial intermediation" that, to the best of his knowledge, the Half Year Report as at 30 June 2007 corresponds to documentary evidence, ledgers and accounts.

*Milan, 12 September 2007*

*The Director responsible  
for preparing company accounts*

*Dr. Pier Giorgio Bedogni*

---

## Annexes



9	b	NQ	2	DOMINION INSURANCE HOLDING - ORPINGTON	2	35438267	50780304	D	38	100.00	0.00	100.00	
9	b	NQ	2	DOMINION INSURANCE HOLDING - ORPINGTON	2	35438267	50780304	V	7	100.00	0.00	100.00	
10	b	NQ	2	DOMINION INSURANCE HOLDING Pref. - ORPINGTON	2	35438267	50780304	D	0	100.00	0.00	100.00	
10	b	NQ	2	DOMINION INSURANCE HOLDING Pref. - ORPINGTON	2	35438267	50780304	V	0	100.00	0.00	100.00	
11	b	NQ	1	EFFE VITA S.p.A. - FLORENCE	242	6240000	12000000	V	15000	100.00	0.00	100.00	IT0000474962
12	b	NQ	1	EUROPA TUTELA GIUDIZIARIA S.p.A. - ASSAGO	242	5160000	2000000	D	5681	100.00	0.00	100.00	IT0000330560
13	b	NQ	2	FINSAI INTERNATIONAL HOLDING - LUXEMBOURG	242	22801140	207650	D	5516	38.53	61.47	100.00	
14	b	NQ	2	FONDIARIA NEDERLAND B.V. - AMSTERDAM	242	19070	1907	D	120767	100.00	0.00	100.00	NL0000426914
14	b	NQ	2	FONDIARIA NEDERLAND B.V. - AMSTERDAM	242	19070	1907	V	18221	100.00	0.00	100.00	NL0000426914
15	b	NQ	1	FONDIPREV S.p.A. - FLORENCE	242	6240000	12000000	V	3223	40.00	60.00	100.00	IT0001092938
16	b	Q	4	IMMOBILIARE LOMBARDA - MILAN	242	697907753,59	4105339727	D	325782	50.12	6.83	56.95	IT0001312476
17	b	NQ	2	ITALIBERIA INVERSIONES FINANCIERAS SL - BARCELONA	242	62030000	62030000	D	60179	100.00	0.00	100.00	
18	b	NQ	1	LIGURIA SOCIETA' DI ASSICURAZIONI S.p.A. - SEGRATE	242	23000000	23000000	D	75526	99.97	0.00	99.97	
18	b	NQ	1	LIGURIA SOCIETA' DI ASSICURAZIONI S.p.A. - SEGRATE	242	23000000	23000000	V	75526	99.97	0.00	99.97	
19	b	NQ	4	MANTEGNA S.r.l. - MILAN	242	10000	10000	D	66129	100.00	0.00	100.00	



20	b	NQ	2	MERIDIANO AURORA S.r.l. - MILAN	242	10000	10000	D	6260	100.00	0.00	100.00	
21	b	NQ	4	MERIDIANO QUINTO S.r.l. - TURIN	242	800000	800000	D	52432	100.00	0.00	100.00	
22	b	NQ	4	MERIDIANO RISPARMIO S.r.l. - MILAN	242	10000	10000	D	56810	100.00	0.00	100.00	
23	b	Q	1	MILANO ASSICURAZIONI S.p.A. ord - ASSAGO	242	229561866	441465127	D	880036	56.44	2.87	59.31	IT0000062221
23	b	Q	1	MILANO ASSICURAZIONI S.p.A. ord - ASSAGO	242	229561866	441465127	V	53665	56.44	2.87	59.31	IT0000062221
24	b	Q	1	MILANO ASSICURAZIONI S.p.A. risp - ASSAGO	242	15984739	30739882	D	2910	1.46	0.00	1.46	IT0000062205
25	b	NQ	4	NUOVE INIZIATIVE TOSCANE S.r.l. - FLORENCE	242	26000000	50000000	D	194372	96.88	3.12	100.00	
26	b	NQ	4	PORTOFINO VETTA S.r.l. - FLORENCE	242	10400	20000	D	12409	100.00	0.00	100.00	
27	b	NQ	1	PRONTO ASSISTANCE S.p.A. - TURIN	242	2500000	2500000	D	3566	100.00	0.00	100.00	IT0003022412
28	b	NQ	6	SAI ASSET MANAGEMENT S.G.R. (ex EFFE GESTIONI S.G.R.) - MILAN	242	5000000	500000	V	6042	100.00	0.00	100.00	IT0001397253
29	b	NQ	2	SAI HOLDING ITALIA S.p.A. - TURIN	242	143100000	143100000	D	183775	100.00	0.00	100.00	IT0000346145
30	b	NQ	6	SAI INVESTIMENTI S.G.R S.p.A. - TURIN	242	3913588	3913588	V	2866	51.00	29.00	80.00	IT0001079950
31	b	NQ	9	SAI MERCATI MOBILIARI S.p.A. - MILAN	242	20000000	20000000	D	21054	100.00	0.00	100.00	IT0001214888
32	b	NQ	9	SAI SISTEMI ASSICURATIVI S.r.l. - TURIN	242	51000	51000	D	91	99.00	1.00	100.00	IT0000008547
33	b	NQ	9	SAIAGRICOLA S.p.A. - TURIN	242	50000000	50000000	D	59651	92.00	8.00	100.00	IT0001185682
34	b	NQ	2	SAIFIN SAIFINANZIARIA S.p.A. - TURIN	242	102258000	102258000	D	20938	100.00	0.00	100.00	IT0001036067
35	b	NQ	2	SAIFIN SAIFINANZIARIA S.p.A. - TURIN	242	102258000	102258000	V	83752	100.00	0.00	100.00	IT0001036067
36	b	NQ	2	SAINTERNATIONAL S.A. - LUXEMBOURG	242	154000000	15400000	D	32018	99.99	0.00	99.99	

36	b	NQ	2	SAINTERNATIONAL S.A. - LUXEMBOURG	242	154000000	15400000	V	128074	99.99	0.00	99.99	
37	b	NQ	1	SASA Assicurazioni Ri-assicurazioni - TRIESTE	242	52000000	52000000	D	31101	99.99	0.00	99.99	IT0000338720
37	b	NQ	1	SASA Assicurazioni Ri-assicurazioni - TRIESTE	242	52000000	52000000	V	31101	99.99	0.00	99.99	IT0000338720
38	b	NQ	1	SASA VITA - TRIESTE	242	16500000	16500000	D	5211	50.00	50.00	100.00	IT0001065058
38	b	NQ	1	SASA VITA - TRIESTE	242	16500000	16500000	V	5211	50.00	50.00	100.00	IT0001065058
39	b	NQ	9	SERVICE GRUPPO FONDIARIA-SAI S.r.l. - FLORENCE	242	104000	200000	D	565	70.00	30.00	100.00	IT000900129
40	b	NQ	4	SIM ETOILE S.A. - PARIS	242	3049011	200002	D	11808	99.99	0.00	99.99	QU0006521425
41	b	NQ	9	STARVOX S.p.A. - TURIN	242	258000	258000	D	275	100.00	0.00	100.00	IT0001208393
42	b	NQ	4	STIMMA S.r.l. - FLORENCE	242	10000	10000	D	637	100.00	0.00	100.00	IT0009000271
43	b	NQ	9	UNISERVIZI GRUPPO FONDIARIA S.c.r.l. - ASSAGO	242	5200000	10000000	D	24292	63.37	36.61	99.98	
44	b	NQ	4	VILLA RAGIONIERI S.r.l. - FLORENCE	242	78000	150000	D	22440	100.00	0.00	100.00	
45	b	NQ	9	WAVE TECHNOLOGIES S.r.l. - BEDIZZOLE	242	99500	99500	D	1500	15.00	0.00	15.00	
46	d	NQ	2	FIN.PRIV S.r.l. - MILAN	242	20000	20000	D	29201	28.57	0.00	28.57	IT0000008398
47	d	NQ	9	FONDIARIA-SAI SERVIZI TECNOLOGICI S.r.l. - FLORENCE	242	120000	120000	D	7453	51.00	0.00	51.00	
48	d	NQ	6	MBVC-FUND 1 PAR.CO.'D' - AMSTERDAM	242	50000	50000	D	9315	30.00	0.00	30.00	
49	d	NQ	3	QUINTOGEST ORD - MILAN	242	2000000	2000	D	980	49.00	0.00	49.00	
50	d	NQ	3	QUINTOGEST SPEC. - MILAN	242	1000000	1000	D	1000	100.00	0.00	100.00	
51	d	NQ	9	SISTEMI SANITARI S.p.A. - MILAN	242	1872000	3600000	D	445	22.54	25.71	48.25	IT0009000230
52	d	NQ	9	SOAIMPIANTI ORGANISMI DI ATTESTAZIONE S.p.A. - MILAN	242	588892	588892	D	317	21.64	0.00	21.64	IT0003344238
53	e	NQ	3	BANCA POPOLARE ETICA SCARL -	242	19425883,56	376179	D	31	0.16	0.00	0.16	IT0001080164

				PADUA									
54	e	NQ	9	CESTAR S.r.l. - PERO	242	2040000	4000000	D	303	14.66	11.50	26.16	IT0000008596
55	e	NQ	9	CITTA' DEGLI STUDI S.p.A. - BIELLA	242	26869002	26869002	D	8	0.02	0.01	0.03	IT0000008604
56	e	NQ	2	CONSORTIUM S.r.l. - MILAN	242	462002424	462002424	D	0	4.15	1.38	5.53	IT0000240603
57	e	NQ	2	EX VAR S.C.S. - LUXEMBOURG	242	307692	307692	D	55	18.00	10.00	28.00	
58	e	NQ	3	ISOLA D'ELBA B.CA CREDITO COOP - PORTOFERRAIO	242	2722487,92	48668	D	41	1.64	0.00	1.64	
59	e	NQ	9	ISTIT.EUROPEO DI ONCOLOGIA S.r.l. - MILAN	242	79071770	79071770	D	17406	12.88	1.76	14.64	IT0001014213
60	e	NQ	2	SOFIGEA S.r.l. (IN LIQUIDAZIONE) - ROME	242	47664600	93460000	D	5505	14.91	7.50	22.41	IT0000008166
61	e	NQ	9	UFF CENTRALE ITALIANO S.r.l. - MILAN	242	510000	1000000	D	73	14.14	11.38	25.52	IT0001093803

COMPANY:												Company code		111			
FONDIARIA - SAI																	
INFORMATION RELATING TO PARTICIPATING INTERESTS (*)																	
Data referring to first half of year 2007																	(Amounts in €K)
Ord.	Type	Listed or	Activity	Company name and registered office		Currency	Share capital		Value (5)		Quota owned (7)						
No.		unlisted					Amount	Number of	(6)	Amount	Direct	Indirect	Total				
	(1)	(2)	(3)				(4)	shares	D/V		%	%	%				
1	a	Q	2	PREMAFIN FINANZIARIA S.p.A. HLDG - ROME		242	410340220	410340220	D	22119	4.47	2.25	6.72				
1	a	Q	2	PREMAFIN FINANZIARIA S.p.A. HLDG - ROME		242	410340220	410340220	V	8717	4.47	2.25	6.72				
2	b	NQ	3	BANCA GESFID - LUGANO		3	10000000	10000000	V	33911	60.00	0.00	60.00				
3	b	NQ	3	BANCA SAI - TURIN		242	116677161	116677161	D	106919	100.00	0.00	100.00				
4	b	NQ	1	BIM VITA S.p.A. - TURIN		242	7500000	7500000	V	5423	50.00	0.00	50.00				
5	b	NQ	1	CAPITALIA ASSICURAZIONI S.p.A. - MILAN		242	5200000	5200000	D	56000	51.00	0.00	51.00				
6	b	NQ	9	CASA DI CURA VILLA DONATELLO S.p.A. - FLORENCE		242	361200	70000	D	20318	100.00	0.00	100.00				
7	b	NQ	9	CASA DI CURA VILLANOVA S.r.l. - FLORENCE		242	182000	350000	D	7465	100.00	0.00	100.00				
8	b	NQ	9	CONS. AZ.PER L'INFORM.-S C A 1 - TURIN		242	1040000	2000000	D	516	30.07	0.00	30.07				
9	b	NQ	2	DOMINION INSURANCE HOLDING - ORPINGTON		2	35438267	50780304	D	38	100.00	0.00	100.00				
9	b	NQ	2	DOMINION INSURANCE HOLDING - ORPINGTON		2	35438267	50780304	V	7	100.00	0.00	100.00				
10	b	NQ	2	DOMINION INSURANCE HOLDING Pref. - ORPINGTON		2	35438267	50780304	D	0	100.00	0.00	100.00				
10	b	NQ	2	DOMINION INSURANCE HOLDING Pref. - ORPINGTON		2	35438267	50780304	V	0	100.00	0.00	100.00				
11	b	NQ	1	EFFE VITA S.p.A. - FLORENCE		242	6240000	12000000	V	15000	100.00	0.00	100.00				
12	b	NQ	1	EUROPA TUTELA GIUDIZIARIA S.p.A. - ASSAGO		242	5160000	2000000	D	5681	100.00	0.00	100.00				
13	b	NQ	2	FINSAI INTERNATIONAL HOLDING - LUXEMBOURG		242	22801140	207650	D	5516	38.53	61.47	100.00				
14	b	NQ	2	FONDIARIA NEDERLAND B.V. - AMSTERDAM		242	19070	1907	D	120767	100.00	0.00	100.00				
14	b	NQ	2	FONDIARIA NEDERLAND B.V. - AMSTERDAM		242	19070	1907	V	18221	100.00	0.00	100.00				

15	b	NQ	1	FONDIPREV S.p.A. - FLORENCE		242	6240000	12000000	V	3223	40.00	60.00	100.00
16	b	Q	4	IMMOBILIARE LOMBARDA MILAN		242	697907753,59	4105339727	D	325782	50.12	6.83	56.95
17	b	NQ	2	ITALIBERIA INVERSIONES FINANCIERAS SL - BARCELONA		242	62030000	62030000	D	60179	100.00	0.00	100.00
18	b	NQ	1	LIGURIA SOCIETA' DI ASSICURAZIONI S.p.A. - SEGRATE		242	23000000	23000000	D	75526	99.97	0.00	99.97
18	b	NQ	1	LIGURIA SOCIETA' DI ASSICURAZIONI S.p.A. - SEGRATE		242	23000000	23000000	V	75526	99.97	0.00	99.97
19	b	NQ	4	MANTEGNA S.r.l. - MILAN		242	10000	10000	D	66129	100.00	0.00	100.00
20	b	NQ	2	MERIDIANO AURORA S.r.l. - MILAN		242	10000	10000	D	6260	100.00	0.00	100.00
21	b	NQ	4	MERIDIANO QUINTO S.r.l. - TURIN		242	800000	800000	D	52432	100.00	0.00	100.00
22	b	NQ	4	MERIDIANO RISPARMIO S.r.l. - MILAN		242	10000	10000	D	56810	100.00	0.00	100.00
23	b	Q	1	MILANO ASSICURAZIONI S.p.A. ord - ASSAGO		242	229561866	441465127	D	880036	56.44	2.87	59.31
23	b	Q	1	MILANO ASSICURAZIONI S.p.A. ord - ASSAGO		242	229561866	441465127	V	53665	56.44	2.87	59.31
24	b	Q	1	MILANO ASSICURAZIONI S.p.A. risp - ASSAGO		242	15984739	30739882	D	2910	1.46	0.00	1.46
25	b	NQ	4	NUOVE INIZIATIVE TOSCANE S.r.l. - FLORENCE		242	26000000	50000000	D	194372	96.88	3.12	100.00
26	b	NQ	4	PORTOFINO VETTA S.r.l. - FLORENCE		242	10400	20000	D	12409	100.00	0.00	100.00
27	b	NQ	1	PRONTO ASSISTANCE S.p.A. - TURIN		242	2500000	2500000	D	3566	100.00	0.00	100.00
(*) Companies in the group and other companies in which a holding is held directly,even through a trust company or a third party, must be listed													
(1) Type				(3) Activity		(4) Amounts in original currency							
a = Controlling companies				1 = Insurance company		(5) Value carried forward in the half-yearly report							
b = Subsidiary companies				2 = Finance company		(6) Indicate:							
c = Associated companies				3 = Credit institution		D for investments assigned to non-life business (item C.II.1)							
d = Affiliated companies				4 = Property company		V for investments assigned to life business (item							



																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																										</
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	----

37	b	NQ	1	SASA Assicurazioni Riassicurazioni - TRIESTE		242	52000000	52000000	D	31101	99.99	0.00	99.99
37	b	NQ	1	SASA Assicurazioni Riassicurazioni - TRIESTE		242	52000000	52000000	V	31101	99.99	0.00	99.99
38	b	NQ	1	SASA VITA - TRIESTE		242	16500000	16500000	D	5211	50.00	50.00	100.00
38	b	NQ	1	SASA VITA - TRIESTE		242	16500000	16500000	V	5211	50.00	50.00	100.00
39	b	NQ	9	SERVICE GRUPPO FONDIARIA-SAI S.r.l. - FLORENCE		242	104000	200000	D	565	70.00	30.00	100.00
40	b	NQ	4	SIM ETOILE S.A. - PARIS		242	3049011	200002	D	11808	99.99	0.00	99.99
41	b	NQ	9	STARVOX S.p.A. - TURIN		242	258000	258000	D	275	100.00	0.00	100.00
42	b	NQ	4	STIMMA S.r.l. - FLORENCE		242	10000	10000	D	637	100.00	0.00	100.00
43	b	NQ	9	UNISERVIZI GRUPPO FONDIARIA S.c.r.l. - ASSAGO		242	5200000	10000000	D	24292	63.37	36.61	99.98
44	b	NQ	4	VILLA RAGIONIERI S.r.l. - FLORENCE		242	78000	150000	D	22440	100.00	0.00	100.00
45	b	NQ	9	WAVE TECHNOLOGIES S.r.l. - BEDIZZOLE		242	99500	99500	D	1500	15.00	0.00	15.00
46	d	NQ	2	FIN.PRIV S.r.l. - MILAN		242	20000	20000	D	29201	28.57	0.00	28.57
47	d	NQ	9	FONDIARIA-SAI SERVIZI TECNOLOGICI S.r.l. - FLORENCE		242	120000	120000	D	7453	51.00	0.00	51.00
48	d	NQ	6	MBVC-FUND 1 PAR.CO.'D' - AMSTERDAM		242	50000	50000	D	9315	30.00	0.00	30.00
49	d	NQ	3	QUINTOGEST ORD - MILAN		242	2000000	2000	D	980	49.00	0.00	49.00
50	d	NQ	3	QUINTOGEST SPEC. - MILAN		242	1000000	1000	D	1000	100.00	0.00	100.00
51	d	NQ	9	SISTEMI SANITARI S.p.A. - MILAN		242	1872000	3600000	D	445	22.54	25.71	48.25
52	d	NQ	9	SOAIMPIANTI ORGANISMI DI ATTESTAZIONE S.p.A. - MILAN		242	588892	588892	D	317	21.64	0.00	21.64



53	e	NQ	3	BANCA POPOLARE ETICA SCARL - PADUA		242	19425883,56	376179	D	31	0.16	0.00	0.16
54	e	NQ	9	CESTAR S.r.l. - PERO		242	2040000	4000000	D	303	14.66	11.50	26.16
55	e	NQ	9	CITTA' DEGLI STUDI S.p.A. - BIELLA		242	26869002	26869002	D	8	0.02	0.01	0.03
56	e	NQ	2	CONSORTIUM S.r.l. - MILAN		242	462002424	462002424	D	0	4.15	1.38	5.53
57	e	NQ	2	EX VAR S.C.S. - LUXEMBOURG		242	307692	307692	D	55	18.00	10.00	28.00
(*) Companies in the group and other companies in which a holding is held directly, even through a trust company or a third party, must be listed													
(1) Type				(3) Activity		(4) Amounts in original currency							
a = Controlling companies				1 = Insurance company		(5) Value carried forward in the half-yearly report							
b = Subsidiary companies				2 = Finance company		(6) Indicate:							
c = Associated companies				3 = Credit institution		D for investments assigned to non-life business (item C.II.1)							
d = Affiliated companies				4 = Property company		V for investments assigned to life business (item C.II.1)							
e = Others				5 = Trust company		V1 for investments assigned to life business (item D.1)							
				6 = Company managing or distributing unit trusts		V2 for investments assigned to life business (item D.2)							
(2) Indicate Q for securities traded				7 = Consortium		However the same order number must be assigned to							
in regulated markets				8 = Industrial company		the holding even if it is split up							

and NQ for the others			9 = Other com- pany or body		(7) Indicate the total quota owned												



e = Others				5 = Trust company		V1 for investments assigned to life business (item D.1)													
				6 = Company managing or distributing unit trusts		V2 for investments assigned to life business (item D.2)													
(2) Indicate Q for securities traded				7 = Consortium		However, the same order number must be assigned to													
in regulated markets				8 = Industrial company		the holding even if it is split up													
and NQ for the others				9 = Other company or body		(7) Indicate the total quota owned													

## List of direct and indirect holdings in unlisted companies of more than 10% of the share capital on 30/06/2007

(Pursuant to articles 125-126 of CONSOB Decision no. 11971 of 14/5/1999)

### FONDIARIA-SAI S.P.A. OWNS, ON 30/06/2007, THE FOLLOWING ORDINARY SHARES/SHARES WITH VOTING RIGHTS

Company name Registered office	Investor	Voting rights held	Percentage holding %	Total
AGRISAI S.r.l. ITALY	SAIAGRICOLA SPA SAIFIN SAIFINANZIARIA SPA	60,390 610	99.000 1.000	100.000
ATHENA PRIVATE EQUITY S.A. LUXEMBURG	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	7,497,000	51.000	51.000
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	7,299,000	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. S.r.l. – ITALY	FONDIARIA-SAI S.p.A. LIGURIA SOC.TA' DI ASS.NI SPA MILANO ASSICURAZIONI SPA SASA S.p.A. SYSTEMA COMPAGNIA di ASS.NI SPA	586,575 5,972 453,835 248 4	14.664 0.149 11.346 0.006 0.000	26.166
CITYLIFE SRL ITALY	IMMOBILIARE LOMBARDA SPA	39,997	26.665	26.665

<b>Company name - Registered office</b>	<b>Investor</b>	<b>Voting rights held</b>	<b>Percentage holding %</b>	<b>Total</b>
COLPETRONE SRL ITALY	SAI AGRICOLA SPA	10,000	100.000	100.000
COMPAGNIA TIRRENA DI ASSICURAZIONI SPA in forced 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 TOSCANE 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 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 LUXEMBURG	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	40,000,000	40.000	40.000
FINITALIA SPA ITALY	BANCA SAI S.p.A.	15,376,285	100.000	100.000

Company name - Registered office	Investor	Voting rights held	Percentage holding %	Total
FIN.PRIV. SRL ITALY	FONDIARIA-SAI S.p.A.	5,714	28.571	28.571
FINSAL INTERNATIONAL S.A. LUXEMBURG	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.	61,200	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
GARIBALDI SCS LUXEMBURG	MILANO ASSICURAZIONI SPA	480	47.952	47.952
GLOBAL CARD SERVICE SRL ITALY	LIGURIA SPA LIGURIA VITA SPA	43,472 50,388	44.000 51.000	95.000
IFB INTERNATIONAL FUR BROKERS SPA in liquidation – ITALY	FONDIARIA – SAI S.p.A.	60,000	60.000	60.000
IGLI SPA ITALY	IMMOBILIARE LOMBARDA SPA	8,040,000	33.333	33.333
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.ED.SRL –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 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 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
MARINA DI LOANO ITALY	IMMOBILIARE LOMBARDA SPA	5,536,000	100.000	100.000
MASACCIO SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,000	100.000	100.000

<b>Company name - Registered office</b>	<b>Investor</b>	<b>Voting rights held</b>	<b>Percentage holding %</b>	<b>Total</b>
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 QUINTO SRL ITALY	FONDIARIA – SAI S.p.A.	800,000	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
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



<b>Company name - Registered office</b>	<b>Investor</b>	<b>Voting rights held</b>	<b>Percentage holding %</b>	<b>Total</b>
PRONTO ASSISTANCE SPA ITALY	FONDIARIA-SAI S.p.A.	2,500,000	100.000	100.000
QUINTOGEST SPA ITALY	FONDIARIA-SAI S.p.A.	980,000	49.000	49.000
RISTRUTTURAZIONI EDILI MODERNE – R.EDIL.MO. SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,329	100.000	100.000
SAI ASSET MANAGEMENT SGR SPA ITALY	FONDIARIA-SAI S.p.A.	500,000	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	1,995,930 1,134,940	51.000 29.000	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. LUXEMBURG	FINSAI INTERNATIONAL S.A. SAIFIN SAIFINANZIARIA SPA	10 9,387,800	0.001 99.999	100.000
SAINTERNATIONAL S.A. LUXEMBURG	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.	8,250,000 8,250,000	50.000 50.000	100.000
SCONTOFIN S.A. LUXEMBURG	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
SINTESI SECONDA SRL ITALY	IMMOBILIARE LOMBARDA SPA	10,400	100.000	100.000
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	Investor	Voting rights held	Percentage holding %	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 IRELAND	FONDIARIA NEDERLAND BV	802,886	100.000	100.000
THE LAWRENCE RE IRELAND Ltd IRELAND	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 SASA S.p.A. SIAT S.p.A. SYSTEMA S.p.A.	1 141,358 3,093 109,751 1 948 2	0.000 14.136 0.309 10.975 0.000 0.095 0.000	25.516

<b>Company name - Registered office</b>	<b>Investor</b>	<b>Voting rights held</b>	<b>Percentage holding %</b>	<b>Total</b>
UNISERVIZI GRUPPO	BANCA SAI S.p.A.	2,000	0.020	99.960
FONDIARIA S.c.r.l.	CAPITALIA SPA	2,000	0.020	
ITALY	DIALOGO ASSICURAZIONI S.p.A.	20,000	0.200	
	EFFE VITA S.p.A.	2,000	0.020	
	EUROPA TUTELA GIUDIZIARIA	2,000	0.020	
	S.p.A.	2,000	0.020	
	FINALIA SPA	6,337,000	63.370	
	FONDIARIA – SAI S.p.A.	2,000	0.020	
	FONDIPREV S.p.A.	2,000	0.020	
	IMMOBILIARE LOMBARDA SPA	2,800,000	28.000	
	MILANO ASSICURAZIONI SPA	90,000	0.900	
	PRONTO ASSISTANCE SPA	2,000	0.020	
	SAI ASSET MANAGEMENT	2,000	0.020	
	SAI INVESTIMENTI SGR SPA	2,000	0.020	
	SAI MERCATI MOBILIARI S.p.A.	2,000	0.020	
	SAIAGRICOLA SPA	585,000	5.850	
	SASA S.p.A.	34,000	0.340	
	SASA VITA S.p.A.	2,000	0.020	
	SERVICE GRUPPO FONDIARIA –	84,000	0.840	
	SAI SRL	2,000	0.020	
	SIAT S.p.A.	18,000	0.180	
	STARVOX SPA	2,000	0.020	
	SYSTEMA S.p.A.			
	THE LAWRENCE RE IRELAND Ltd			
VILLA RAGIONIERI SRL	FONDIARIA-SAI S.p.A.	150,000	100.000	100.000
ITALY				
WAVE TECHNOLOGIES SRL	FONDIARIA-SAI S.p.A.	14,925	15.000	15.000
ITALY				

COMPANY: FONDIARIA - SAI				Company code		111
Variations in investments in companies in the group and other participating interests: stocks and shares (item C.II.1), bonds (item C.II.2) and loans (item C.II.3)						
Data referring to first half of year	2007					(Amounts in €K)
		Stocks and shares		Bonds		Loans
		C.II.1		C.II.2		C.II.3
Initial balances	+	1	2,473,536	21	156	20,830
Increases during the period:	+	2	123,495	22	42	1,847
for: purchases, subscriptions or payments		3	123,495	23	43	1,847
increases in value		4		24	44	
write-ups		5				
other variations		6		26	46	
Decreases during the period:	-	7	27,791	27	47	
for: sales or repayments		8	330	28	48	
write-downs		9	1,969	29	49	
other variations		10	25,492	30	50	
<b>Total</b>			2,569,240		156	22,677

		11		31		51	
Current value.....		12	3,245,993	32	156	52	22,677
Total write-ups.....		13	257,530				
Total write-downs.....		14	551,810	34		54	
(*) D= statement relating to non-life business							
V= statement relating to life business							

<b>COMPANY: FONDIARIA - SAI</b>				Company code		<b>111</b>
<b>Variations in investments in companies in the group and other participating interests: stocks and shares (item C.II.1), bonds (item C.II.2) and loans (item C.II.3)</b>						
Data referring to first half of year	2007					(Amounts in €K)
		Stocks and shares		Bonds		Loans
		C.II.1		C.II.2		C.II.3
Initial balances	+	1	482,945	21	41	
Increases during the period:	+	2	6,202	22	42	
for: purchases, subscriptions or payments		3	2,600	23	43	
increases in value		4		24	44	
write-ups		5				
other variations		6	3,602	26	46	
Decreases during the period:	-	7	18,408	27	47	
for: sales or repayments		8	18,408	28	48	
write-downs		9		29	49	
other variations		10		30	50	
<b>Total</b>		11	470,739	31	51	
Current value		12	540,472	32	52	
Total write-ups		13	7,459			
Total write-downs		14	91,531	34	54	
(*) D= statement relating to non-life business						
V= statement relating to life business						

COMPANY: FONDIARIA - SAI											Company code		111
Distribution based on utilisation of other financial investments: stocks and shares of companies, quotas in unit trusts, bonds and other fixed income securities, miscellaneous financial investments (items C.III.1, 2, 3, 5)													
Data referring to the first half of the year	2007												
I - Non-life business													(Amounts in €K)
		Long-term portfolio				Short and medium-term portfolio				Total			
		Value (1)		Current value		Value (1)		Current value		Value (1)		Current value	
1. Company stocks and shares:			1,320,709		1,793,689	25	119,451	37	142,108	49	1,440,160	61	1,935,797
a) listed shares		1	1,314,250	13	1,787,230	26	92,908	38	115,565	50	1,407,158	62	1,902,795
b) unlisted shares		2	4,959	14	4,959	27	26,543	39	26,543	51	31,502	63	31,502
c) quotas		3	1,500	15	1,500	28		40		52	1,500	64	1,500
2. Quotas in unit trusts		4	1,282	16	650	29	331,033	41	395,426	53	332,315	65	396,076
3. Bonds and other fixed income securities		5	319,157	17	305,311	30	2,085,692	42	2,086,226	54	2,404,849	66	2,391,537
a1) listed Government bonds		6	255,454	18	241,850	31	1,852,850	43	1,853,224	55	2,108,304	67	2,095,074
a2) other listed securities		7	5,463	19	5,206	32	192,659	44	192,753	56	198,122	68	197,959
b1) unlisted Government bonds		8		20		33		45		57		69	
b2) other unlisted securities		9	57,864	21	57,864	34	40,118	46	40,151	58	97,982	70	98,015
c) convertible bonds		10	376	22	391	35	65	47	98	59	441	71	489
5. Others		11		23		36	478	48	478	60	478	72	478
		12		24									
II - Life business													

	Long-term portfolio				Short and medium-term portfolio				Total			
	Value (1)		Current value		Value (1)		Current value		Value (1)		Current value	
1. Company stocks and shares:												
.....	73	223,052	85	273,929	97	258,494	109	307,533	121	481,546	133	581,462
a) listed shares												
.....	74	223,047	86	273,924	98	258,494	110	307,533	122	481,541	134	581,457
b) unlisted shares												
.....	75	5	87	5	99		111		123	5	135	5
c) quotas												
.....	76		88		100		112		124		136	
2. Quotas in unit trusts												
.....	77		89		101	98,362	113	99,644	125	98,362	137	99,644
3. Bonds and other fixed income securities												
.....	78	3,068,968	90	2,940,915	102	4,123,362	114	4,139,186	126	7,192,330	138	7,080,101
a1) listed Government bonds												
.....	79	2,950,848	91	2,821,223	103	2,309,243	115	2,309,710	127	5,260,091	139	5,130,933
a2) other listed securities												
.....	80	66,864	92	67,466	104	1,340,614	116	1,342,791	128	1,407,478	140	1,410,257
b1) unlisted Government bonds												
.....	81	38	93	40	105	7	117	7	129	45	141	47
b2) other unlisted securities												
.....	82	50,673	94	51,624	106	473,470	118	486,649	130	524,143	142	538,273
c) convertible bonds												
.....	83	545	95	562	107	28	119	29	131	573	143	591
5. Others												
.....	84		96		108	247	120	261	132	247	144	261
(1) value carried forward in the half-yearly report												



---

The legal representatives of the Company (\*)

.....(\*\*)

.....(\*\*)

.....(\*\*)

.....(\*\*)

.....(\*\*)

(\*) For foreign companies the document must be signed by the general representative for Italy

(\*\*) Indicate the position held by the signatory

---

---

# **Consolidated Half-year Report as at 30 June 2007**

---

## PERFORMANCE

The consolidated half-year report as at 30/06/2007 complies with ISVAP Instruction no. 1207-G of July 1999, as amended by Instruction No. 2460 of 10/08/2006, and has been drafted in accordance with art. 81 of Issuers' Regulation no. 11971/99, as amended by Consob Resolution no.14990 of 14/04/2005 and the rules regarding company balance sheets and the consolidation principles used to draft the consolidated balance sheet as at 31/12/2006 and the instructions contained in Instruction 2404 of 22/12/2005. In particular, the economic and financial data has been drafted in accordance with the provisions of IAS 34 in respect of interim accounts.

As pointed out later on in this report, when interim data is being determined, greater use is made of estimates and projections when applying the mandatory balance sheet drafting principles and valuation criteria.

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

In accordance with CONSOB Notice no. DEM/6064293 of 28/07/06 and with the CESR recommendation relating to alternative performance indicators (CESR/05-178b) mentioned therein, we confirm that the main indicators used in this report are consistent with standard market indicators and with the principal relevant academic theories, as well as with standard practice in financial analysis. Where indicators that do not comply with the aforementioned requirements are used, the information needed to understand the basis for calculation used is provided.

### Premiums

In the first half of the 2007 financial year, total premium income was € 6,180,553K (+25.09%), the component parts of which can be summarised as follows:

(€K)	1st half-year 2007	1st half-year 2006	% Variation
<u>DIRECT INSURANCE</u>			
<u>BUSINESS</u>			
Non-Life Classes	3,801,093	3,726,251	2.01
Life Business	2,371,633	1,204,948	96.82
TOTAL	6,172,726	4,931,199	25.18
<u>REINSURANCE BUSINESS</u>			
Non-Life Classes	4,651	4,572	1.73
Life Business	3,177	5,038	(36.95)
Total reinsurance business	7,828	9,610	(18.55)
Grand total	6,180,553	4,940,809	25.09
of which:			

Non-Life Classes	3,805,744	3,730,823	2.01
Life Business	2,374,809	1,209,986	96.27

## Consolidated Profit and Loss Account

The following table summarises the result for the first half of 2007 compared with the same period of the previous financial year and with 31/12/2006.

(€ K)	30/06/2007	30/06/2006	Variation	31/12/2006
Net premiums	5,933,977	4,728,864	1,205,113	9,649,838
Net charges relating to claims	4,866,502	3,779,039	1,087,463	7,833,827
Net commissions	27,291	14,719	12,572	36,745
Net income from investments	587,389	572,640	14,749	986,153
Net income from financial instruments at fair value through profit or loss	(2,012)	(21,980)	19,968	80,267
Operating expenses	924,098	784,084	140,014	1,633,816
Operating expenses on investments and interest payable	69,981	85,483	(15,502)	98,559
Other net income and charges	(161,285)	(182,514)	21,229	(277,917)
<b>Profit (loss) in the financial year before tax</b>	<b>524,779</b>	<b>463,123</b>	<b>61,656</b>	<b>908,884</b>
Income tax	186,580	143,105	43,475	308,116
<b>Profit (loss) in the financial year net of tax</b>	<b>338,199</b>	<b>320,018</b>	<b>18,181</b>	<b>600,768</b>
<b>Profit (loss) on operating activities discontinued</b>	<b>(197)</b>	<b>-</b>	<b>(197)</b>	<b>-</b>
<b>Consolidated profit (loss)</b>	<b>338,002</b>	<b>320,018</b>	<b>17,984</b>	<b>600,768</b>
<b>Minority interest profit (loss) in the financial year</b>	<b>61,185</b>	<b>61,909</b>	<b>(724)</b>	<b>119,564</b>
<b>Group profit (loss) in the financial year</b>	<b>276,817</b>	<b>258,109</b>	<b>18,708</b>	<b>481,204</b>

(\*) Items in the consolidated profit and loss account +1.4 + 1.5 – 2.3 – 2.4 (excluding 2.4.1)

The essential items of the half-year consolidated results are the following:

- The consolidated half-year profit was € 338m, including the Group profit of € 277m and the minority interest share of € 61m.
- The overall technical performance of the insurance sectors was characterised by an increase in the volume of premium income both in the Non-Life sector (+2.01%) and the Life sector (+96.27%).
- Activity in the Non-Life insurance sector showed a pre-tax profit of € 402m, a significant rise compared with 30/06/2006 (€309m). This improvement is also reflected in the technical-industrial management, the result of which showed an improvement of approximately € 16m. Added to this is a greater contribution of financial income, amounting to € 222m (€174m as at 30/06/2006). Despite the uncertainties associated with the start of the new direct compensation procedure, the Motor TPL class showed satisfactory performance for currently generated claims, whilst the provisions allocated against previously generated claims essentially remained the same.  
The class's better technical performance also resulted from commercial operations carried out in territorial and sector-based areas characterised by unsatisfactory results, such as, for example, the reduction in the fleet portfolio.

---

The Land Vehicles class showed a positive trend, whilst the Non-marine branches showed no evidence of widespread problematic issues, even in a context characterised by a strict reservation policy in classes such as General TPL and Health, the technical results of which in the recent past showed unsatisfactory performances.

- The Life sector recorded a pre-tax profit of over € 105m (€ 121m as at 30/06/06): the decrease compared with the corresponding period in the last financial year was mainly due to the fall in gains realised on property investments.
- The Property sector recorded a pre-tax loss of approximately € 1m. During the first part of 2007, the property business performed fairly well. Such performance was, however, partly directed within the Group and did not, at least in the first part of the year, enable significant non-group results to be recorded. In the second half-year, on the other hand, a number of equity write-up initiatives had already been carried out, with considerable capital gains being recorded.
- The Other Business sector, which includes companies operating in the financial and managed savings sectors, recorded a pre-tax profit of € 19m, compared with the profit of € 11m during the first half of 2006, thanks also to the positive contribution of the newly-acquired Banca Gesfid € 6m.
- Gross technical reserves came to € 28,694m (€ 26,967m in 2006), € 11,720m of which relate to the Non-Life classes and € 16,974m to the Life business. The ratio between total technical reserves and total premiums written is 235.5% (269.9% in 2006). This ratio is equal to 157.7% in the Non-Life sector (159.7% in 2006).
- Total operating costs, excluding those relating to investment management, amounted to € 924m (€ 784m as at 30/06/2006). In the Non-Life sector, these costs came to € 747m and represent 20.9% of premiums (19.5% in 2006), while in the Life business the total amount of costs was € 143m and represents 6.0% of premiums written (5.6% in 2006). The total percentage impact of the expense ratio on premiums was 14.6% against 15.2% as at 30/06/2006.
- Net commissions for financial services rendered and received were positive in the amount of approximately € 27m. Approximately € 9m. of these are attributable to the Life sector, while the rest relate to the Other Business sector.
- The contribution of net income from financial instruments at fair value through profit or loss is negative by € 2m, with an increase of € 19m compared with 30/06/2006. This item includes the net income from financial activities in which the risk is borne by the policy holder for the non-acquired part against the variation in the deposit accounting (negative for € 34m, even though offset by the related reduction in the net charge relating to the Life sector claims), a significant amount of dividends on shares classified to be traded in the Non-Life sector and fair value adjustments on the financial instruments belonging to the sector.
- Excluding the contribution of the net income from financial instruments at fair value through profit or loss, the total net income from investments, including proceeds from shareholdings in subsidiaries, associated companies and joint ventures, which amounted to €17m, rose to € 587m (€ 573m as at 30/06/2006). Interest receivable for € 404m, other net proceeds of € 119m, 19, net income from the break-up of assets for € 65m and valuation losses, net of the respective value adjustments of approximately € 18m all contributed to this figure. We would state that the increase in value on the Capitalia shares, for a total of approximately € 78m against the separate positions of the Parent Company and

---

the subsidiary Milano, is not shown in the Profit and Loss Account in compliance with the provisions of paragraph 69 of IAS 39.

- Investment management costs and interest payable amounted to € 70m, € 64m of which relate to interest payable on the Group's financial debts.
- The balance of other income and costs was negative in the amount of € 161m (€ -183m in the first half of 2006). Depreciation allowances and amortisation rates on tangible and intangible fixed assets were deducted from this item for approximately € 27 m.
- The income tax liability for the half-year, whilst showing an increase compared with the same period for the previous financial year, was adjusted to the 2006 year-end figures. It continues to remain below the theoretical tax liability, determined by applying the pre-tax result to the nominal tax rate in force, due to the positive impact of those income components which, following the IRES reform, have become wholly or partially irrelevant for tax purposes.

We would point out that the result for the period has not been influenced by events or transactions that are non-recurrent or alien to the normal course of business.

<b>Profit and Loss Account by sector of activity</b>													
(€K)													
		<b>Non-Life Insurance Sector</b>		<b>Life Insurance Sector</b>		<b>Property Sector</b>		<b>Other Activities Sector</b>		<b>Inter-sector combinations</b>		<b>Total</b>	
		<b>30/6/2007</b>	<b>30/6/2006</b>	<b>30/6/2007</b>	<b>30/6/2006</b>	<b>30/6/2007</b>	<b>30/6/2006</b>	<b>30/6/2007</b>	<b>30/6/2006</b>	<b>30/6/2007</b>	<b>30/6/2006</b>	<b>30/6/2007</b>	<b>30/6/2006</b>
1.1	Net premiums	3,571,235	3,528,064	2,362,743	1,200,800	0	0	0	0.00	0	0	5,933,978	4,728,864
1.1.1	Gross premiums earned	3,717,198	3,650,194	2,374,809	1,209,986		0		0		0	6,092,007	4,860,180
1.1.2	Premiums earned ceded in reinsurance	-145,963	-122,130	-12,066	-9,186		0		0		0	-158,029	-131,316
1.2	Commissions receivable		0	30,863	22,489		0	29,752	13,136	-368	-120	60,247	35,505
1.3	Income and expenditure deriving from financial instruments at fair value through profit or loss	36,004	-2,024	-41,600	-21,089	380	0	3,407	1,346	-203	-213	-2,012	-21,980
1.4	Income deriving from holdings in subsidiaries, associates and joint ventures			17,896	16,400		5,354	1,586	9,073	-444	-4,458	19,038	26,369
1.5	Income deriving from other financial instruments and investment property	224,904	216,400	362,483	344,920	27,743	40,980	59,326	43,922	-20,077	-22,362	654,379	623,860
1.6	Other revenue	105,814	67,818	7,084	6,659	59,368	40,737	144,618	143,915	-97,997	-79,806	218,887	179,323
<b>1</b>	<b>TOTAL REVENUE AND INCOME</b>	<b>3,937,957</b>	<b>3,810,258</b>	<b>2,739,469</b>	<b>1,570,179</b>	<b>87,491</b>	<b>87,071</b>	<b>238,689</b>	<b>211,392</b>	<b>-119,089</b>	<b>-106,959</b>	<b>6,884,517</b>	<b>5,571,941</b>
2.1	Net charges relating to claims	2,503,417	2,483,888	2,363,288	1,295,364	0	0	0	0	-203	-213	4,866,502	3,779,039
2.1.2	Amounts paid and changes in technical reserves	2,615,038	2,551,910	2,376,647	1,305,842		0		0	-203	-213	4,991,482	3,857,539
2.1.3	Reinsurers' share	-111,621	-68,022	-13,359	-10,478		0		0		0	-124,980	-78,500
2.2	Commissions payable		0	22,184	14,504		0	10,771	6,281		0	32,955	20,785



2.3	Expenses deriving from holdings in subsidiaries, associates and joint ventures	66	0		0	2,394	2,560		0		0	2,460	2,560
2.4	Expenses deriving from other financial instruments and investment property	59,040	51,206	48,434	38,684	26,701	22,520	31,531	25,133	-18,216	-20,163	147,490	117,380
2.5	Operating expenses	748,873	693,633	146,411	66,666	106	37,057	34,767	29,861		0	930,157	827,217
2.6	Other costs	224,761	272,928	54,051	33,498	59,385	3,074	142,647	138,920	-100,670	-86,583	380,174	361,837
<b>2</b>	<b>TOTAL COSTS AND EXPENSES</b>	<b>3,536,157</b>	<b>3,501,655</b>	<b>2,634,368</b>	<b>1,448,716</b>	<b>88,586</b>	<b>65,211</b>	<b>219,716</b>	<b>200,195</b>	<b>-119,089</b>	<b>-106,959</b>	<b>6,359,738</b>	<b>5,108,818</b>
	<b>PRE-TAX PROFIT (LOSS) FOR THE YEAR</b>	<b>401,800</b>	<b>308,603</b>	<b>105,101</b>	<b>121,463</b>	<b>-1,095</b>	<b>21,860</b>	<b>18,973</b>	<b>11,197</b>	<b>0</b>	<b>0</b>	<b>524,779</b>	<b>463,123</b>

---

## Non-Life Insurance Sector

---

The general performance of the sector is described in detail in the section dedicated to the management of the Non-Life insurance business in the Parent Company's half-year report, to which you are referred for further details.

We would remind you that, at the end of 2006, the Fondiaria-SAI Group was ranked second in terms of Italian direct business premiums consolidated according to IAS/IFRS standards, with a total premium income for both Non-Life and Life products of € 9.95bn euros, confirming its strong presence in Italy and its dedication to the core business of insurance.

In particular, in the Non-Life segment, the Group achieved a dominant position over other Italian insurance companies (with premium income corresponding to 22.2% of the market value), also achieving the top position in the Motor Insurance market (with premium income of 23.7% of the total amount brokered) and maintaining a constant balance in growth, in terms of market share and profitability of the segment.

The leadership held in terms of both size and profitability is also confirmed by the optimisation of the trade-off between market share and profitability in the Non-Life classes compared with the leading competitors in the Italian market, with a combined ratio of 93.97 as at 31/12/2006, among the best values achieved in the sector at the end of the year, and performance in the Motor TPL that is significantly and consistently better than the market average.

From the management perspective, the initiatives aimed at increasing non-motor production continued, and as at the end of the first half of 2007, this shows a significant increase of 5.8%. This growth is also the result of using the bankassurance channel with the start-up of collaboration with the Capitalia Group through Capitalia Assicurazioni and the start, from February 2007, of sales collaboration with Banca Popolare di Milano.

The Non-Life bankassurance activity is currently operational with the back-up of more than 3,000 bank branches involved in distributing the Group's products.

Extremely competitive market conditions persist in the corporate sector, these making difficult any significant growth in the volume of business with adequate profitability margins. In some specific segments, and in particular with regard to Public Authorities, it has in fact become necessary to tighten up the criteria for underwriting risks, with a consequent reduction in premiums written, which is, moreover, the counterpart of a significant fall in the cost of currently generated claims. In the sector of public contracts for insurance services, the indications of auction-based premiums amount to an increasingly modest sum and, in the Public Liability class, we see increasing recourse to the deductible, which leads to a reduction in the average premium.

The strategic initiative continues which consists of relaunching the direct channel via the subsidiary Dialogo, whose new Motor TPL rate is highly personalised and convenient for the low-risk profiles, as well as competitive in relation to the competition. The development of this initiative is, moreover, backed by a massive PR campaign and the start-up of strategic partnerships with non-insurance operators.

With reference to the Motor TPL operating performance, we would point out that the figures throughout to 30/06/2007 are not entirely homogenous and therefore comparable with similar figures for the previous financial year.

In particular, the start of the new direct compensation procedure, as from 01/02/2007, involved a series of operational and organisational adjustments, including in regard to the

Clearing-house Operator, with a consequent slippage in the usual times for preparing and processing the claims figures.

The growth in the Land Vehicles class is, moreover, conditioned by increasing pressures on prices at market level in a sector which has, for a number of years, guaranteed high profitability.

## Premiums

Premium income from direct business in Italy amounted to € 3,801,093K (+2.01%).

The following table shows the breakdown by class:

<b>ITALIAN DIRECT BUSINESS</b>	<b>1st half-year 2007</b>	<b>1st half-year 2006</b>	<b>% Variation</b>
(€ K)			
Accident and Health	351,429	333,704	5.31
Marine, aircraft and goods in transit	105,370	104,292	1.03
Fire and other damage to property	366,220	338,389	8.22
General TPL	242,445	238,570	1.62
Credit and Bonds	42,616	35,968	18.48
Sundry pecuniary losses	14,005	12,563	11.48
Legal protection	8,541	7,747	10.25
Assistance	20,138	16,897	19.18
<b>TOTAL NON-MOTOR BUSINESS</b>	<b>1,150,764</b>	<b>1,088,130</b>	<b>5.76</b>
Land vehicle TPL	2,246,391	2,257,411	(0.49)
Motor insurance Other Classes	403,938	380,710	6.10
<b>TOTAL MOTOR CLASSES</b>	<b>2,650,329</b>	<b>2,638,121</b>	<b>0.46</b>
<b>TOTAL</b>	<b>3,801,093</b>	<b>3,726,251</b>	<b>2.01</b>

Premiums ceded amounted to € 143m (€120m as at 30/06/2006).

Gross claims settled for direct business amounted to € 2,556, down compared with the first half of 2006 (€ 2,577m).

Total technical reserves, gross of reinsurance, amounted to € 11,720m and are 0.5% higher than on 31/12/2006.

The percentage impact of operating costs on premiums rose (20.1% against 18.5% as at 30/06/2006) due both to higher holding costs being incurred and to costs being charged to the first half-year that are unlikely to recur in the second.

The combined ratio for the period amounted to 94.6% against 94.9% as at 30/06/2006.

This ratio continues to demonstrate the high degree of operational efficiency achieved in insurance processes related to underwriting new business and settling claims.

<i>Figures expressed as a %</i>	<b>30/06/2007</b>	<b>30/06/2006</b>
Loss ratio	70.1	70.4
Expense ratio	20.9	19.5
Combined operating ratio	91.0	89.9
OTI ratio (*)	3.6	5.0
<b>Combined ratio</b>	<b>94.6</b>	<b>94.9</b>

(\*) Includes the balance of the other technical items.

## Claims settled and reported

The following table shows the distribution by class of business of the claims settled and reported for Italian direct business, including costs directly chargeable to the claim and those indirectly associated with the way the settlement structure operates:

	Claims settled			Claims reported		
	1st half- year 2007 € K	1st half- year 2006 € K	% Varia- tion	1st half- year 2007 Number	1st half- year 2006 Number	% Varia- tion
<b>ITALIAN DIRECT</b>						
<b>BUSINESS</b>						
<b>Non-Life Classes</b>						
Accident	102,040	105,379	(3.17)	51,718	50,522	2.37
Health	89,080	89,136	(0.06)	111,629	98,596	13.22
Railway rolling stock	-	-	-	-	-	-
Aircraft - hull	704	1,534	(54.11)	14	15	(6.67)
Marine - hull	3,758	4,477	(16.06)	180	210	(14.29)
Goods in transit	5,752	6,500	(11.51)	1,552	1,856	(16.38)
Fire and other natural events	98,225	91,506	7.34	26,847	29,875	(10.14)
Other Property Damage	111,541	101,822	9.55	68,439	65,128	5.08
Aviation TPL	30	66	(54.55)	41	41	-
Mrine TPL	152	297	(48.88)	36	43	(16.28)
General TPL	170,290	169,985	0.18	51,752	55,215	(6.27)
Credit	380	561	(32.26)	1	5	(80.00)
Bonds	22,823	33,015	(30.87)	627	604	3.81
Pecuniariay losses	2,066	2,335	(11.52)	2,098	1,922	9.16
Legal Protection	778	1,137	(31.57)	1,111	1,128	(1.51)
Assistance	9,566	7,576	26.27	39,774	37,377	6.41
<b>TOTAL NON-MOTOR CLASSES</b>	<b>617,185</b>	<b>615,326</b>	<b>0.30</b>	<b>355,819</b>	<b>342,537</b>	<b>3.88</b>
Motor TPL	1,761,439	1,790,788	(1.64)	508,127	520,408	(2.36)
Land vehicle TPL	177,749	170,486	4.26	140,643	128,789	9.20
<b>TOTAL MOTOR CLASSES</b>	<b>1,939,188</b>	<b>1,961,274</b>	<b>(1.13)</b>	<b>648,770</b>	<b>649,197</b>	<b>(0.07)</b>
<b>TOTAL NON-LIFE CLASSES</b>	<b>2,556,373</b>	<b>2,576,600</b>	<b>(0.79)</b>	<b>1,004,589</b>	<b>991,734</b>	<b>1.30</b>

Regarding the Motor TPL class, we would point out that the claims settled also include the charge incurred for managing the claims as "Business operator" (losses incurred) within the new system of indirect compensation, net of the amount recovered by way of a business operator fixed rate from the Consap clearing-house. With reference to the claims reported, we would point out that these, for purposes of homogenous comparison with the previous period, relate solely to claims which have arisen and do not include the numbers relating to claims under the "Business Operator Card" system.

The performance of the main subsidiaries in the 1st half of 2007 is summarised in the following table:

(€ K)	TOTAL GROSS PREMIUMS	% VARIATION	PROFIT (LOSS) FOR THE PERIOD (***)
CAPITALIA ASSICURAZIONI S.p.A.	19,530	n.a. (*)	60
DIALOGO ASSICURAZIONI S.p.A.	6,101	(13.39)	(3,336)
LIGURIA ASS.NI S.p.A.	102,811	n.a. (*)	3,115
MILANO ASS. S.p.A.(**)	1,381,959	(3.17)	152,849
NOVARA ASSICURA S.p.A.	919	71.46	(290)
SASA S.p.A.	204,466	6.50	5,017
SIAT S.p.A.	81,721	(2.49)	906
THE LAWRENCE RE IRELAND Ltd.	90,300	1.35	

(\*) The percentage variation cannot be compared as the acquisition took place during 2006.

(\*\*) Consolidated data as at 30/06/2007. The profit (loss) for the period includes the Life business.

(\*\*\*) Except for Milano Assicurazioni, the profit (loss) for the period is determined according to Italian accounting principles.

We now present essential details regarding the main Group companies for the first half of 2007. Note that the data has been calculated according to Italian accounting principles.

#### **CAPITALIA ASSICURAZIONI S.p.A.**

Share capital € 5,200,000

(Direct shareholding 51%)

The first half of 2007 closed with a result of € 60K (€ 398K as at 30/06/2006). The adequacy of the funds which arose from re-determining the Ibrn's reserves generated previously contributed positively to the technical result in the amount of approximately € 0.5m, whilst the costs connected with the migration of the technical archives and the setting up of new products, able to be estimated at approximately € 0.3m, had a negative impact.

The premiums written amounted to € 19,530k (€ 19,141K as at 30/06/2006), made up 96.04% by the Fire and Other Property Damage classes, with policies linked to the loans granted by the Capitalia Group's banks. The Company's products were marketed, separately or through the signing of cumulative policies, mainly via the Banca di Roma, Banco di Sicilia and Bipop Carire banking networks.

Investments came to € 47,162K (€ 40,644K as at 31/12/2006) and were made up 81.85% by bonds and other fixed-income securities. We would point out that investment income net of costs amounted to € 503K (€ 794K as at 31/12/2006), recording a fall of 36.6%.

The result for the technical account showed a positive balance of € 55K (€ 529K as at 30/06/2006).

Considering the limited size of the Company and its premiums portfolio, it was decided, for 2007, to maintain a low net level of retention in some classes even below that provided for in previous financial years, this being consistent with the Fondiaria-SAI Group's summary

---

guidelines. In order to implement these guidelines, most of the portfolio risks have been reinsured with attention being paid, when selecting counterparts, to their economic-equity and financial solidity and to the economic conditions offered via the affiliate The Lawrence Re Ireland Ltd.

**DIALOGO ASSICURAZIONI S.p.A.**

Share Capital € 8,831,774

(Indirect shareholding 99.85%)

The Company is mainly involved in selling motor products by telephone and on the Internet. In June 2007, the Company launched an advertising campaign aimed at focusing on the "DIALOGO" brand in the national press and via radio and TV channels. The planned cost for such operations for the entire 2007 financial year comes to € 5,400K. Of this, € 3,623K was charged to the profit and loss account for the first half-year. The advertising campaign was launched in June and has therefore not yet had a positive effect on premiums earned which, as at 30 June 2007, amounted to € 6,101K, down by 13.4% compared with the corresponding period for the previous financial year.

The technical account as at 30 June 2007 showed a loss of € 3,458K against the loss recorded as at 30/06/2006, being € 77K. The downturn can be related entirely to the aforementioned costs of the advertising campaign, whilst the claims to premiums ratio has improved. The profit and loss account closed with a loss of € 3,336K against the essentially similar result for June 2006.

**LIGURIA SOCIETA' DI ASSICURAZIONE S.p.A.**

Share Capital € 23,000,000

(Direct shareholding 99.97%)

The first half of the 2007 financial year showed a profit of € 3,115K (€ 1,819K as at 30/06/2006) after the deduction of € 2,300K in tax for the period, of which € 350K was for IRAP (regional tax on production activities) and € 1,950K was for IRES (corporation tax)

The half-year just ended was characterised by vigorous activity to expand the company, aimed at consolidating and increasing premiums, and at exploiting Liguria's storehouse of endogenous specialist characteristics which is supplemented by Fondiaria-SAI's specialist know-how.

During the first half of 2007, premiums earned amounted to € 102,811K compared with € 86,598K for the previous half-year, corresponding to an increase of 18.7%. The gross technical result, excluding administration costs, came to € 8,129K (€ 9,985K as at 30/06/2006) which rose to € 8,916K due to the positive effect of the reinsurance business (€ 8,414K as at 30/06/2006). In particular, the volume of premiums in the Motor TPL class was € 68,313K compared with € 57,164K for the first half of 2006, and corresponds to a growth of 19.5%. In the Land Vehicles business, it rose to € 8,022K (€ 6,670 as at 30/06/2006), an increase of 20.2% and in the Other Non-Life Classes, it amounted to € 26,476K, an increase of 16.3%.

As regards financial management, operations during the half-year period were characterised by modest brokerage activity associated mainly with the bonds and government securities

---

sector and were aimed at maintaining the level of equilibrium achieved by the portfolio, with a division between fixed- and variable rate slightly shifted in favour of the former. The activity for the half-year was also characterised by modest activity in the listed share sector, which saw the invested component rise by approximately € 930K compared with 31/12/2006.

At the end of the first half-year, the total investment volume amounted to € 215,321K, an increase of 9.4% compared with 31/12/2006. These investments were mainly made up of fixed-rates bonds.

The Company is maintaining significant investments with the aim of optimising and rationalising the operating processes, and keeping up and refining the level of service currently provided to agencies and customers, thereby increasing their satisfaction and the degree of loyalty secured from them.

In the second half-year, the Company intends to continue the initiatives aimed at consolidating the technical results and growth of the portfolio. In the Non-Motor class, it is intended to continue an objective of selective growth, with particular attention being paid to the quality of the risks taken on. Conversely, in the Motor TPL class, the Company has set itself the target of maintaining its market share.

#### **MILANO ASSICURAZIONI S.p.A.**

Share Capital € 242,987,703

(Direct shareholding 56.45%, Group interest 59.31%)

Based on the figures reported in the consolidated accounts, the first half of the 2007 financial year closed with a net profit at group level of € 152,849K, up 10.60% on the profit of € 138,196K achieved in the corresponding period of the previous financial year. Before tax and gross of the minority interest share, the half-year profit amounted to € 232,586 K, against € 207,539K as at 30 June 2006 (+12.1%).

The main aspects which characterised the result achieved during the half-year in question can be summarised as follows:

- the Non-Life management sector closed with a pre-tax profit of € 182,096K, compared with the pre-tax profit of € 157,290K recorded at the close of the 1st half of 2006. In this sector, we would highlight the better technical performance in the Motor TPL class which was to the advantage of the sales operations in those geographic areas and tariff sectors which were showing unsatisfactory technical performances and, in particular, the reduction in the fleet portfolio. The financial income contribution, which totalled € 107,205K compared with the € 89,658K recorded as at 30 June 2006, was also higher;
- the Life sector showed a pre-tax profit of € 47,031K, inclusive of the contribution from the proportional consolidation of Bipiemme Vita, for € 4,457K, already net of the amortisation rates relating to the half-year. The result was negatively influenced by the net value adjustments in the securities portfolio recorded in the fair value through Profit or Loss class (€ 10,085K), generated following the extended trend in growth in interest rates, which penalised the rates for securities already in circulation. The fall in the overall result compared with the 1st half of 2006 (which had recorded a pre-tax profit of € 48,306K) is mainly attributable to lower capital gains realised through the trading of se-



---

curities.

- asset and financial management showed net income from financial instruments and property investments of € 231,711K compared with € 187,407K for the corresponding period of the previous financial year (+23.6%). In particular, the income from other financial instruments and property investments amounted to € 215,603 (+9.9%), whilst the net income from financial instruments at fair value through profit or loss amounted to € 15,364K compared with € 8,966K for net costs recorded in the first half of the previous financial year. We would state that the amounts relating to 2007 include the contribution from the proportional consolidation of Bipiemme Vita, for net income of € 18,320K. Not taking the basis of consolidation into account, i.e. net of this contribution, the total net financial income therefore came to € 213,391, an increase of 13.9% compared with the first half of 2006.

With regard to the separate half-year accounts of Milano Assicurazioni, drawn up according to Italian accounting principles, the first six months of the 2007 financial year closed with a net profit of € 140,973K, a significant increase compared with that recorded in the corresponding period of the previous financial year of € 89,253K (+57.9%).

The items which determined this positive performance can be summarised as follows:

- The total technical balance in the Non-Life classes, net of outward reinsurance, recorded a profit of € 64,987K (+6.2% compared with the result for the 1st half of 2006 of € 61,204K). The improvement was mainly due to the Motor TPL class, including as a result of the sales operations in those geographic areas and tariff sectors which were showing unsatisfactory technical performances and, in particular, the reduction in the fleet portfolio.

In addition, the Motor TPL class experienced a significant new development during the half-year in question: on 1 February, the new system of direct compensation was in fact launched which, in the event of a road traffic accident, enables injured parties who are not responsible, or only partly responsible, to be compensated directly by their own insurer. The investments created by the Fondiaria-SAI Group to adapt its information systems and train the resources involved made it possible to steer the transition process quite efficiently towards the new compensation procedure. The short time lapse between the start of the new compensation procedure and scope of the innovations introduced nevertheless suggest the need to wait longer before drawing a clear picture of profitability levels and the performance of economic and operational indicators, which show elements of non-homogeneity compared with the same period for the previous financial year.

- The technical balance in the Life business closed with a profit of € 19,032K compared with 15,981K for the 1st half of 2006. Although lower compared with the 1st half of 2006, the result is still conditioned by the rising trend in interest rates, which penalises the rates of the fixed-rate bonds already in the portfolio, resulting in adjustments being brought about in order to adapt the book value to market prices. The adjustments made during the half-year in question on the securities portfolio for the Life classes, net of the increases in value, came to € 31,494K (€ 39,044K in the 1st half of 2006) and, as is known, fully impacted the technical balance even if they essentially related to securities for hedging the technical reserves of the Life classes, due to the regulations in force which provide for recording of the part payable by insurers only if and when such value adjustments might be turned into effective losses as a result of trading the securities. The

---

impact of the value adjustments was, however, lessened by the trading activities carried out during the half-year, which made it possible to achieve net profits of € 15,955K (€ 30,002K in the 1st half of 2006).

- Asset and financial management achieved net income of € 198,550K compared with € 178,137K for the 1st half of 2006. The net profits from trading, achieved by seizing market opportunities through careful trading, amounted to € 23,855K (€ 28,137K as at 30 June 2006).

As at 30 June 2007, the volume of consolidated investments totalled € 13,017,103K compared with € 11,291,660K as at 31 December 2006 (+15.28%). This increase is, for € 1.796,648K, due to the change in Bipiemme Vita's consolidation method, from proportional to full.

As at the same date, gross technical reserves amounted to € 9,764.021K with an increase of € 682,911K compared with the close of the previous financial year, € 669,368K of which are attributable to actuarial provisions contributed by Bipiemme Vita.

#### **NOVARA ASSICURA S.p.A.**

Share Capital € 13,000,000

(Indirect shareholding 100%)

With regard to the subsidiary Novara Assicura, a company which sells its own insurance products through the branches of Banca Popolare di Novara, a subsidiary of Banco Popolare di Verona e Novara, we would state that the prospective joint venture with Banco Popolare di Verona e Novara was not begun and, during the second half-year, Company's shareholder structure will see the Banco Popolare Società Cooperativa Group (the result of the recent merger between Banco Popolare di Verona e Novara and Banca Popolare Italiana) replace the Fondiaria-SAI Group as controlling Shareholder. In this connection, the holding in Novara Assicura was considered an asset in the process of disposal.

As at 30/06/2007, premium income came to € 919K, € 635K of which related to Motor TPL. The result for the 2007 first half period is negative in the amount of € 290K.

#### **SASA ASSICURAZIONI E RIASSICURAZIONI S.p.A.**

Share Capital € 52,000,000

(Direct shareholding 99.99%)

During the first half of 2007, the Company achieved a profit of € 5,017K, a net increase compared with the profit of € 4,054K achieved in the first half of 2006 (+23.75%).

The first half of 2007 closed with a total volume of premiums written of € 204,518K compared with € 192,170K for the corresponding period of the previous year. In particular, the Non-Marine sector recorded an increase of 10.8% compared with the corresponding period of the previous year. This increase, which was higher than the market rate, can mainly be attributed to the Motor TPL classes and was generated by the greater amount of sales activity resulting from the opening of agencies over the last two financial years. The Marine and Aviation sector classes recorded a fall of 37.8% attributable to the gradual shift in the company's focus towards the business coming from the Agencies sector, at the same time as a decrease in both the Hulls and the Third Party Liability sectors due to the seasonality of the

---

portfolio.

The increase in premiums from Italian direct business in the first half of the year totalled 6.5%, higher than the trend in the Italian Non-Life market in the first quarter of this year (+1.6%).

During the first half of 2007, the Company's investments rose from € 437,029K at the beginning of the year to € 480,864K at the end of June 2007 (+10.0%), which corresponds mainly to bonds and other fixed-income securities.

Property activities consisted mainly of safeguarding an efficient level of property maintenance. Investments in stocks and shares and liquidity, directed towards both fixed- and variable income, and also towards the share sector, rose by € 43,835K. This increase was funded by collection of the seventh instalment of the loan granted to Fintecna S.p.A. for € 2,923K and the cash-flow generated by ordinary operations.

Net income from investments for the half-year amounted to € 8,455K, a clear increase of 40.87% on the figures for the comparison half-year. Write-downs net of the increases in value, made during the half-year through adjustment of investments classified as current assets, were considerably down as at 30/06/2006, and as at end June 2007 they amounted to € 377K, having been carried out almost exclusively on fixed-income securities.

#### **SIAT – SOCIETÀ ITALIANA ASSICURAZIONI E RIASSICURAZIONI S.P.A.**

Share Capital € 38,000,000

(Indirect shareholding 88.33%)

The first half of the 2007 financial year showed a pre-tax profit of € 1,835K, a significant increase compared with that of € 1,249K achieved in the first half of 2006. The net profit stands at € 906K compared with € 611K achieved in the corresponding period of the previous financial year (+48.28%). The aforementioned profit highlights basic stability in the technical result (€1,654K, a variation of -7.4%), attributable to the improved profitability recorded in the "Transport" sector classes and to appreciable strain shown in the Non-Marine branches, in particular for General TPL and Fire. The aforementioned technical profit can also be related to the setting up of the Fondiaria-SAI Group's "Transport Hub" at the Company from the beginning of 2006.

The positive results of that strategic decision, which had already been shown in part in the previous financial year, have been matched more fully, even if not yet completely, during the half-year in question.

Gross premiums recorded in the first half of 2007 amounted to € 102,936K an appreciable increase (+5.9%) on the figure for the first half of 2006, exclusively attributable to the Transport classes and the result of the effects connected with the setting up, as mentioned, of the Group's "Transport Hub". Italian direct business premiums, for € 81,721K (€ 83,805K as at 30/06/2006), are made up 90.3% by the "Transport" sector (77.8% as at 30 June 2006), 6.4% by the Motor classes (10.9 % as at 30 June 2006) and, for the remaining 3.3%, by the Non-Marine branches (11.3% as at 30 June 2006).

As at 30 June 2007, investments totalled € 97,009K, down by approximately 3.4% compared

---

with 31 December 2006. Bonds and other fixed-income securities and property assets continue to represent the predominant part of the investments, since in total they form 84.5% (82.3% as at 31 December 2006) of these.

A solid improvement (+35.8% compared with 30/06/2006) was recorded in net income, which amounted to € 1,408K. This was mainly attributable to the lower increases in value in both the bond and share sectors. In addition, we would point out a quite significant fall (-38.5% compared with 30/06/2006) in costs, equal to € 275K. This related mainly to the reduction in the expenses incurred during the period for sundry maintenance operations, which were, however, particularly extensive during the first half of 2006.

As at 30/06/2007, the premium reserve amounted to € 58,981K, (€ 67,587K as at 30/06/2006). The claims reserve, however, came to € 272,801K (€ 192,575K as at 30/06/2006).

Confirmation of the technical balance is expected for the second half of 2007 whilst no changes of particular significance are expected in regard to the non-technical ordinary charges and income, excluding any unexpected effects connected with the trend in the international financial markets and exchange rates.

#### **THE LAWRENCE RE IRELAND LIMITED**

Share Capital € 635,000

(Indirect shareholding 100%)

During the 2007 financial year, the Company has again acted as the Fondiaria-SAI Group's reinsurer. The role carried out consisted of analytically valuing the portfolios of the separate companies in the group, with the aim of establishing, and thus providing, the necessary reinsurance cover to back the specific asset underwritten. Based on this, the company proceeded to bring into line the various portfolios taken on, with particular attention being paid to cases of inter-group coinsurance, and to seek out the necessary retrocession protection on the international market. It also effected additional specific retentions at group level before defining the scope of such protection.

Operating profit for the first six months of 2007 amounted to € 7,167K net of tax (up compared with the same period in 2006 which recorded a profit of € 5,251K). The increase was mainly as a result of the quite good technical performance of the portfolio and a marked rise in financial income due, above all, to the higher volumes invested.

The technical performance of the portfolio retained by the company continues to yield positive results in line with previous years. Premiums accepted for the first six months of 2007 amounted to € 90.3m (€ 7.5m of which related to the Life sector). Premiums ceded back to the market amounted to € 46.7m (€ 0.3m of which related to the Life sector).

The Company also continues to carry out run-off activities for and on behalf of the Group's Companies which make use of this service. With regard to the inward reinsurance accepted by the various companies in the past, the intended objective is to conclude compromise agreements which allow the administrative charges to be reduced without ignoring the need for financial gain. The company itself is a retrocessionaire of part of this business which shows a substantially balanced result. The net equity as at 30/06/2007 amounted to € 102,152K.

---

## Life Insurance Sector

The general performance of the sector is described in detail in the Life insurance section of the Parent Company's half-year report, to which you are referred for further details.

The Group's business is focused on a portfolio remix designed to increase profitability by favouring high profit-content (annual and recurrent premiums) and/or low capital-absorption products. This strategy has also involved changing the in-house criteria for assigning sales targets, favouring the inherent value of the premium income over mere growth in volumes. This justifies the reduction in premium income in capitalisation transactions, where large corporate contracts with low added value have not been renewed.

Operational activities are also aimed at continually recovering policies about to expire and seizing opportunities in the new supplementary benefit market.

## Premiums

Direct business premiums for the first half of 2007 amounted in total to € 2,371,633K, an increase of 96.8%.

The 2007 figures include the 50% proportional consolidation of Bipiemme Vita's profit and loss account, which produced a total premium contribution of € 143m (the company was valued using the equity method as at 30/06/2006).

The significant extent of the increase in premiums collected was, however, mainly attributable to the performance of the subsidiary Novara Vita, which recorded an increase in premium income, according to IFRS standards, from € 33m as at 30/06/2006 to € 950m as at 30/06/2007.

The table below shows the breakdown by class and the comparison with the previous half-year:

(€ K)	1st half-year 2007	1st half-year 2006	% Variation
<b>ITALIAN DIRECT BUSINESS</b>			
I – Whole of life insurance	652,340	572,033	14.04
III – Insurance linked to investment funds	1,261,855	10,538	n.a.
IV – Health insurance	62	217	-
V – Capitalisation transactions	457,376	622,160	(26.49)
<b>TOTAL</b>	<b>2,371,633</b>	<b>1,204,948</b>	<b>96.82</b>

Premiums collected via bank branches amounted to € 1,388m and represented 58% of the total amount collected in respect of direct business (25% as at 31/12/2006).

Premiums ceded amounted to € 12,069K (€ 9,186K as at 30/06/2006).

Charges relating to claims, net of reinsurance cessions, amounted to € 2,363,288K (€ 1,295,364K in the first half of 2006).

An increase in the percentage impact of operating costs on premiums was also recorded in the Life business (6.0% as at 30/06/2007 compared with 5.4% as at 30/06/2006).

Gross technical reserves amounted to € 16,974m and recorded an increase of € 1,709m compared with the close of the previous financial year, € 748m of which are attributable to actu-

arial provisions contributed by Bipiemme Vita due to the change in the method of consolidating the Balance Sheet, from proportional to full.

Finally we should point out that the total premiums collected for this sector also include € 83m (€ 510m as at 30/06/2006) relating to investment contracts not included in the scope of IFRS 4 and therefore excluded from the premiums for the period, but valued according to the deposit accounting method.

New production, according to application of the "Annual Premium Equivalent" (or "APE") in respect of the Fondiaria-SAI Group, recorded an increase of 37.6%, standing at € 215.7m compared with € 156.7m for the first half of 2006.

With regard to the basis for calculating APE, the sum of the annual premiums for new production and one tenth of the single premiums was taken into consideration.

The values of new production were re-parameterised in respect of Po Vita and Bipiemme Vita on the basis of the 50% consolidation percentage, given that control of the latter was acquired at the end of the half-year period.

Finally, we would point out that, taking as a basis for calculating APE the new production associated with products included within the scope of IFRS 4, thus excluding contracts negotiated according to the deposit accounting method, the value stands at € mil. 210.9m compared with € 107.6m for the first half of 2006, a significant increase of 96%.

The performance of subsidiaries in the first half of 2007 is summarised in the following table:

(€ K)	TOTAL GROSS PREMIUMS CONFORMING TO ITALIAN ACCOUNTING PRINCIPLES	% VARIATION	PROFIT (LOSS) FOR THE PERIOD (***)
BIM VITA S.p.A.	4,982	(57.02)	(328)
BIPIEMME VITA S.p.A.	297,846	n.a.(*)	21,048
LIGURIA VITA S.p.A.	9,031	n.a. (*)	63
MILANO ASS.NI S.p.A. (**)	428,084	47.80	152,849
NOVARA VITA S.p.A.	959,133	159.09	(14,899)
PO VITA S.p.A.	646,726	21.10	(9,553)
SASA VITA S.p.A.	34,238	22.15	1,133
THE LAWRENCE LIFE ASS. CO. Ltd.	17,770	n.a.	491

(\*) The percentage variation cannot be compared as the acquisition took place during 2006.

(\*\*) Consolidated data as at 30/06/2007. The profit (loss) for the period includes the Life business.

(\*\*\*) Except for Milano Assicurazioni, the profit (loss) for the period is determined according to Italian accounting principles.

We now present essential data regarding the operations of the main Group companies in the first half of the year. Note that the data has been calculated according to Italian accounting principles (for the subsidiary Milano see the comment in the Non-Life section):

---

**BIM VITA S.p.A.**

Share Capital € 7,500,000  
(Direct shareholding 50%)

The first half of 2007 closed with a loss for the period of € 328K (compared with the loss of € 997K as at 30 June 2006).

Premiums written as at 30 June 2007 amounted to € 4,982K (€ 11,695K as at 30.06.2006): the reduction is due to the fall in class III premium income (-63%), which is partly countered by the growth in VI class products (+69.8%). Sales are made exclusively through the banking network of Banca Intermobiliare, Cassa di Risparmio di Fermo and Cassa di Risparmio di Bra.

The sums paid and the charges relating to the financial year amounted in total to € 10,194K (€ 1,567K as at 30 June 2006), and relate mainly to the variations in sums payable (+69.33%). The most frequent type of payment is redemption.

Gross technical reserves amounted to € 93,589K, with 45,925 in class C and 47,664 in class D (€ 89,508K in total as at 31/12/2006).

The volume of investments as at 30/06/2007 for class C amounted to € 55,957K (€ 49,719K as at 31/12/2006). The volume of investments for class D amounted, as at 30/06/2007, to € 47,664K compared with € 50,403K as at 31/12/2006. Fixed-income securities represented the most consistent investment, with a percentage impact on the total of 68.5%.

**BIPIEMME VITA S.p.A.**

Share Capital € 73,500,000  
(Indirect shareholding 51%)

During the first half of 2007, Bipiemme Vita focused on rationalising its product portfolio, which has been improved and simplified to more effectively meet the new needs of its customers, and on taking great care in the financial management of capital and guaranteed yield policies.

The important data for the first half of 2007, determined according to IAS / IFRS accounting standards, can be summarised as follows:

- there was a positive trend in premium income, recording a value of € 289m as at 30 June 2007 (€216m as at 30 June 2006), € 286m of which was attributable to Life policies and € 3m to non-Life policies;
- the amounts paid came to € 63m (€43m as at 30 June 2006), € 62m of which related to the Life business and € 1m to the Non-Life classes;
- the result for the period produced a net profit of € 10.5m (€ 6.1m as at 30 June 2006).

**LIGURIA VITA S.p.A.**

Share Capital € 6,000,000  
(Indirect shareholding 100%)



---

The first half of the 2007 financial year showed a profit of € 63K compared with a loss of € 716K for the corresponding period of 2006.

Premiums written during the first half amounted to € 9,031K compared with € 6,252K in the first half of 2006, an increase of 44.4%.

The amounts paid for claims, redemptions, maturities and annuities during the first half of the year, gross of reinsurance, amounted to € 4,620K compared with € 3,463K as at 30/06/2006, an increase of 33.4%.

Financial management during the half-year period was characterised by moderate brokerage activity primarily focused on bonds and government securities, aimed at maintaining the profitability of the portfolio.

A programme has been set out that will allow the company, which has already shown a positive reversal of the trend compared with previous years, to continue to pursue focused growth by establishing itself and expanding in its current class as well as by supplementing the range of services/products provided to clients and offered to agents. On this basis, a start has already been made on both the agreement with Fondiaria-SAI for the distribution of its Class VI products and the search for an agreement with Banca SAI for the sale of standardised bank products through the distribution network of Liguria and the granting of a mandate by Banca SAI to financial advisors operating in Liguria branches.

#### **NOVARA VITA S.p.A.**

Share Capital € 54,000,000

(Indirect shareholding 50%)

The first half of 2007 closed with a loss for the period of € 14,899K (compared with a profit of € 2,426K as at 30 June 2006). Despite the increase in premiums retained, the technical account for the period was negatively affected by the lower return for the products sold due to the redefinition of the distribution agreements, by the result for the financial component, which reflects net changes in fair value in portfolio securities for € 13,924K and by the adjustment in the technical reserves.

Gross premiums recorded as at 30 June 2007 amounted to € 959,133K (€ 370,463K as at 30 June 2006). A look at the composition of the premiums shows an upturn in products relating to transactions associated with index-linked personal insurance products which rose from € 336,878K to € 907,716K and to transactions associated with Unit-Linked investment funds which rose from € 621K to € 9,442K. There was, however, an easing off in pension fund-related premiums (-77.27%).

Gross reserves amounted to € 3,514,802K, 2,698,694K of which related to contracts with benefits linked to investment funds and market indices (as at 31 December 2006, € 2,947,463K and € 2,172,568K respectively).

As at 30 June 2007, the volume of investments totalled € 3,607m compared with € 3,049m as at 31 December 2006. Management of the bond component was mainly characterised by activity aimed at increasing the duration of the portfolios by including attractive yields in the operations. With regard to the share component, the portfolio was continually rotated, especially in the banking, insurance, telephone and utilities sectors. The weight of this component

---

was tactically managed within the 5%-3% range in the first quarter and within the approximately 3%-1% range in the second quarter.

The first half of 2007 saw the Company base its reinsurance policy on a risk premium claims excess treaty for T.C.M. policies signed with The Lawrence Re Ireland Limited, a reinsurance company belonging to the Fondiaria-SAI Group and a treaty with Financial New Life Co. Ltd to cede the premiums relating to a joint class I policy.

The reinsurance business for the period closed with a loss payable by the reinsurers of € 636K.

During the second half-year, the Company will aim to grow further, constructing new products based on customer requirements by increasing the sale of existing ones (Segregated and Unit-Linked Accounts). It estimates it can achieve by the end of the year income of approximately € 2bn for the Index-Linked and Unit-Linked products and a further € 100m for the Segregated Accounts.

#### **PO VITA COMPAGNIA DI ASSICURAZIONI S.p.A.**

Share Capital € 124,200,000

(Indirect shareholding 50%)

The first half of 2007 closed with a loss for the period of € 9,553K compared with a loss of € 7,306K as at 30/06/2006. This result was affected by net changes in fair value in portfolio securities for € 29,768K, these having amounted to € 20,481K as at 30/06/2006.

The results achieved in terms of sales as at 30/06/2007 were markedly positive, so much so that, according to Italian accounting principles, they produced premium income during the first half of the year of € 646,726K, an increase of 21.% compared with € 531,745K for the same period of 2006.

The breakdown for new products is € 433.5m for Index-linked products (€ 286m as at 30/06/2006), € 58.1m for Unit-linked products (€ 9.6m as at 30/06/2006) and € 154.3m for segregated account products (€ 235.8m as at 30/06/2006. The latter include € 100m subscribed by Cassa di Risparmio di Parma e Piacenza). A comparison of sales data with the previous financial year by type of product shows a growth not only in index- and unit-linked policies, but also in pension funds, which recorded an increase of 89%.

Gross reserves amounted to € 3,856,219K (€ 3,557,989K as at 31/12/2006), with € 1,816,533K relating to class C and € 2,039,686K to class D. The increase in the gross reserves, for € 298,230K, is due to the algebraic sum between the increase in the profit and loss account of the technical reserves for € 301,606K, the changes in the portfolio of € 17K and the reduction in the reserve due to sums payable for € 3,393K.

During the half-year period, a risk premium claims excess treaty remained in force for T.C.M. policies with The Lawrence Re Ireland Limited, a reinsurance company belonging to the Fondiaria-SAI Group. The reinsurance business closed with a result in favour of the reinsurer of € 250K.

Amounts paid and charges relating to the financial year amounted to € 358,362K, showing a marked increase of 87.7% compared with June 2006.

The Company's sales organisation as at 30/06/2007 consisted of 669 bank branches, 488 of which belong to Cassa di Risparmio di Parma e Piacenza and 181 to Banca Popolare Friuladria.

---

Operating expenses as at 30/06/2007 amounted to € 48,813K and consisted primarily of € 40,380K relating to purchase commissions and € 5,048K relating to of maintenance commissions earned by the sales network during the financial year.

As at 30/06/2007, the total volume of investments had grown to € 3,981m (€ 3,678m as at 31/12/2006) and consisted primarily, for € 1,638m, of fixed-income securities. The financial duration of the portfolio was not changed to any appreciable degree during the period in question, so is in line with the company's liabilities, whilst the share part was used to realise the capital gains needed to achieve the desired yield. The weight of this component was, as a result, modified according to the tactical activity aimed at exploiting short-term movements. The six new Index-Linked placements expected for the second half of 2007 and the completion of the UNIT Project, with the launch of the final two "LA" and "SI" lines expected for next October, encourage the Company to consider that attractive sales targets may also be achieved this year.

**SASA VITA S.p.A.**

Share Capital € 16,500,000

(Direct shareholding 50%, Group interest 100%)

In the first half of 2007, the Company achieved a net profit of € 1,133K, a significant increase compared with the corresponding period in 2006 (€947K). The net result was influenced by:

- The balance of the technical account for the draft of the reclassified profit and loss account, net of reinsurance cessions, was positive in the amount of € 2,161K (as at 30/06/2006, the result of the technical account was positive in the amount of € 2,142K), and includes the shares in the profits on reinsurance treaties of € 1,186K (a reduction of € 340K in relation to 30/06/2006)
- a lower impact of the net write-downs on property investments compared with 30/06/2006 for € 877K;
- a higher impact of overheads, including personnel costs and depreciation, for a total of € 203K due to the higher volume of business carried out by the Company.

Gross technical reserves, including class D, amounted to € 269,239K, an increase of 24% compared with 30/06/2006 (€ 217,483K).

The Company's investments rose from € 207,016K in 31/12/2006 to € 223,657K as at 30/06/2007 (+8.0%), funded entirely by the cash-flow generated by the insurance business.

During the first half of 2007, the Company recorded premium income of € 34,238K (€ 28,029K as at 30/06/2006), an increase of 22.15% which is slightly below its anticipated target (+23.3%). Nevertheless, the figure is well above the result for the national Life market. The difference in relation to the target for the period is due to the reasons described earlier. The sales figures for the first few weeks after the close of the half-year confirm a satisfactory trend: the second Index-linked premium income, which stood at approximately € 10m, is positive and the premiums collected from investment policies are satisfactory, whilst, despite initiatives already brought about, it remains difficult to assess the extent of the recovery in subscriptions in the "class V cession" sector. Finally, it is believed that the diversified growth in premiums, the continual careful risk-underwriting policy and the usual attention to costs

---

control, will make it possible to achieve the positive financial result expected for the current financial year.

#### **THE LAWRENCE LIFE ASSURANCE CO. LTD**

Share Capital € 802,886

(Indirect shareholding 100%)

During the first half of the 2007 financial year, the company achieved a profit for the period of € 491K in line with the result for the first half of 2006 (€ 473K).

Premiums collected in the first half of 2007 consisted of € 27K relating to premiums for contracts classified as insurance contracts and € 17,742K for contracts classified as financial contracts.

The value of the managed assets amounted to € 406m, an increase of 3% compared with the period as at 31/12/2006 (394m). This increase, concentrated on the assets to hedge the technical reserves for the Unit-linked contracts, is essentially due to the balance of the premiums and settlement of these contracts (14m).

#### **ALLIANCE AND CO-OPERATION PROJECT WITH BANCA POPOLARE DI MILANO IN THE BANCASSURANCE SECTOR**

On 29/06/2007, the subsidiary Milano Assicurazioni acquired a further 1% of the share capital of Bipiemme Vita S.p.A., consequently raising the total shareholding threshold to 51% of the company's capital, and it thus acquired exclusive control over it.

We would remind you that, on 14/06/2006, Banca Popolare di Milano (BPM) and Milano Assicurazioni had executed the agreement for joint development with exclusive rights of the Bipiemme Group's bancassurance business in the Life Sector, signed on 21/12/2005. This agreement provides for the implementation of a wide-ranging business alliance and co-operation plan with BPM in the bancassurance sector, to be implemented in the Non-Life Sector and in banking and financial services as well as in the Life Sector. Bipiemme Vita is the insurance company belonging to the BPM Group, which operates through the Group's approximately 700 branches.

Under the terms of the agreement, Milano initially acquired from BPM and the subsidiary Banca di Legnano a 46% share of Bipiemme Vita S.p.A.'s capital, with the option to transfer control of the latter from the BPM Group to Milano itself by the purchase and sale of a further two shareholdings of 4% and 1% respectively, at two different times in the future, respectively by 31/12/2006 and 30/06/2007, exercising put and call options, in two tranches, which the parties mutually granted to one another under specific conditions.

BPM and Milano have signed a shareholders' agreement containing Bipiemme Vita's corporate governance rules and dealing with the business-related aspects of the partnership, providing for Bipiemme Vita itself to continue to have access to the distribution networks of the BPM Group for a period of 5 years from the closing date, with an option to renew this for a further 5 years on expiry by mutual agreement between the parties.

The operation was given the green light by the Italian Monopolies and Mergers Commission and authorised by ISVAP.

---

The purchase price for the 46% share in Bipiemme Vita, initially agreed at € 94.3m, was reduced, in accordance with the provisions of the Contract of Sale, to € 90.5m, mainly in view of the variations in the equity (distribution of dividends and capital increase) that took place after the agreement was signed (December 2005).

On 18 October 2006, Milano Assicurazioni exercised the first tranche of the aforementioned call option, purchasing 4% of Bipiemme Vita and thus bringing its shareholding up to 50%. The purchase price, in accordance with contractual provisions, was set at € 7.9m. This acquisition enabled the Fondiaria-SAI Group to consolidate the shareholding on a proportional basis as from October 2006.

Finally, as stated, on 29/06/2007, Milano Assicurazioni exercised the second and final tranche of the call option, thus bringing its shareholding up to 51% and acquiring sole control of the company, with the resultant option to undertake its full consolidation.

In accordance with contractual provisions, the purchase price was set at approximately € 2m, contractually agreed (as, formerly, that for the purchase of the 4% share) to correspond to the definitive price paid for the 46% revalued at the reference rate up to the date on which the payment is made for exercising the options, net of any dividends distributed and increased by any capital increases paid, both pro-rata, from the closing date to the respective dates on which the price for exercising the option is paid.

The exercise of the second tranche of Milano's call option obtained the prior approval of a joint committee consisting of four members (two for each party) called to assess the execution and results of the agreement, and authorisation by ISVAP.

In the current market, which is characterised by renewed focus among customers on traditional insurance products, the partnership will allow Bipiemme Vita to benefit from the technical and commercial know-how of a leading insurance operator, promoting the development of new products and improving penetration among BPM customers, whilst allowing Milano Assicurazioni to benefit from the BPM Group's expertise in commercial banking.

The agreement will allow the BPM Group to benefit from greater technical and managerial support in insurance services, needed in order to pursue significant targets for growth in production volumes through a range of products that respond more effectively to customer requirements. This support will also be needed in view of the role that banks and insurance companies may be called upon to perform in respect of households and small and medium-sized companies with the future development of supplementary benefits.

The agreement is a further opportunity for the Company and the Fondiaria-SAI Group to develop the Life sector. From a business point of view, the operation is entirely in line with the current bancassurance agreements of the Company and the Fondiaria-SAI Group, which will continue to be strategic elements of the growth policy adopted by the Company and the Group themselves.

---

## **AGREEMENT WITH BANCO POPOLARE DI VERONA E NOVARA GROUP AND BANCA POPOLARE ITALIANA GROUP IN THE LIFE BANCASSURANCE SECTOR.**

On completion of the process for selecting an insurance partner in the Life business initiated by Banco Popolare di Verona and Novara (BPVN) and Banca Popolare Italiana (BPI), Fondiaria-SAI was selected as the partner with which the new Banco Popolare Group, resulting from the merger between BPVN and BPI, intends to create business collaboration in the life insurance sector.

The vehicle for creating collaboration in the Non-Life sector will be BPV Vita S.p.A, currently held 34% by BPVN, 15% by Credito Bergamasco S.p.A. (a full subsidiary of BPVN, then 15% by Creberg) and 15% by Società Cattolica di Assicurazioni S.c. a r.l. (hereinafter referred to as Cattolica).

BPVN, for and on behalf of its own subsidiary Holding di Partecipazioni Finanziarie di Verona and Novara S.p.A. (hereinafter referred to as HPF), has exercised the option right to acquire all the BPV Vita shares held by Cattolica.

Fondiaria-SAI, BPVN and BPI have therefore concluded agreements for creating this collaboration, which provide, amongst other things, for Fondiaria-SAI to acquire all the shareholdings in BPV Vita at present held by BPVN and Creberg.

In respect of the above, on 31 May 2007, Fondiaria-SAI, of the one part, and BPVN and Creberg, of the other part, signed a preliminary contract of sale and purchase of these shareholdings for the total price of € 530,000,000, to be paid in a single instalment on the execution date.

The operation received prior authorisation from ISVAP and the Antitrust Authority, each insofar as concerned them.

Fondiaria-SAI will use its own funds to pay the cost, without recourse to taking on debt.

In particular, the objective of the aforementioned agreements is to implement a bancassurance project to be effected through Fondiaria-SAI's acquisition of sole control of BPV Vita and the signing of a ten-year insurance policy distribution agreement between Banco Popolare and its subsidiaries, as distributor banks through its own network of branches, and BPV Vita, as supplier of the insurance policies.

After Fondiaria-SAI is brought into BPV Vita's share capital, the latter will continue to create, manage and sell its own insurance products, differentiated using the "BPV Vita" brand name, with the support and technical, product and managerial know-how that will be provided by Fondiaria-SAI, including with the aim of improving the quality and variety of these products.

The agreements also provide for the subsidiary Novara Vita S.p.A., in which BPVN and Fondiaria-SAI each have a 50% joint holding, to be merged through acquisition into BPV Vita as swiftly as technically possible after 1 January 2008.

The rules and regulations as a whole contained in BPV Vita's articles of association and shareholders' agreement are designed to allow Fondiaria-SAI to have sole control of BPV Vita, whilst providing for a qualified majority for resolutions by the competent organs on specific matters.

On the date on which the operation is executed, Fondiaria-SAI will hold 50% plus one share of the ordinary part of BPV Vita's share capital.

---

Based on the agreements as a whole, the parties have agreed that Fondiaria-SAI will arrange the full accounting consolidation of BPV Vita. In addition, in line with the effects of the agreements, Fondiaria-SAI will be exclusively responsible for running and coordinating BPV Vita, pursuant to article 2497 *et seq.* of the Italian Civil Code.

The distribution agreement, which will last for ten years and be renewable for a further 5 years, will grant exclusive rights from 1 January 2008, without prejudice to the remaining distribution agreements with Aviva (expiry end 2009) and Aurora (expiry May 2008) through the branches of the former BPI and of Reti Bancarie S.p.A. respectively.

Sole distribution will therefore initially be carried out through the approximately 1,200 branches of Banca Popolare di Verona, Creberg and Banca Popolare di Novara and will be extended to the other branches on expiry of the aforementioned other agreements in existence, until BPV Vita is able to rely on a total network of approximately 2,200 branches, aiming for annual premium income of approximately € 6bn.

For Fondiaria-SAI, the agreement is a further opportunity to develop the Life sector, due both to the consistency with the objectives in its own Business Plan, and the strong historic link with the Banco Popolare Group. From the business point of view, it fits entirely with Fondiaria-SAI's current bancassurance agreements, which will continue to play a strategic role in the Group's growth policies.

The agreement will allow the BPM Group to benefit from greater technical and managerial support in insurance services, needed in order to pursue significant targets for growth in production volumes through a range of products that respond more effectively to customer requirements. This support will also be needed in view of the role that banks and insurance companies may be called upon to perform in respect of households and small and medium-sized companies with the future development of supplementary benefits.

For further developments, please refer to the chapter relating to "Significant events occurring after the close of the half-year".

---

## Reinsurance



---

The Group's reinsurance structure closely follows the protection system established for the Parent Company. The proportional programme allows each Company to retain an adequate share of the premium relating to the volume of each individual portfolio and to use reinsurance to protect peak underwritings that may compromise the final result.

The Group's captive reinsurer, The Lawrence Re, provides adequate reinsurance protection to each individual Company, and subsequently integrates the various portfolios in order to obtain specific retrocession protection from the international market.

## **Non-Life Reinsurance**

During the first half of 2007, the Fondiaria-SAI's Groups reinsurance policy in the Non-Life classes recorded premiums ceded for € 143m and premiums underwritten for € 5m: the balance of the outward reinsurance had a negative impact on the Group's profit and loss account of € 4m.

All the Fondiaria-SAI portfolio cessions for 2007 have been placed on the international market by the captive company The Lawrence Re Ireland Ltd with the following exceptions:

- the transport classes placed through the subsidiary SIAT
- the aviation classes placed directly by the underwriting companies
- the SIAT non-marine portfolio placed with Milano Assicurazioni
- the particularly significant risks optionally ceded and placed directly by the companies.

The reinsurance policy focused on non-proportional cessions to protect individual risks or sets of risks arising from the same event in the Fire, Accidents, Theft, General TPL, Land Vehicle TPL and Land Vehicles sectors, and on proportional cessions for the Credit and Technological Risks classes. As regards the Transport, Aviation and Guarantees class, the mixed structure based on proportional treaties and excess claim protections was confirmed. In light of the good performance of direct business and in the absence of any significant losses and/or natural events, the balance of reinsurance cessions was favourable to our reinsurers, albeit smaller than expected.

The subsidiary SIAT placed the protections relating to the Transport sector on the reinsurance market, acting as the reinsurer of the Group companies, with a mixed structure based on proportional treaties and excess claim protections. The remaining Non-Marine classes, of which the Company is currently divesting itself, were integrated with various Group programmes through Milano Assicurazioni.

Following the guidelines established by the Parent Company, the subsidiaries SASA and LIGURIA proceeded to place the Transport classes through SIAT, while Group programmes were used for the other covers required. In specific cases, where a lower priority is required, specific underlying programmes were placed.

As regards inward reinsurance, figures are included as at 30/6/2007 for all optional business and acceptances from Group companies and as at 30/06/2006 for all the other types dealt with. In view of the prudential stance taken in previous balance sheets and net of the relating retrocessions, the balance of the result for the global total of the portfolio is confirmed.

---

## **Life Reinsurance**

As in previous years, the reinsurance programme consists of a proportional excess loss treaty. Retentions vary according to the requirements of the individual Group cedents. The subsidiary The Lawrence Re arranges for the portfolio to be reinsured and finds cover on the market through a non-proportional structure for peak risks and specific stop loss protection for the Group's retention.

The retentions planned continue to be contained for companies in which an interest is held, particularly when compared to the total capacity supplied.

---

## Property Sector

---

The general performance of the sector is described in the section dedicated to property management, covered in the Parent Company's half-year report, to which you are referred for further details.

In order to benefit from opportunities in the property market, the Group proposed three types of investment in its 2006-2008 business plan, classified according to the different levels of risk they present:

- investments in properties already developed and made profitable with significant returns (excluding joint ventures), to be carried out using the Group's reserves;
- investments in properties to be renovated or in new developments (100% owned), using the Group vehicle of the Tikal R.E. Fund, a closed-end property investment fund made up of private contributions;
- investments in properties and/or joint-venture property initiatives (including new developments) through the Gruppo Immobiliare Lombarda company.

This strategic approach did not change either during the first half of 2007.

In particular, with regard to the subsidiary Immobiliare Lombarda, the operations to sell a number of buildings were completed, whilst the business of valuing the rest of the property assets continued.

The Tikal R.E. closed-end property investment fund focused on maximising the income from leasing fees, and on retaining and raising property values by carrying out maintenance, extension and conversion works.

The bases were therefore set for seizing, especially in the second part of the year, the opportunities for profit which may be promoted by the trend in the property market.

## **Group Property Assets**

- During the half-year, the Tikal R.E. closed-end property investment fund sold the commercial building at Via Lagrange, 35/A Doria 7, Turin for € 13.7m and the commercial building at Via de Sanctis, 49-51, Florence for € 5.75m. A capital gain was made in both cases, totalling over € 5;
- The subsidiary Meridiano Risparmio purchased a building at via Salvagnoli 4, Florence for a total of € 8.5m;
- During February, the subsidiary Meridiano Secondo acquired volumetric rights for meeting/reception and hotel use in the Garibaldi-Repubblica area in Milan for an outlay of € 17.7m. At the same time, volumetric rights were changed to a use other than for meeting/reception purposes with further volumetric rights for meeting/reception and hotel use for € 9.3m. With this purchase, the company completed the acquisition activities preparatory to constructing a top quality hotel in Milan;
- On 12 June, the notarial deeds were signed relating to the sales of buildings at via Torino 66/68 and via Larga 26 in Milan owned by Immobiliare Lombarda to Meridiano Quinto Srl for a total of € 42m. This being an inter-group operation, its economic effects were reversed in the consolidated accounts.

---

## **Purchase by the subsidiary Immobiliare Lombarda of a shareholding in the capital of IGLI**

On 27 February 2007, the subsidiary Immobiliare Lombarda completed the purchase of a shareholding in IGLI S.p.A. for 33.3% of the capital.

IGLI is an equity interest holding whose sole asset is an approximately 29.9% share in Impregilo. In particular, Immobiliare Lombarda acquired the entire shareholding in IGLI already held by Efibanca, being 20%, and a further shareholding of approximately 13.3% held by Tesir, for a cost of € 38.3m and € 48.9m respectively, and thus, for a total of € 87.2m.

On the same date, Tesir then transferred the additional shares in IGLI it still held respectively to Argo Finanziaria (approximately 3.3%) and Autostrade per l'Italia (approximately 13.3%), so that IGLI's current share capital is distributed jointly between the three partners, each of which possesses approximately 33.3% of IGLI.

Based on IGLI's financial position as at 30 September 2006, the total price paid by Immobiliare Lombarda corresponds to an average implicit valuation of the shareholding held by IGLI in Impregilo of approximately € 4.1 per share, compared with an official stock exchange price for the Impregilo security on the transaction date of € 4.67 per share.

The investment in IGLI – already positive in itself due to the company's prospects, evidenced both by the favourable performance of the security and by the consensus expressed by financial analysts – must be seen in relation to the scope of the potential synergies with the numerous important property development initiatives which Immobiliare Lombarda, together with Fondiaria-SAI and other institutional investors, is finalising throughout Italy (e.g. Citylife, Città della Moda, former Varesine, Area Castello, Cinque Cerchi, Torre Spaccata, etc.).

These initiatives entail the building of civil and residential/tertiary sector construction works for a sum of several billion Euro over the next 10-15 years, but above all, as in the case of the Citylife project, they entail the involvement of operators (general contractors) with proven international experience in constructing complex whole works by virtue of the innovative technical specifications of the buildings it is intended to build (the three skyscrapers).

The acquisition of a share in IGLI moreover constitutes a "return" by the Fondiaria-SAI Group to Impregilo's capital, an important Italian contracting business and company for several years owned predominantly by Gemina, in which Fondiaria-SAI historically had a shareholding and in whose shareholders' agreement it already participates. Immobiliare Lombarda met the total investment partly through the sale of buildings and partly through recourse to financing.

The acquisition of the total shareholding sets the basis for Immobiliare Lombarda, in a delicate phase of restructuring IGLI's share ownership, to take on a weightier role in shareholder structure of the holding, consistent with the desire to develop business synergies connected with Immobiliare Lombarda's core business.

## **Other property holdings**

- On 23 February, Immobiliare Lombarda signed a preliminary contract to purchase 51.67% of SEIS Spa's share capital at the same time as paying a deposit of € 1.2m. The total price for acquiring this share is € 12m. The operation was completed on 29 June with payment of the balance. The Company purchased is the owner of a residential com-

plex on the island of Maddalena in Sardinia. A bank loan for € 9,600,000 was concluded with Efibanca to finance this purchase. The loan is guaranteed by a prime security on the shareholding held by Immobiliare Lombarda in the Company and a mortgage was also secured on the buildings known as "Tower 2 – Tower 3" at via Val Formazza, 10 in Milan owned by the purchaser;

- On 2 March, Immobiliare Lombarda signed a proposal to purchase the entire shareholding held by S.G.A. Spa in Sintesi Seconda Srl at the same time as paying a deposit of € 3.6m. The operation was completed on 11 May with payment of the balance, which amounted to € 32.4m. The Company purchased is the owner of 4 buildings used for offices and services at via Missaglia, 97, Milan. This purchase was financed by a loan issued by Banca Popolare di Milano for € 36m.

The following table summarises the performance of the companies operating in the property sector:

	VALUE of PRODUCTION	% VAR.	PROFIT (LOSS) FOR THE PERIOD
(€ K)			
IMMOBILIARE LOMBARDA S.p.A. (*)	84,345	191.73	3,907
NUOVE INIZIATIVE TOSCANE S.r.l.	11,060	n.a.	(507)
TIKAL R.E. FUND	27,838	13.33	17,017

(\*) Consolidated data as at 30/06/2007, in accordance with IAS/IFRS.

### **IMMOBILIARE LOMBARDA S.p.A.**

Parent Company share capital € 697,907,754

(Direct shareholding 50.12%, Group interest 54.17%)

Operating results for the first half of 2007 were influenced by materialisation of the effects of the strategy outlined in the business plan submitted at the end of 2006.

In particular, the operations were completed for the sale of a number of buildings, the values of which were determined by taking into account the reports drawn up by independent experts, whilst the valuation of the remaining property assets continued.

In regard to the results achieved at consolidated level, we would report that the first half of the 2007 financial year closed with a profit of € 3,907K, a significant increase compared with the previous period (€ 2,171K).

We would point out that the increase in sales revenues rose from € 13,745K to € 65,081K.

We comment below on the most significant operations entered into during the period:

- the subsidiary Meridiano Secondo acquired volumetric rights for meeting/reception and hotel use in the Garibaldi-Repubblica area in Milan for an outlay of € 17.7m. At the same time, volumetric rights were changed to a use other than for meeting/reception purposes with further volumetric rights for meeting/reception and hotel use for € 9.3m. With this purchase, the company completed the acquisition activities preparatory to constructing a

---

top quality hotel in Milan;

- the notarial deed was signed for the sale of a unit for residential purposes at via Manzoni, 39 in Milan for € 2m;
- the notarial deeds were signed relating to the sales of buildings at via Torino 66/68 and via Larga 26 in Milan to Meridiano Quinto S.r.l., a company forming part of the Fondiaria-SAI Group. The sales were concluded respectively for € 30.1m (via Torino) and € 12m (via Larga), with a profit of approximately € 14m being realised on the sale.
- the sales continued of the residential and commercial units in the "Bicocca" area of Milan.

The following operations were also undertaken, which will produce capital gains in the second half of 2007:

- Immobiliare Lombarda signed a preliminary contract for the sale of the building in via Rosales, Milan with the Tikal property investment fund with the payment of a deposit for € 6.4m. The total cost was set at € 32m;
- preliminary contracts to sell were signed in respect of parts of a building owned by Immobiliare Lombarda S.p.A. at via Gulli, 9, Milan with the collection of a deposit for € 0.3m. The total value of this sale, which will be concluded by the end of the financial year, was € 3m;
- preliminary contract to sell was signed in respect of parts of a building owned by Immobiliare Lombarda S.p.A. at via Botta in Milan with the collection of a deposit for € 0.25m. The total value of this sale, which will be concluded by the end of the financial year, was € 2.25m.

In addition, the Group continued its activity aimed at seizing opportunities in the property sector, including through the acquisition of significant shareholdings in the capital of other operators in the sector and during the half-year, this activity took the form of the following operations:

- Immobiliare Lombarda completed the purchase of a shareholding in IGLI S.p.A. for 33.3% of the capital. IGLI is an equity interest holding whose sole asset is an approximately 29.9% share in Impregilo. The total outlay was € 87.2m, equal to an average price per share in Impregilo S.p.A. of € 4.10. This purchase was financed partly with its own resources and partly through a bank loan for € 38m.
- Immobiliare Lombarda purchased 51.67% of the share capital of SEIS S.p.a. at a total cost of € 12m. The Company purchased is the owner of a residential complex on the island of Maddalena in Sardinia. A bank loan for € 9.6m was concluded to finance this purchase;
- Immobiliare Lombarda purchased the entire shareholding held by S.G.A. S.p.a. in Sintesi Seconda S.r.l. at a cost of € 10,000 and a debt in respect of that company for approximately € 36m. The Company purchased is the owner of 4 buildings used for offices and services at via Missaglia, 97, Milan which, together with those it already owns, will come under an integrated project. This project provides for an installation mainly to be used as offices complete with all the services needed to construct an independent production enclave. The purchase was carried out with a bank loan for € 36m.

---

Activities relating to the administration and financing of the main operations in which the Group is involved continued and include regeneration projects in a number of major urban areas, such as the following:

- in Milan, the regeneration of the city's exhibition area through Citylife S.r.l.;
- again in Milan, the regeneration of the Porta Nuova - Varesine area through the former Var Scs;
- in Florence, the regeneration of the "former Tobacco Manufacturing plant" area through Metropolis S.p.A.;
- in Rome, the regeneration of an office complex in the EUR district through Progetto Alfieri S.p.A.;
- in Turin, the regeneration of the Vitali–Spina 3 area through Penta Domus S.p.A.;
- in Rome, the valuation of an area in the Torre Spaccata district through Sviluppo Centro Est S.r.l.;
- the Group has a stable position as one of the leading listed operators in the property sector. Operations in the second half-year, as well, will be marked by achievement of the objectives outlined in the long-term Business Plan and improvement of the Company's competitive position, including through any opportunities for growth via outside lines which might crop up in the sector.

#### **NUOVE INIZIATIVE TOSCANE SRL**

Share Capital € 26,000,000

(Direct shareholding 96.88%; Group interest 98.73%)

The accounts as at 30 June 2007 closed with a negative result of € 507K.

Income amounted to € 11,060K and consisted essentially of an increase in stock-in-trade of € 11,038K, interest receivable on bank deposits of € 8K and leasing fees of € 9K. The costs for the period, which did not lead to any increase in stock-in-trade, amounted to € 529K and related primarily to contributions for operating expenses paid to the Castello Consortium of € 94K, premiums for guarantee policies of € 108K, costs for services and sundries of € 125K and other operating costs of € 202K, € 193K of which related to local property tax for the period.

The company's assets as at 30 June 2007 amounted to € 99,440K and consisted of tangible fixed assets of € 529K, financial assets of € 41K, stock-in-trade of € 91,270K, essentially relating to the property complex owned in the Castello district of Florence, receivables of € 7,199K, including VAT receivables transferred to the parent company for € 6,633K, available funds of € 247K and other assets of € 154K.

Liabilities consisted of the net equity for € 97,264K and of sundry payables for € 2,176K, including € 60K due to the parent company Fondiaria-SAI for services rendered and € 654K to the affiliate Immobiliare Lombarda for technical advice.



---

**TIKAL R.E.**

Total net value of the fund € 513,570,992

(Direct shareholding 50.68%, Group interest 76.82%)

Property management focused on maximising the income from leasing fees and on retaining and raising the value of the property by carrying out maintenance work and improvements. As regards the Tikal R.E. closed-end property investment fund made up of private contributions set up in 2004 by the savings management company Sai Investimenti SGR, operating within the insurance Group, the unit value of the shareholding as at 30/06/2007 was € 320,753.938 compared with € 321,375.588 the previous financial year. The valuation of the Fund as at 30/06/2007, compared with the close of the previous financial year, considering the 2006 profit of € 11.2K distributed during the half-year, shows a total increase in the share of € 10,628.35, equivalent to a percentage calculated according to the Asset management method of 3.39%.

In line with the strategy of seizing the best opportunities for profit on the market, the Fund sold two properties, in Turin and Florence, during the half-year. The property at Via Lagrange in Turin was disposed of for € 13.7m, a capital gain of € 4.4m being realised on the historic cost of the asset that had been brought in, revalued with regard to the capitalised incremental costs. Similarly, and with a view to rationalising the portfolio, the disposal of the property at Via De Sanctis in Florence took place for € 5.75m, a capital gain of € 0.7m being realised on the historic cost of the asset that had been brought in, consequently revalued with regard to the capitalised incremental costs.

These buildings were put up as security for part of the loan subscribed in 2005: the Fund allocated a sum of € 15.1m to repaying it early.

During the half-year, a preliminary contract was signed to purchase a property entirely assigned to residential-cum-commercial use at Via Rosales in Milan, owned by the affiliate Immobiliare Lombarda.

With regard to leasing fees, the half-year closed with a total income of € 16.2m, down 6.9% compared with the first six months of 2006.

As regards the activities to increase the value of the assets in the portfolio, improvements works for a total of € 4m were carried out during the half-year period.

Financial management recorded liabilities of € 177.3m, an increase of € 2.1m compared with the close of the previous financial year. On 15 March 2007, the Fund also signed a further financing agreement with Mediobanca – Banca di credito finanziario S.p.A. as Agent Bank as well as Financing Bank. This loan also involves another three Credit Institutions as Financing Banks: Intesa San Paolo S.p.A., MCC – Mediocredito Centrale S.p.A. and Banca SAI S.p.A.. To date, the loan has not yet been drawn on. Signing this financing agreement will make it possible to continue the management policies set by the Board of Directors with greater operational flexibility with regard to investments in new properties and the activities to increase the value of the existing portfolio.

In compliance with the Fund's investment policies, investments in financial instruments were focused on the purchase of assets readily convertible into funds of moderate duration, including a repurchase agreement transaction, using the liquidity resulting from the receipt of leasing fees and from the sales of the property in Turin and Florence.

---

The Fund's financial portfolio valued as at 30 June 2007 consists primarily of Italian government securities and of high-rating corporate bonds. The financial duration of the portfolio is 0.4, while the average yield at the end of the half-year period was 3.86%.

In line with the above, the portfolio will continue to be managed by continually monitoring the rental situation of the individual properties and the state of progress of the improvement, regeneration and extension works scheduled for some of them. It is also planned to continue to monitor the property market, both in Italy and abroad, in search of investments which guarantee a suitable return on leases, with the added possibility of an increase in value in the medium-term.

---

## Other Business Sector

During the first half-year, the subsidiaries operating in this sector focused on consolidating the initiatives taken in previous financial years to rationalise company structures and operations. Specific attention was successfully paid to further containing operating costs and increasing the volumes managed and brokered. Separate consideration was given to the activity of Banca Gesfid, the acquisition of which enabled an attractive investment opportunity to be seized in regard to the chance to enter a foreign market at a relatively modest price in the absence of other targets of comparable size and given the recent trend towards heavy concentration in the banking area.

The following table summarises the performance of the companies operating in the banking and managed savings sector:

We would remind you that all the data shown below conform to the IAS/IFRS accounting standards.

	BROKERAGE MARGIN	% VARIATION	IAS/IFRS PROFIT (LOSS)
(€ K)			
BANCA GESFID S.A. (*)	16,382	n.a. (**)	8,637
BANCA SAI S.p.A.	10,087	76.16	(1,439)
SAI ASSET MANAGEMENT SGR S.p.A.	3,598	4.29	216
SAI INVESTIMENTI SGR S.p.A.	2,615	39.76	784
SAI MERCATI MOBILIARI SIM S.p.A.	2,025	67.94	(343)

(\*) Stated in CHF K.

(\*\*) The percentage variation cannot be compared as the acquisition took place during 2006.

### **BANCA GESFID S.A.**

Share Capital CHF 10,000,000

(Direct shareholding 60%)

Banca Gesfid S.A. is a Swiss bank which operates in the private banking sector, exclusively from its Lugano base. Its main business involves highly personalised asset management with different investment lines. Corporate banking, venture capital and private equity activities have, over time, been added to this business. At the end of 2006, the Bank had approximately 4,000 customers and a total value in terms of indirect income of over € 2bn. Its customers' assets are managed in accordance with risk and currency diversification criteria, depending on market trends and the requirements of customers themselves. The asset management activity also provides for essentially Lombard-type loans to be granted to customers, as well as the use of derivatives mainly for the purpose of hedging exchange risks.

The first half-year closed with a profit of CHF 8,637K (CHF 12,995K as at 31/12/2006). The interest margin of CHF 2,985K (CHF 4,561K as at 31/12/2006) and the brokerage margin of CHF 16,382K (CHF 26,624K as at 31/12/2006), amongst other things, contributed to this re-

---

sult.

Total assets amounted to CHF 2,602,848K (CHF 3,479,889K as at 31/12/2006), made up entirely of managed assets for CHF 2,602,848K (CHF 2,342,834K as at 31/12/2006), whilst there was nothing in terms of administered assets (CHF 1,137,055K as at 31/12/2006). In fact, the assets in regard to which advisory activities – discontinued from 01/01/2007 – were carried out, formed part of the latter last year.

Receivables from banks and liquidity as at 30.06.2007 amounted to CHF 139,874K (CHF 138,227K as at 31/12/2006), whilst customer receivables came to CHF 45,865K (CHF 46,810K as at 31/12/2006). In the first six months of 2007, income from customers amounted to CHF 98,206K (CHF 43,624K as at 31/12/2006). Lastly, 30.06.2007 showed net equity of CHF 70,287 (CHF 6,622K as at 31/12/2006).

The Management, by appointing special committees and under the surveillance of the Board of Directors, is initially responsible for determining and implementing the risk policy, which is formally set out in specific documents.

The Compliance Officer checks compliance with the regulatory provisions in force and the duties of diligence specific to financial brokers, particularly in respect of "compliance risks and due diligence". He also keeps up with legislative developments in terms of the supervisory authorities and checks adaptation of in-house directives to the new legislative and regulatory provisions.

#### **BANCA SAI S.p.A.**

Share Capital € 116,677,161  
(Direct shareholding 100%)

The financial year closed with a loss of € 1,439K compared with € 4,468K for the previous financial year: a substantial increase in the interest margin, which rose from € 3,942K to € 6,158K (+56%), and in the brokerage margin, from € 5,726K to € 10,087K (+76%), helped to contain the loss. We would remind you that the brokerage margin derives from the sum of the result achieved from money management (€ 6,158K), net commissions (€ 2,533K), the net result from selling securities (€ 73K) and dividends collected (€ 1,322K). The increase is attributable for € 2,216K to the interest margin, for € 1,322K to the dividend earned by the subsidiary Finitalia and for € 825K to the commissions margin. Still from an economic perspective, interest receivable was recorded at € 11,467K, whilst interest payable amounted to € 5,310K.

Bank lending grew by more than half in relation to the beginning of the year, thanks to a policy of more intense focus on the credit activity aimed mainly at the Corporate segment and, within this, essentially at the Fondiaria-SAI Group's companies and at other companies outside the Group but close, territorially speaking, to the Bank's Branches or those of its corporate bankers. From this point of view, territorial protection is the basis on which the Bank's credit policies in regard to businesses is founded. The Retail segment, and in particular the home loans segment, was further extended through a collaboration agreement with Mutui On Line which, from this operational organisational perspective, represented the best solution for the Bank, enabling it to join a mature market segment by gradually exploiting the potential capacities of its network within an environment in which costs can be sustained.

---

The Bank's operations in the securities sector was characterised by the usual criteria of strict prudence. Securities investments amounted to € 136,879K (€ 146,35K in the previous half-year period). Bank receivables came to € 83,58K and were essentially made up of investments in liquidities on the inter-bank market and reciprocal bank accounts. They are down by € 261,404K compared with the previous half-year period.

Customer payables amounted to € 364,523K (€ 439,127K as at 30 June 2006). The net equity, excluding the financial year result, came to € 106,727K as at the end of the half-year period. The net equity is adequate and enables a solidity rate higher than that demanded by the Supervisory Authorities to be recorded. The Genoa Branch came into operation during the half-year period.

Finally, we would state that Consob completed its inspection of the bank on 25 May 2007. On 20 August, Consob sent the members of the Board of Directors, the Board of Statutory Auditors, the CEO in office until 15 July 2007 and the senior officials notice of sanctionary proceedings pursuant to arts. 190 and 195 of Legislative Decree 58/1998. The recipients will have 30 days in which to send Consob their comments on its content.

#### **SAI ASSET MANAGEMENT SGR S.p.A.**

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

The first half of 2007 showed a positive result for € 216K, an improvement over the corresponding period in the previous financial year, which had shown a positive result for € 100K, thus exceeding budget expectations.

As at 30 June 2007, the managed assets totalled € 989m (€ 1,058m as at 30/06/2006).

The main items which determined the result are the following:

- the improvement in the brokerage margin due to the termination of the contracts for sub-delegating funds;
- the good performances achieved by individual asset management operations;
- containment of the organisation's costs, in respect of which personnel costs and the cost of the information system are the most significant;
- the increase in amortisation determined by the purchase of new software usage licences during the half-year period;
- the high percentage impact of the tax liability due to IRAP on the result for the period, unencumbered by the liability in terms of IRES given the existence of previous tax losses.

#### **SAI INVESTIMENTI S.G.R. S.p.A.**

Share Capital € 3,913,588  
(Direct shareholding 51%; Group share 68.20%)

The profit for the period amounted to € 784K.

The income, amounting to € 2,615K, consisted primarily of commissions receivable on the

---

management of the property investment fund, equal to 2,472K, and of bank interest receivable on government securities of € 141K. Cost, amounting to € 1,831K, consisted primarily of operating costs of € 678K, € 392K of which related to the parent company Fondiaria-SAI and € 46K to the affiliate Uniservizi, commissions payable of € 635K to the affiliate Immobiliare Lombarda, and income tax for the period of € 460K.

The Company's assets as at 30 June 2007 amounted to € 8,416K and consisted of financial assets available for sale of € 6,331K, receivables and available funds for € 196K, tax assets for € 69K, including € 49K for IRAP accounts paid during the financial year and other assets for € 1,820K, primarily consisting of amounts due from the parent company for VAT of € 1,455K and for IRES of € 271K.

As at the same date, the liabilities consisted of the Net Equity of € 5,155K, payables of € 1,440K, including amounts due for € 780K to the parent company Fondiaria-SAI and € 635K to the affiliate Immobiliare Lombarda, tax liabilities of € 50K, reserves for risks and costs for € 53K and of Other Liabilities for € 1,718K, including € 1,455K for VAT payable to the Tikal property investment fund.

During the half-year period, SGR continued to manage the closed-end property investment fund, known as the "Tikal R. E. Fund".

#### **SAI MERCATI MOBILIARI SIM S.p.A.**

Share Capital € 20,000,000

(Direct shareholding 100%)

The financial result for the half-year to 30 June 2007 recorded a loss of € 343K compared with a loss as at December 2006 of € 4,207K. The achievement of a satisfactory result for this first half of the year shows how the plan for structural interventions in support of the productive sectors is though to have yielded income which was estimated at the time. On the one hand, the traditional operations on the company's own behalf continue to produce good results in line with expectations, on the other the development of the service on behalf of third parties, begun during the second half of last year, had a positive effect on business results in the first half thanks to a contribution in net commissions of € 1,461K.

With reference to the main items in the profit and loss account we can see that the profits from financial transactions are negative for € 220K, recording a marked fall compared with the figure for the same half-year period in 2006.

Net commissions, amounting to € 1,461K, bounced back thanks to the contributions from new third party account operators. Following the normal organisational and operational teething-period, the desk is now in a position to create income, as forecast in the budget.

Net interest recorded as at the end of June 2007 was positive for € 414K compared with € 280K for the comparison half-year. The 47.86% increase was due to higher interest earned from debt securities. In the segment relating to operations on the company's own behalf, the start-up of the brokerage activity in OTC derivatives and the "re-launch" of the equity derivatives trading activity enabled positive margins to be achieved, partially balancing out the structural fall in the return from other more traditional trading activities.

Administrative costs show a balance of € 4,123K compared with € 3,096 for the same period of the previous year (+33.13%), mainly generated by higher personnel costs. The increase in this expense is justified by bringing in a great many resources, primarily dedicated to the

third party account and computing-type expenses, costs incurred for the setting up the sites, and monitoring tools to support and complement the new sectors.

The performance of the main Group companies operating in the financial sector is summarised in the following statement:

(€ K)	INCOME	% VARIATION	PROFIT (LOSS) FOR THE PERIOD
FINITALIA S.p.A.(*)	15,319	77.47	947
FINSAL INTERNATIONAL S.A.	887	41.02	689
FONDIARIA NEDERLAND B.V.	3,097	(8.13)	2,534
SAI HOLDING ITALIA S.p.A.	23,926	23.73	23,391
SAIFIN - SAIFINANZIARIA S.p.A.	2,737	201.43	2,224
SAILUX S.A.	1,208	750.70	1,052
SAINTERNATIONAL S.A.	30,166	50.88	5,478

(\*) IAS/IFRS figures.

#### **FINITALIA S.p.A.**

Share Capital € 15,376,285

(Indirect shareholding 100%)

The first six months of 2007 showed a net profit of € 947K compared with a net profit of € 949K as at 30.06.2006, after having deducted € 877K in income tax for the period (€ 823K as at 30.06.2006). We would remind you that during the first half of 2006, extraordinary items had been included for approximately € 600K due to the change in the method for valuing the amounts due in the credit card line.

Development in the national consumer credit sector continued during the half-year period and the total flow of credit disbursed shows a growth rate in the reference market, compared with the same period for the previous year, of more than 13% (source: ASSOFIN). The flows disbursed are up by 28% compared with the first half of 2006, against 3% for 2006 compared with 2005.

More specifically, activities continued during the half-year period originally started during the previous financial year to rationalise management processes, develop and launch new products, as well as plan and conclude new commercial and operational agreements with Group companies. Updating the most important operational processes will lead to better quality service to insurance customers and promote expansion in the reference catchment area and, therefore, to favourable sales growth.

Finally, we would also add that, contrary to the commercial policy implemented by the main competitors, that adopted by the company has not led to significant increases in the rates applied to investments, despite the increases in the reference rate repeatedly carried out by the Central Bank, but financing operations were carried out under less competitive conditions. In this regard, we would point out that the zero rate operations carried out in synergy with the Group's Companies are governed by specific agreements.

The business results were mainly influenced by the following components:



- 
- interest margin of € 7,787K (-2.97%);
  - brokerage margin of € 7,532K (-3.39%).

During the first half of this year, loans were disbursed for € 93,700K compared with € 73,299 during the first half of 2006, an increase of 27.83%.

The financial flows recorded during the first half of 2007 showed strong growth over the half-year period in proportion to the Monetary product lines (+35.26%) and credit cards for financings premiums (+61.32%).

The virtual revolving credit cards, for payment of insurance premiums, are proving successful: in addition, the innovative Finitalia WEB disbursement system, installed in the Group's Companies, is used for ordinary people to automatically pay premiums. This system will shortly also be adopted for Companies to finance insurance premiums.

#### **FINSAI INTERNATIONAL S.A.**

Share Capital € 22,801,140

(Direct shareholding 38.53%; Group share 100%)

The financial result for the period recorded a profit for the period of € 689K, generated by income of € 887K, essentially consisting of financial proceeds from the management of liquidities and interest on the loan granted to the parent company, and costs of € 198K, consisting primarily of general and administrative expenses.

The company's assets as at 30 June 2007 amounted to € 67m and consisted of the shareholding in Mediobanca (0.35%), with a book value of € 10m, investments in overseas funds of € 20m, loans granted to the parent company of € 34m and sundry liquidities and assets of € 3m. The company's liabilities as at the same date consisted primarily of the net equity of € 66.5m and tax reserves of € 0.5m.

#### **FONDIARIA NEDERLAND B.V.**

Share Capital € 19,070

(Direct shareholding 100%)

The financial result for the period recorded a profit of € 2,534K.

Income amounted to € 3,097K consisting primarily of dividends received from the affiliate Milano Assicurazioni for € 2,507K and interest received on the liquidity invested in time deposits in Luxembourg of € 590K.

Costs amounted to € 563K and related primarily to administrative costs of € 52K, withholdings incurred on dividends of € 376K and current taxes estimated at € 135K.

The company's assets as at 30 June 2007 amounted to € 99,138K and consisted of shareholdings in Group companies of € 75,491K, credit for an interest-bearing loan of € 19,000K disbursed to the parent company Fondiaria-SAI on 28 June 2007, and consisted of shareholdings in Group companies of € 4,647K..

The Company's net liabilities came to € 99,138K.

---

**SAI HOLDING ITALIA S.p.A.**

Share Capital € 143,100,000

(Direct shareholding 100%)

The financial result for the period recorded a profit of € 23,391K.

Income amounted to € 23,926K, consisting of dividends of € 19,338K, including € 7,806K and € 8,640K from the subsidiaries Po Vita and Novara Vita respectively, € 839K from Siat Assicurazioni, € 853K from Milano Assicurazioni and € 1,200K from the parent company Fondiaria-SAI. There was also financial income of € 1,104K relating to interest received on bonds, bank deposits and loans disbursed and from the credit balance in respect of taxes of € 3,484K, essentially attributable to the net variation in deferred tax liabilities. Costs came to € 535K and related primarily to services and sundry expenses of € 385K and to extraordinary charges of € 147K.

The company's assets as at 30 June 2007 amounted to € 242,453K and consisted of shareholdings in Group companies of € 184,201K, receivables and other assets of € 44,238K, of which € 15,180K related to the loan disbursed to the parent company Fondiaria-SAI and € 20,386K related to the loan disbursed to the affiliate Immobiliare Lombarda, and liquidity, mainly invested in time deposits, of € 14,014K. The company's Net Equity as at the same date amounted to € 241,393K.

**SAIFIN-SAIFINANZIARIA S.p.A.**

Share Capital € 102,258,000 fully paid-up

(Direct shareholding 100%)

The financial result for the period recorded a profit of € 2,224K.

Income for the period was € 2,737K, consisting mainly of interest received on loans to customers and on bonds and bank deposits of € 776K, dividends received of € 1,665K (€ 880K of which came from Finadin, € 710K from the Banca Leonardo Group and € 74K from RCS Mediagroup) and increases in value on financial assets of € 290K, relating to the participating interests RCS Mediagroup and Premafin HP. Costs for the period, amounting to € 513K, consisted primarily of administrative costs of € 275K and tax for the period of € 231K.

The company's assets as at 30 June 2007 amounted to € 142,694K and consisted of shareholdings in Group companies of € 73,611K, other shareholdings of € 47,331K, financial credits of € 12,768K, liquidities primarily invested in time deposits of € 7,387K and sundry assets of € 1,597K. The company's net equity as at the same date amounted to € 142,551K.

**SAILUX S.A.**

Share Capital € 30,000,000

(Indirect shareholding 100%)

The financial result for the period recorded a profit of € 1,052K, derived from income of € 1,208K, essentially consisting of dividends and financial income from the management of liquidities and costs of € 156K, consisting primarily of general and administrative costs.

The Company's assets as at 30 June 2007 amounted to € 41.5m and consisted of the controlling shareholding in Finsai International (61.47%), with a book value of € 26.99m, shareholdings in unlisted companies of € 0.65m, loans granted to the parent company of € 10m and liquidities and sundry assets of € 4m. The company's liabilities as at the same date consisted of the net equity of € 41.2m and tax funds and other liabilities of € 0.3m.

#### **SAINTERNATIONAL S.A.**

Share Capital € 154,000,000

(Direct shareholding 100%)

The financial result for the period recorded a profit of € 5,478K. Income amounted to € 30,166K and consisted of proceeds from loans granted to the parent company Fondiaria-SAI of € 24,70K dividends of € 4,045K and other financial proceeds of € 1,851K. Costs amounted to € 24,688K, including administrative and general expenses of € 466K, interest paid and charges on bonded loans of € 22,535K, other charges of a financial nature of € 634K and income taxes and other taxes of € 1,053K.

The company's assets as at 30 June 2007 amounted to € 375,626K and consisted of the loans granted to the parent company Fondiaria-SAI of € 250,000K, shareholdings in unlisted companies and loans to the same of € 15,286K, listed shares of € 44,862K, other short-term investments of € 39,656K and liquidities and sundry assets of € 25,822K. The liabilities consisted of the company's net equity of € 180,212K, the debt to bond holders of € 180,400K, the reserves for risks and costs of € 1,987K and other liabilities of € 13,027K.

The listed securities consist of 10,100,000 RCS Mediagroup shares tied to that company's shareholders' agreement and 1,110,000 shares in the affiliate Milano Assicurazioni.

The performance of the main Group company operating in the agricultural sector can be summarised in the following table:

(€ K)	VALUE OF PRODUCTION	% VARIATION	PROFIT (LOSS) FOR THE PERIOD
SAIAGRICOLA S.p.A.	3,747	(8.82)	(2,545)

#### **SAIAGRICOLA S.p.A.**

Share Capital € 50,000,000

(Direct shareholding 92%, Group share 97.23%)

The balance sheet for the six-month period to 30 June 2007 shows a loss of € 2,545K (loss of € 1,580K as at 30 June 2006), after setting aside amortisation and depreciation for the period on intangible and tangible fixed assets of € 1,014K (€963K as at June 2006), interest paid on loans of € 345K (€121K in 2006) and tax set aside for the regional tax on production activities of € 30K (€ 25K in the first half of 2006).

Weather conditions in the first half of 2007 were good, ensuring average cereal harvests compared with recent years. Significant wine grape, olive and rice crops can be expected in

---

terms of both quality and quantity, as for the previous financial year. There are also positive production forecasts for oil seed crops (soya and sunflower) at the moment.

Turnover from the produce of these crops represents 90% of the total.

Sales of unrefined rice amounted to 16,190 quintals, with a value of € 358K, a fall of 7% in value and 22% in quantity compared with 2006. The average price per quintal was around € 22.00 (€ 18.50 in 2006).

Compared with the same period of the last financial year, sales of processed and packaged rice increased by € 30K, rising in total to € 199K on a quantity of approximately 75,000 kg (66,000 kg in 2006), at an unchanged average price.

Sales of bottled wine amounted to € 2,256K (€ 2,346K in the first half of 2006), recording a fall of 4% on approximately 382,000 bottles (unchanged in relation to the first half of 2006), the average price per bottle remaining around € 6.00. Nobile di Montepulciano was the main type of wine sold (126,228 litres) from total sales of 286,689 litres, equal to 44.03%.

Foreign sales of bottled wine, oil and grappa accounted for around 45% of turnover, totalling € 1,000K, slightly down on the same period in the preceding financial year. The weight of the sales made in Italy through multi-firm agents (45%) was unchanged, whilst the remaining 10% related to the sales channels of the Group's clients, both direct and equivalent.

There were multiple main investments made (or in the process of going through) in the first half of 2007, all designed to improve and increase the value of the Company's assets and structure. In particular, investments of € 881K were made relating to the purchase of new plant and equipment for modernising the machines as a whole and achieving a better quality of finished product. Mention should be made of the restructuring operation that involved the Villa Grazianella farm holiday complex.

Closing stocks of finished products, raw materials and work in the process of production rose by € 414K compared with the 2006 financial year, being recorded at € 8,266K as against € 7,852K in 2006, consisting primarily of bottled and unbottled wine. During this first half-year period, EU support totalled € 538K (€559K in the first six months of 2006). This was received to prop up rice production and supplement income pursuant to EEC reg. 2080/92.

## **Banca Italease and Fondiaria-SAI sign a strategic partnership agreement**

On 26 April, Banca Italease and Fondiaria-SAI signed an agreement to develop a strategic alliance in their respective core businesses, to be implemented through:

- the acquisition of part of the Fondiaria-SAI Group's assets in the consumer credit and managed savings sector, in the context of Banca Italease's expansion strategy in the retail markets;
- the signing of a bancassurance agreement which provides for the distribution of the Fondiaria-SAI Group's Life insurance products through BANCASAI and Banca Italease.

As part of the partnership, the agreements provide for Banca Italease to acquire from Fondiaria-SAI:

- 
- 50% of BANCASAI's share capital, for approximately € 61m (corresponding to 100% of the company's worth at € 122m). The Parties will be able to increase Banca Italease's shareholding up to 70% during the 18 months following the date on which the initial shareholding was acquired, through the exercise of put & call options on a further maximum share of 20% of the capital, the value of which will be equal to the same transfer price revalued for financial purposes. In particular, a further 10% 12 months from the date on which the initial shareholding was acquired and a further 10% 18 months from that date. The exercise prices for the two options on the 10% will be equal to the pro-rata value assigned to BANCASAI at the time of the 50% assignment, revalued according to financial bases in consideration of the time elapsed from the date of conceding the options to the date on which they are exercised. BANCASAI controls the entire share capital of Finitalia S.p.A., a company specialising in consumer credit and active, in particular, in dividing policy premiums into instalments through a five-year distribution agreement, from the closing date, with the Fondiaria-SAI Group's agency networks. The acquisition will immediately lead to governance being assigned to Banca Italease which will, therefore, be responsible for running and coordinating BANCASAI, the latter thus coming within the basis of consolidation of the Banca Italease Banking Group.
  - 80% of SAI Asset Management SGR, for € 9.6m (corresponding to 100% of the company's worth at € 12m).
  - 5% of Effe Vita, for approximately € 0.7m, for the purpose of setting up an insurance joint venture in the Life business, with the options of increasing this share during the 18 months following the date on which the initial shareholding was acquired, through the exercise of call options on a further maximum share of 10% of the capital, the value of which will be equal to the same transfer price revalued for financial purposes. The joint venture provides for the signing of a commercial agreement between Effe Vita and Banca Italease for the distribution, until 31/12/2014, of the Life business insurance products through Banca Italease's branches and the network of approved agents and brokers.

There is provision in the above agreements for the signing of a shareholders' agreement designed to regulate the corporate governance and management of the companies being bought and sold, as well as the business aspects of the partnership. This agreement will govern, amongst other things, the structure of the corporate bodies of the companies in which an interest is held, the lock-up on the shareholdings, the sharing of the extraordinary development operations, and the sales strategies of the businesses involved in the partnership, and will provide for a number of non-competition undertakings and the rules and regulations of reciprocal ways out in the event of the partnership being dissolved.

Given the events that are common knowledge in which the Italease Group is involved, they are in talks with the new top-level operating management of Banca Italease and its main shareholder with regard to extending the deadlines for it to obtain from Banca d'Italia the legal authorisations needed to execute the contract. The feasibility of valuing BANCASAI and its subsidiary Finitalia by methods other than those provided for in the agreement with Banca Italease cannot be ruled out.

### **Acquisition of Banca Gesfid S.A.**

In December 2006, the Group executed the agreements reached on 22 September, with Fondiaria-SAI buying 60% of the capital of Banca Gesfid, a Swiss credit institution entirely

---

controlled by Rinascita Holding, an equity interest holding company managed entirely by Meliorbanca, for Swiss Francs 54m. The agreement further provided for a reciprocal option right relating, respectively, to the purchase and sale of the remaining 40% of the capital of Banca Gesfid, to be exercised between 1 November and 31 December 2008, at an exercise price which might predominantly take account of the trend in assets.

The opportunity has thus arisen for the Company to exercise the option early in relation to the expiry dates originally stipulated. During May 2007, therefore, Fondiaria-SAI and Meliorbanca reached agreement on the transfer for the remaining 40% of the capital of Banca Gesfid, for Swiss Francs 47m, including an incentive to take account of Banca Gesfid's estimated profits for the 2007 and 2008 financial years, which will not be received by the seller: the closing date for the operation occurred during July 2007.

The early exercise of the option enables Fondiaria-SAI to immediately acquire the entire shareholding in the Bank's capital, with the consequent cancellation of the shareholders' agreement two years' in advance of the anticipated expiry date and management control fully at its disposal, having regard to the development strategies and the possible combination with other targets, making it possible, moreover, to fully seize the benefits of a business which has shown extremely satisfactory results.

For the purposes of drawing up this half-year report, the necessary authorisations from the control institutions for the aforementioned packet of shares not yet having been received as at 30 June, 40% of Banca Gesfid's net equity has been entered under "Minority interest net equity" rather than "Financial liabilities", nor has the fair value of the aforementioned acquisition (equal, as we have already stated, to CHF 47m) been stated.

### **Joint Venture with the EDS Group for management of the Fondiaria-SAI Group's Information Technology infrastructures**

During the first six months of 2007, the project was launched which provided for the management of the Fondiaria-SAI Group's Information Technology (IT)'s infrastructures to be entrusted to a joint venture formed with a partner of proven capacity and experience in the IT sector, identified as EDS Italia S.p.A. (hereinafter referred to as EDS).

Taking account of the forecasts for growth in the level of competition in the insurance market, it is in fact believed that one of the key factors for achieving the objectives contained in the Fondiaria-SAI Group's 2006-2008 Business Plan should be the implementation of a computing project for bringing the Group's IT infrastructures into line, aimed at making it possible to improve the Group's own level of competition whilst also achieving a cost saving.

Very briefly, the arrangement for implementing the project provides for management of the IT infrastructure activities to be carried out through a long-term services contract entered into for this purpose between, of the one part, Fondiaria-SAI Servizi Tecnologici S.r.l. (hereinafter referred to as FonSAI ST), in which EDS and Fondiaria-SAI Group hold an interest and to which these last have transferred personnel and/or hardware and software according to the legal format for the transfer of a business branch and, of the other part, Uniservizi S.c.r.l., the Fondiaria-SAI Group's consortium company which will

---

act as the collector and distributor of services on behalf of the Fondiaria-SAI Group including ones different from the contributors. FonSAI ST operates exclusively for the Fondiaria-SAI Group.

FonSAI ST was formed in December 2006 with initial share capital of € 10,000, divided between Fondiaria-SAI and EDS with shares of 51% and 49% respectively.

Although Fondiaria holds 51% of FonSAI ST's capital, operational control of the company is assigned to EDS, however, on the basis of all the governance agreements signed, this being a necessary condition for guaranteeing the Fondiaria-SAI Group the benefits of the transaction in terms of cost reduction.

Subsequently, on 1 February, FonSAI ST's shareholders' meeting approved a capital increase from € 10,000 to € 120,000, subscribed and paid up on that date as follows:

- on the part of EDS, by a cash payment of an amount such as to maintain its shareholding in FonSAI ST's capital at 49%;
- on the part of the Fondiaria-SAI Group, by the transfer of business branches by Milano Assicurazioni S.p.A., Starvox S.p.A and Uniservizi in addition to Fondiaria-SAI. These business branches consist of personnel and/or hardware and software consistent with the activities entrusted to EDS.

The value of the business branches transferred is that deriving from the asset and liability statements of those branches as at 31 October 2006, as attached to the estimated valuations drawn up, pursuant to art. 2465 of the Italian Civil Code, by an expert appearing in the Register of Auditors.

The total value of the Branches referred to in these asset and liability statements has been charged to FonSAI ST's share capital to the extent of € 120,000 and, in respect of the excess part, to the share premium reserve for total of approximately € 8.4m. It is expected that a review of the values transferred will take place from the time elapsing between the reference date for the transfer positions and the date on which the deed comes into effect (01/02/2007).

The business branches which are the subject of the transfer also included 134 employees belonging to the Parent Company, Milano Assicurazioni and Starvox, with reference to whom the procedure with the trade union organisations was carried out, under the law, which concluded with the signing of an agreement.

During March 2007, Milano Assicurazioni, Uniservizi and Starvox assigned their respective shareholdings in FonSAI ST to Fondiaria-SAI for the purpose of uniting the equity interest in the corporate vehicle within Fondiaria-SAI, it being understood that the delivery of the IT services covered by the services contract between FonSAI ST and Uniservizi will, however, involve the Fondiaria-SAI Group companies, even if they are not the contributors.

Finally, it is planned to convert FonSAI ST from a limited company (S.r.l.) into a plc (S.p.A.), with the issue of different classes of shares with differentiated rights in terms of

---

voting and profit- and loss-sharing, in line with the aforementioned governance agreements as a whole.

### **IT agreement for the Non-Life Bancassurance**

During March 2007, RGI S.p.A. – a listed company in the Espandi segment and active in the insurance and banking world Information Technology sector – signed a contract with the Fondiaria-SAI Group with regard to outsourcing the supply of the Non-Life Bancassurance management Computing System.

The project will the insurance product sales business at around 3,000 bank branches spread throughout Italy.

The three-year contract is worth approximately € 3.7m.

### **Merger through acquisition of Maa Finanziaria S.p.A. with Milano Assicurazioni S.p.A.**

As part of the process of reorganising the Fondiaria-SAI Group's corporate structure, the opportunity arose to undertake the merger through acquisition with Milano Assicurazioni S.p.A. of Maa Finanziaria S.p.A., a 100% subsidiary of Milano.

Maa Finanziaria, originally active in the financial leasing of capital goods and financing sector, is now a run-off company which limits itself to managing a few leasing contracts already in the portfolio. Its accounts for the 2006 financial year closed with a loss of € 15K.

In view of the fact that, as stated, Milano Assicurazioni holds 100% of Maa Finanziaria, a simplified form of the merger will take place, without any share swap and it was, moreover, approved by Milano Assicurazioni's Board of Directors.

It is expected that the deed of merger will be signed within the current year, when the period for creditors to file any objections has elapsed. Since it involves an inter-group operation, it will not produce any financial and economic effects.

### **Merger through acquisition of Campo Carlo Magno Sport S.r.l. with Campo Carlo Magno S.p.A.**

During April, the deed for the merger through acquisition of Campo Carlo Magno Sport S.r.l. with Campo Carlo Magno S.p.A. was signed. The accounting and tax effects of the merger run from 1 January 2007. Since it involves an inter-group operation, it will not produce any financial and economic effects.



---

## Asset and financial management

## INVESTMENTS AND AVAILABLE FUNDS

As at 30/06/2007, the volume of investments was € 36,435m, an increase of 7.75% compared with the investments existing as at 31/12/2006. We would point out that much of the increase in the volume of investments should be ascribed to the change in Bipiemme Vita method of consolidation, from proportional to full with an effect of € 1,797m.

The structure of these investments is shown in the following statement, which also shows the tangible fixed assets, owing to the substantial size of the real estate component used directly and/or for warehousing, as well as the available funds, given the importance of these assets in ensuring the correct representation of the level of net worth of an insurance group.

(€ K)	30/06/2007	% Comp.	31/12/2006	% Comp.	% Var.
<b>INVESTMENTS</b>					
Property investments	2,127,058	5.54	2,125,628	5.95	0.07
Shareholdings in subsidiaries, associated companies and joint ventures	275,445	0.72	155,921	0.44	76.66
Loans and receivables	1,250,993	3.26	1,305,863	3.66	(4.20)
Investments held to maturity	-	-	-	-	-
Financial assets available for sale	23,838,916	62.06	23,067,611	64.61	3.34
Financial assets and fair value through profit or loss	8,942,106	23.28	7,157,453	20.05	24.93
<b>Total investments</b>	<b>36,434,518</b>	<b>94.85</b>	<b>33,812,476</b>	<b>94.71</b>	<b>7.75</b>
Tangible fixed assets: property and other tangible fixed assets	1,216,415	3.17	1,164,620	3.26	4.45
<b>Total non-current assets</b>	<b>37,650,933</b>	<b>98.01</b>	<b>34,977,096</b>	<b>97.97</b>	<b>7.64</b>
Available funds and equivalents	763,348	1.99	723,032	2.03	5.58
<b>Total non-current assets and available funds</b>	<b>38,414,281</b>	<b>100.00</b>	<b>35,700,128</b>	<b>100.00</b>	<b>7.60</b>

Financial assets available for sale and financial assets at fair value through profit or loss consist of the following:

(€ K)	30/06/2007	31/12/2006	Var. %
<b>Financial assets available for sale</b>	<b>23,838,916</b>	<b>23,067,611</b>	<b>3.34</b>
Capital securities and collective savings investment undertakings	4,538,784	4,204,911	7.94
Debt securities	19,297,705	18,859,785	2.32
Other financial investments	2,427	2,915	(16.74)
<b>Financial assets at fair value through profit or loss</b>	<b>8,942,106</b>	<b>7,157,453</b>	<b>24.93</b>
Capital securities and collective savings investment undertakings	1,893,034	1,450,313	30.53
Debt securities	6,571,560	5,416,753	21.32
Other financial investments	477,512	290,387	64.44

The following table shows the results of financial and property activities over the period in comparison with the same period of the previous financial year:

(€ K)	30/06/2007	30/06/2006	Variation
<b>Net income from financial instruments at fair value through profit or loss</b>	(2,012)	(21,980)	19.968
<b>Income from shareholdings in subsidiaries, associated companies and joint ventures</b>	16,578	23,810	(7.232)
<b>Income from other financial instruments and property investments:</b>			
Interest receivable	403,987	342,009	61.978
Other income	150,767	127,702	23.065
Profit earned	99,536	153,749	(54.213)
Valuation profits	90	401	(311)
<b>Total income</b>	<b>668,946</b>	<b>625,691</b>	<b>43.255</b>
<b>Charges from other financial instruments and property investments:</b>			
Interest payable	63,922	42,349	21.573
Other charges	31,125	35,655	(4.530)
Losses incurred	34,309	20,231	14.078
Valuation losses	18,135	19,145	(1.010)
<b>Total charges and interest payable</b>	<b>147,491</b>	<b>117,380</b>	<b>30.111</b>
<b>TOTAL NET INCOME</b>	<b>521,455</b>	<b>508,311</b>	<b>13.144</b>

For further details regarding financial operations see the separate half-year report in view of the fact that the management of financial operations is centralised at Group level.

## DEBTS OF THE FONDIARIA-SAI GROUP

For the purpose of ensuring correct representation of the items in question, it is considered important to show separately the items relating to the financial debt, which is understood to be the total amount of financial liabilities for which no specific correlation with asset entries can be established.

The Fondiaria-SAI Group's debt situation as at 30/06/2007 is the following:

(€ m)	30/06/2007	31/12/2006	Variations
Subordinated loans	817.8	807.4	10.4
Mandatory Saintinternational	178.5	178.0	0.5
Debts owed to banks and other loans	465.5	402.2	63.3
<b>Total debts</b>	<b>1,461.8</b>	<b>1,387.6</b>	<b>74.2</b>

---

The **Subordinated loans** item includes the loan contracted by the Parent Company with Mediobanca in July 2003 with the simultaneous early repayment of the loan previously taken out on 12/12/2002.

The loan of an amount equal to a nominal € 400m had been taken out in order to increase the constituent elements of the solvency margin.

As regards the existing subordinated loan of € 400m with Mediobanca, the Company agreed with the latter, subject to authorisation from ISVAP:

- to make a number of amendments to the loan agreement itself relating, among other things, to reducing the interest rate, which changed from the six-month Euribor + 265 basis points to the six-month Euribor + 180 basis points;
- to enter into a new twenty-year (fixed term) subordinated loan contract for a total of € 100m at an interest rate equal to the six-month Euribor + 180 basis points, with the same subordination features as the previous one.
- on 14 July 2006, to enter into a new subordinated loan contract for a total of € 300m, signed by Fondiaria-SAI for one half and by Milano Assicurazioni for the other half. This loan also presents a cost equal to the 6-month Euribor + 180 basis points and is repayable in five equal annual instalments from the 16th anniversary of the drawdown date. In particular, this latter contract contributes to a further improvement in the Group's solvency margin in respect of the part disbursed to the subsidiary Milano Assicurazioni.

Lastly, BPM Vita subordinated loans raised in 2003 also come under the "Subordinated loans" item. This involves four subordinated loans for a nominal € 16m taken out by Banca Popolare di Milano for one half and by Banca di Legnano for the other half. Two loans mature on 27 June 2008 and have an interest rate equal to the 12-month Euribor increased by 0.75% whilst the other two loans have no fixed maturity and an interest rate equal to the 12-month Euribor increased by 2.50%.

On 27/09/2004, the Luxembourg subsidiary Saintinternational S.A. had launched a convertible bond repayable exclusively in ordinary shares in Intesa SanPaolo, owned by Fondiaria-SAI, maturing on 29/09/2010 and listed on the Luxembourg Stock Exchange.

The bonds, with a nominal value of € 180,400K, will be repayable on maturing by delivering 44,000,000 ordinary shares in Intesa SanPaolo, formally owned by Fondiaria-SAI, at the exchange price of € 4.10 per share, and therefore with a premium of 35.13% on the quotation of ordinary shares in Intesa SanPaolo at the time the offer price was established.

The annual coupon for the bonds and the yield on maturity are equal to 6.10%.

With reference to **Amounts due to banks and other backers**, equal to € 458.9m, the most significant amounts are stated below:

- € 282.3m relates wholly to the consolidated debts of the subsidiary Immobiliare Lombarda. These are the result of the renegotiation of the debts of the acquired company Immobiliare Lombarda, which occurred in compliance with the merger project of which it represented one of the preconditions. The interest rate for the loan consists of the Euribor plus a spread of 0.9%. The maturity dates are variable until 2012. We would also report that, during the first quarter of 2007, Immobiliare Lombarda took out a new loan for approximately € 38m with Efibanca, to undertake acquisition of the shareholding in

IGLI. The interest rate for this loan consists of the Euribor plus a spread of 0.83% and a maturity date of 31 December 2012;

- € 174.3m relates to the loan taken out by the Tikal R.E closed-end property fund with Banca Intesa Sanpaolo, the latter acting as the Organising Bank, Agent and Finance Provider. The purpose of the loan is to improve the return on the Fund's own capital and therefore on the capital invested by participants. The amount disbursed, which does not exhaust the line of credit granted, equal in total to a nominal € 280m, is used for both investments in new initiatives, and to carry out improvement work with a view to achieving future income from sales or increases in income. The cost of the provision is equal to Euribor plus a variable credit spread of 70 to 110 b.p.. Up to the previous financial year, the Fund resorted to two rate-derived instruments, implementing a policy for covering the potential risk of an increase in the rates connected with the loan taken out;
- € 0.6m relates to the debt entered into with credit bodies by the subsidiary Finitalia;
- the balance relates to other debt positions of an insignificant unit amount.

### **CONSOB Notice no. 7079556 dated 30 August 2007**

With regard to CONSOB's requirements in relation to the crisis in the so-called "subprime" loans sector, we would state that neither Fondiaria-SAI nor the Group's companies are in any way exposed as disbursers of so-called "subprime" loans, nor investors at their own risk, nor do they handle financial products that have these loans as underlying assets.

### **OWN SHARES, SHARES IN THE PARENT COMPANY AND IN COMPANIES THAT ARE SUBSIDIARIES OF THE LATTER**

As at 30/06/2007 and 31/12/2006, the Holding Company and the Group's other companies held total own shares and shares in the parent company Premafin Finanziaria as shown in the following table:

(€ K)	30/06/2007		31/12/2006	
	Number	Book value	Number	Book value
<b>Own shares in the name of:</b>				
Fondiaria-SAI	163,000	5,845	9,490,212	182,201
Milano Assicurazioni	6,958,723	161,930	6,802,557	149,440
Sai Holding	1,200,000	28,306	1,200,000	28,306
<b>Grand total</b>	<b>8,321,723</b>	<b>196,081</b>	<b>17,492,769</b>	<b>359,947</b>
<b>Shares in the parent company in the name of:</b>				
Fondiaria-SAI	18,340,027	45,502	18,340,027	45,116
Milano Assicurazioni	9,157,710	22,720	9,157,710	22,528
Saifin - Saifinanziaria	66,588	165	66,588	164
<b>Grand total</b>	<b>27,564,325</b>	<b>68,387</b>	<b>27,564,325</b>	<b>67,808</b>

---

## PERFORMANCE OF THE GROUP'S LISTED SHARES

As at 30/06/2007, the share capital of the parent company Fondiaria-SAI S.p.A. amounted to € 168,482,219, subdivided into an equivalent number of shares with a nominal value of € 1 (125,171,597 ordinary shares and 43,310,622 savings shares).

At the end of the half-year period, the stock exchange quotations were as follows:

(Euro Units)	29/06/2007	29/12/2006	% Variation
Fondiaria SAI ord.	35.86	36.25	(1.08)
Fondiaria SAI sav.	26.40	26.98	(2.15)

The corresponding stock exchange capitalisation at the end of the period was € 5,632m (€ 6,039m as at 31/12/2006).

The stock exchange quotations for the other listed subsidiaries were the following:

(Euro Units)	29/06/2007	29/12/2006	% Variation
Milano Assicurazioni S.p.A. ord.	6.131	6.174	(0.70)
Milano Assicurazioni S.p.A. sav.	6.260	6.128	2.15
Immobiliare Lombarda S.p.A. ord.	0.225	0.217	3.78

As at 30/06/2007, the subsidiary Milano had a stock exchange capitalisation of € 2,899m (€ 2,884m as at 31/12/2006), whilst the subsidiary Immobiliare Lombarda capitalised € 925.3m (€ 891.7m as at 31/12/2006).

*Milan, 12 September 2007*

*For the Board of Directors  
The Chairman*

*Jonella Ligresti*

---

---

# Accounts tables



---

Following the entry into force of European Regulation no. 1606 of July 2002, European companies whose shares are traded on a regulated market must adopt the IAS/IFRS accounting standards for drawing up consolidated accounts with the aim of increasing comparability and transparency at European level.

This half year report consists of the following: Balance Sheet, Profit and Loss Account, Statement of variations in Net Equity, Financial Statement, Appendices required by ISVAP Regulation no. 2460 of 10/08/2006 and the specific explanatory notes required by IAS 34.

The report as at 30/06/2007 on Fondiaria-SAI S.p.A. presented below is intended to conform to an intermediate balance sheet model which complies with the presentation and disclosure requirements of the International Financial Reporting Standards (IFRS), and IAS 34 in particular, while also taking into account the instructions issued by the Regulatory Body.

It also contains additional information that illustrates some of the examples contained in some IAS standards which are considered to be best practice.

In drawing up this intermediate balance sheet, it has been assumed that Fondiaria-SAI has drawn up its consolidated balance sheet according to IAS standards on a continuous basis.

Please note that the valuation and measurement of the accounting items contained in the reconciliation statements and explanatory notes are based on the IAS/IFRS principles that are currently approved by the European Commission and on their current interpretation by official bodies.

Please note, however, that in order to ensure promptness of disclosure, and avoid repeating information already contained in the annual accounts, this half year report provides a more limited intermediate disclosure than the one contained in the annual accounts themselves, while complying with the minimum content requirements of IAS 34 and of the other recently issued regulatory provisions.

**BALANCE SHEET - ASSETS**  
(€K)

		<b>30/6/2007</b>	<b>31/12/2006</b>
1	INTANGIBLE ASSETS	1,263,104	1,173,487
1.1	GOODWILL	1,013,290	1,013,370
1.2	OTHER INTANGIBLE ASSETS	249,814	160,117
2	TANGIBLE ASSETS	1,216,415	1,164,620
2.1	PROPERTY	1,029,470	986,250
2.2	OTHER TANGIBLE ASSETS	186,945	178,370
3	REINSURERS' SHARE OF TECHNICAL RESERVES	932,070	895,703
4	INVESTMENTS	36,434,518	33,812,476
4.1	INVESTMENT PROPERTY	2,127,058	2,125,628
4.2	HOLDINGS IN SUBSIDIARIES, ASSOCIATES AND <i>JOINT VENTURES</i>	275,445	155,921
4.3	INVESTMENTS HELD TO MATURITY	0	0
4.4	LOANS AND RECEIVABLES	1,250,993	1,305,863
4.5	FINANCIAL ASSETS AVAILABLE FOR SALE	23,838,916	23,067,611
4.6	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS	8,942,106	7,157,453
5	SUNDRY RECEIVABLES	2,431,428	2,646,728
5.1	RECEIVABLES DERIVING FROM DIRECT INSURANCE	1,685,924	1,941,642
5.2	RECEIVABLES DERIVING FROM REINSURANCE	154,320	192,575
5.3	OTHER RECEIVABLES	591,184	512,511
6	OTHER ASSETS	1,044,732	807,326
6.1	NON-CURRENT ASSETS OR THOSE BELONGING TO AN HFS DISPOSAL GROUP	99,521	15,390
6.2	DEFERRED ACQUISITION COSTS	323,829	320,972
6.3	DEFERRED TAX ASSETS	116,723	96,978
6.4	CURRENT TAX ASSETS	107,617	89,775
6.5	OTHER ASSETS	397,042	284,211
7	CASH IN HAND AND AT BANK AND EQUIVALENTS	763,348	723,032
	TOTAL ASSETS	44,085,615	41,223,372

## BALANCE SHEET - NET EQUITY AND LIABILITIES

(€K)		30/6/2007	31/12/2006
1	NET EQUITY	5,234,359	5,054,542
1.1	GROUP SHARE	3,971,717	3,896,991
1.1.1	CAPITAL	168,482	177,681
1.1.2	OTHER EQUITY INSTRUMENTS		0
1.1.3	CAPITAL RESERVES	207,729	207,410
1.1.4	PROFIT AND OTHER EQUITY RESERVES	2,781,107	2,643,229
1.1.5	(OWN SHARES)	-196,081	-359,987
1.1.6	RESERVE FOR NET EXCHANGE DIFFERENCES	-1,067	-126
1.1.7	PROFITS OR LOSSES ON FINANCIAL INSTRUMENTS AVAILABLE FOR SALE	662,762	694,538
1.1.8	OTHER PROFITS OR LOSSES RECORDED DIRECT UNDER EQUITY	71,968	53,042
1.1.9	GROUP SHARE OF PROFIT (LOSS) FOR THE YEAR	276,817	481,204
1.2	MINORITIES' SHARE	1,262,642	1,157,551
1.2.1	MINORITIES' CAPITAL AND RESERVES	1,156,542	972,179
1.2.2	PROFITS OR LOSSES RECORDED DIRECT UNDER EQUITY	44,915	65,808
1.2.3	MINORITIES' SHARE OF PROFIT (LOSS) FOR THE YEAR	61,185	119,564
2	PROVISIONS	234,519	236,676
3	TECHNICAL RESERVES	28,693,887	26,926,593
4	FINANCIAL LIABILITIES	7,933,532	7,079,895
4.1	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	5,589,508	4,842,032
4.2	OTHER FINANCIAL LIABILITIES	2,344,024	2,237,863
5	PAYABLES	1,045,071	1,069,419
5.1	PAYABLES DERIVING FROM DIRECT INSURANCE	185,234	177,205
5.2	PAYABLES DERIVING FROM REINSURANCE	135,100	113,102
5.3	OTHER PAYABLES	724,737	779,112
6	OTHER LIABILITIES	944,247	856,247
6.1	HFS DISPOSAL GROUP LIABILITIES	2,862	0
6.2	DEFERRED TAX LIABILITIES	264,281	256,777
6.3	CURRENT TAX LIABILITIES	46,631	31,474
6.4	OTHER LIABILITIES	630,473	567,996
	TOTAL NET EQUITY AND LIABILITIES	44,085,615	41,223,372

## PROFIT AND LOSS ACCOUNT

(€K)		30/6/2007	30/6/2006
1.1	NET PREMIUMS	5,933,977	4,728,864
1.1.1	GROSS PREMIUMS EARNED	6,092,006	4,860,180
1.1.2	PREMIUMS EARNED CEDED IN REINSURANCE	-158,029	-131,316
1.2	COMMISSIONS RECEIVABLE	60,247	35,504
1.3	INCOME AND EXPENDITURE DERIVING FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	-2,012	-21,980
1.4	INCOME DERIVING FROM HOLDINGS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	19,038	26,370
1.5	INCOME DERIVING FROM OTHER FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY	654,380	623,861
1.5.1	INTEREST INCOME	403,987	342,009
1.5.2	OTHER INCOME	150,767	127,702
1.5.3	PROFITS REALISED	99,536	153,749
1.5.4	VALUATION GAINS	90	401
1.6	OTHER REVENUE	218,888	179,323
1	TOTAL REVENUE AND INCOME	6,884,518	5,571,942
2.1	NET CHARGES RELATING TO CLAIMS	4,866,502	3,779,039
2.1.2	AMOUNTS PAID AND CHANGES IN TECHNICAL RESERVES	4,991,482	3,857,539
2.1.3	REINSURERS' SHARE	-124,980	-78,500
2.2	COMMISSIONS PAYABLE	32,956	20,785
2.3	EXPENSES DERIVING FROM HOLDINGS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	2,460	2,560
2.4	EXPENSES DERIVING FROM OTHER FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTY	147,491	117,381
2.4.1	INTEREST EXPENSES	63,922	42,349
2.4.2	OTHER EXPENSES	31,125	35,655
2.4.3	LOSSES REALISED	34,309	20,232
2.4.4	VALUATION LOSSES	18,135	19,145
2.5	OPERATING EXPENSES	930,157	827,218
2.5.1	COMMISSIONS AND OTHER ACQUISITION COSTS	754,175	625,531
2.5.2	INVESTMENT MANAGEMENT EXPENSES	6,059	43,134

2.5.3	OTHER ADMINISTRATION COSTS	169,923	158,553
2.6	OTHER COSTS	380,173	361,837
2	TOTAL COSTS AND EXPENSES	6,359,739	5,108,820
	PRE-TAX PROFIT (LOSS) FOR THE YEAR	524,779	463,122
3	TAXES	186,580	143,106
	PROFIT (LOSS) FOR THE YEAR NET OF TAXES	338,199	320,016
4	PROFIT (LOSS) FROM DISCONTINUED OPERATIONS	-197	0
	CONSOLIDATED PROFIT (LOSS)	338,002	320,018
	GROUP SHARE	276,817	258,109
	MINORITIES' SHARE	61,185	61,909

---

## **STATEMENT OF VARIATIONS IN THE CONSOLIDATED NET EQUITY AS AT 30 JUNE 2007**

With regard to the statement of variations in net equity we attach the appendix to ISVAP Regulation 2460/06. This fulfils the requirements of IAS 1, which requires a statement complying with a series of minimum requirements.

In particular, the item “Profits or losses on financial assets available for sale” records the effects of the valuation of the correlated financial instruments net of the amount attributable to policy holders and posted to deferred liabilities towards policy holders.

The postings column shows the profit for the financial year, the allocation of the profit for the previous financial year to the equity reserves, the increases in capital and other reserves, the variations in profits or losses recorded directly in the equity; the “transfers to profit and loss account” column shows the profits or losses previously recorded directly in the net equity according to international accounting standards; the “other transfers” posting records the ordinary distribution of dividends and the decreases in capital and other reserves, including the purchase of own shares and the shares of profits or losses resulting from the valuation of financial assets available for sale, attributable to members and posted to insurance liabilities.

STATEMENT OF VARIATIONS IN NET EQUITY							
(€K)							
		Balance as at 31-12- 2005	Change in closing balances	Allocations	Transfers to Profit and Loss Account	Other trans- fers	Balance as at 30-06-2006
Group share of net equity	Capital	173,114		3,723		0	176,837
	Other equity in- struments	0				0	0
	Capital reserves	193,729		8,383		0	202,112
	Profit and other equity reserves	2,378,368		230,659		0	2,609,027
	(Own shares)	-270,057				-41,425	-311,482
	Reserve for net exchange differences	-441		-46			-487
	Profits or losses on financial assets available for sale	535,891		23,397	-68,279	-24,660	466,349
	Other profits or losses recorded direct under equity	Profits or losses on hedge instruments for financial flows	0			0	0
		Profits or losses on hedge instruments for a net investment in for- eign business	0				0
		Reserve deriving from changes in participating interests' net equity	-707	32,882			32,175
		Revaluation reserve for intangible assets	0				0
		Revaluation reserve for tangible assets	0				0
		Income and expenditure relating to non-current assets or to an HFS dis- posal group	0		0	0	0
		Other reserves	-15,520	3,704	0	0	-11,816
	Profit (loss) for the year	465,283		-45,137		-162,037	258,109

	Total Group share		3,459,660	0	257,565	-68,279	-228,122	3,420,824
Minorities' share of net equity	Minority interest in capital and re-serves		892,353		55,702		0	948,055
	Profits or losses recorded direct under equity		35,809		2,159	-4,499		33,469
	Profit (loss) for the year		121,067		-2,387		-56,771	61,909
	Total minority interest		1,049,229	0	55,474	-4,499	-56,771	1,043,433
Total			4,508,889	0	313,039	-72,778	-284,893	4,464,257
Group share of net equity	Capital		177,681	0	291	0	-9,490	168,482
	Other equity in-struments		0	0	0	0	0	0
	Capital reserves		207,410	0	319	0	0	207,729
	Profit and other equity reserves		2,643,229	0	137,878	0		2,781,107
	(Own shares)		-359,987	0	182,201	0	-18,295	-196,081
	Reserve for net exchange differences		-126	0	-941	0	0	-1,067
	Profits or losses on financial assets available for sale		694,538	0	-165,442	-12,094	145,760	662,762
	Other profits or losses recorded direct under equity	Profits or losses on hedge instruments for financial flows	2,913	0	539	0	0	3,452
		Profits or losses on hedge instruments for a net investment in foreign business	0	0	0	0	0	0
		Reserve deriving from changes in participating interests' net equity	39,540	0	3,905	0	0	43,445



		Revaluation reserve for intangible assets	0	0	0	0	0	0
		Revaluation reserve for tangible assets	0	0	0	0	0	0
		Income and expenditure relating to non-current assets or to an HFS disposal group	0	0	0	0	0	0
		Other reserves	10,589	0	14,482	0	0	25,071
	Profit (loss) for the year		481,204	0	-33,653	0	-170,734	276,817
	<b>Total Group share</b>		<b>3,896,991</b>	<b>0</b>	<b>139,579</b>	<b>-12,094</b>	<b>-52,759</b>	<b>3,971,717</b>
<b>Minorities' share of net equity</b>	Minority interest in capital and reserves		972,179	0	184,363		0	1,156,542
	Profits or losses recorded direct under equity		65,808	0	-17,545	-7,571	4,223	44,915
	Profit (loss) for the year		119,564	0	4,666	0	-63,045	61,185
	<b>Total minority interest</b>		<b>1,157,551</b>	<b>0</b>	<b>171,484</b>	<b>-7,571</b>	<b>-58,822</b>	<b>1,262,642</b>
<b>Total</b>			<b>5,054,542</b>	<b>0</b>	<b>311,063</b>	<b>-19,665</b>	<b>-111,581</b>	<b>5,234,359</b>

---

## **CONSOLIDATED FINANCIAL STATEMENT AS AT 30 JUNE 2007**

As regards the Financial Statement, we have provided the appendix required by Regulation 2404/05, which satisfies the requirements of IAS 7. This principle provides for a free-form statement satisfying a series of minimum requirements and, with regard to the representation of financial flows resulting from operational activities, requires the use, alternatively, of the direct method, by means of which the main categories of gross income and payments are shown, or of the indirect method, by means of which the earnings for the financial year are adjusted to show the effects of non-monetary operations, any deferral or appropriation of previous or future operating income or payments and elements of income or costs connected with the financial flows resulting from investment or financial activities.

The indirect financial statement chart provided below shows the net liquidity resulting from operations separately from that arising from investment and financial activities. In particular, we remind you that the Group's activities in the Life sector focused on a remix of the portfolio aimed at increasing profitability by prioritising products with a high income content (annual and recurrent premiums) and/or low capital absorption. This strategy consequently contributed to the increase in the technical reserves and to the simultaneous reduction in liabilities resulting from financial contracts issued by insurance companies.

## FINANCIAL STATEMENT (INDIRECT METHOD)

(€K)

	30/6/2007	30/6/2006
PRE-TAX PROFIT (LOSS) FOR THE YEAR	524,779	463,123
CHANGE IN NON-MONETARY ITEMS	1,256,501	300,597
CHANGE IN NON-LIFE PREMIUM RESERVE	79,509	104,459
CHANGE IN CLAIMS RESERVE AND OTHER NON-LIFE TECHNICAL RESERVES	-51,856	47,465
CHANGE IN MATHEMATICAL RESERVES AND OTHER LIFE TECHNICAL RESERVES	1,033,905	38,967
CHANGE IN DEFERRED ACQUISITION COSTS	-114	-106
CHANGE IN PROVISIONS	31,441	33,660
NON-MONETARY INCOME AND EXPENDITURE DERIVING FROM FINANCIAL INSTRUMENTS, INVESTMENT PROPERTY AND HOLDINGS	55,874	85,007
OTHER CHANGES	107,742	-8,855
CHANGE IN RECEIVABLES AND PAYABLES GENERATED BY OPERATING ACTIVITIES	-254,857	-27,707
CHANGE IN RECEIVABLES AND PAYABLES DERIVING FROM DIRECT INSURANCE AND REINSURANCE	155,757	283,810
CHANGE IN OTHER RECEIVABLES AND PAYABLES	-410,614	-311,517
TAX PAID	-44,884	-6,270
NET LIQUIDITY GENERATED/ABSORBED BY MONETARY ITEMS APPERTAINING TO INVESTMENTS AND FINANCIAL ACTIVITIES	-987,649	165,011
LIABILITIES FROM FINANCIAL CONTRACTS WRITTEN BY INSURANCE COMPANIES	-361,837	121,885
PAYABLES TO BANK AND INTERBANK CLIENTS	47,422	-22,679
LOANS AND RECEIVABLES TO/FROM BANK AND INTERBANK CLIENTS	12,749	63,660
OTHER FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS	-685,983	2,145
TOTAL NET LIQUIDITY DERIVING FROM OPERATING ACTIVITIES	493,890	894,754

NET LIQUIDITY GENERATED/ABSORBED BY INVESTMENT PROPERTY	-16,029	-2,164
NET LIQUIDITY GENERATED/ABSORBED BY HOLDINGS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	-101,526	-124,774
NET LIQUIDITY GENERATED/ABSORBED BY LOANS AND RECEIVABLES	-5,211	809
NET LIQUIDITY GENERATED/ABSORBED BY INVESTMENTS HELD TO MATURITY	0	0
NET LIQUIDITY GENERATED/ABSORBED BY FINANCIAL ASSETS AVAILABLE FOR SALE	-103,513	-518,045
NET LIQUIDITY GENERATED/ABSORBED BY TANGIBLE AND INTANGIBLE ASSETS	-168,240	-163,904
OTHER NET CASH FLOWS GENERATED/ABSORBED BY INVESTMENT ACTIVITIES	-81,269	-2,779
TOTAL NET LIQUIDITY DERIVING FROM INVESTMENT ACTIVITIES	-475,788	-810,857

NET LIQUIDITY GENERATED/ABSORBED BY CAPITAL INSTRUMENTS PERTAINING TO THE GROUP	610	12,106
NET LIQUIDITY GENERATED/ABSORBED BY OWN SHARES	-18,295	-41,425
DISTRIBUTION OF DIVIDENDS PERTAINING TO THE GROUP	-170,734	-162,037
NET LIQUIDITY GENERATED/ABSORBED BY MINORITY INTEREST IN CAPITAL AND RESERVES	43,906	-67,704
NET LIQUIDITY GENERATED/ABSORBED BY SUBORDINATED LIABILITIES AND EQUITY FINANCIAL INSTRUMENTS	0	0
NET LIQUIDITY GENERATED/ABSORBED BY SUNDRY FINANCIAL LIABILITIES	166,727	188,325
TOTAL NET LIQUIDITY DERIVING FROM FINANCING ACTIVITIES	22,214	-70,735

EFFECT OF EXCHANGE DIFFERENCES ON CASH IN HAND AND AT BANK AND EQUIVALENTS	0	0
--	---	---

CASH IN HAND AND AT BANK AND EQUIVALENTS AT THE START OF THE YEAR	723,032	526,505
INCREASE (DECREASE) IN CASH IN HAND AND AT BANK AND EQUIVALENTS	40,316	13,162
CASH IN HAND AND AT BANK AND EQUIVALENTS AT THE END OF THE YEAR	763,348	539,667

---

# Explanatory notes

---

## PART A – Accounting policies

The consolidated half year accounts have been drawn up by applying the valuation criteria used to draw up the last consolidated accounts, to which you are referred, and therefore in compliance with the IAS/IFRS international accounting standards issued by IASB, and now approved by the EU, and with the way in which these are currently interpreted by the official bodies.

However, the interim accounts are influenced by a greater reliance on estimates and the greater use of simplifications. Consequently, a number of methods are used that make greater use of estimates.

The simplified methods used in the valuation of the technical reserves, financial investments and tax burden for the period already described in the Parent Company's report are also applied to the consolidated report.

### **Consolidation principles**

The same principles as those applied to the last consolidated accounts have been applied to the half year report.

We would therefore refer you to the accounts file itself for a detailed description of these principles. Any references to the date of 31/12 should be understood as references to 30/06.

For the purpose drawing up the consolidated half year report, the half year reports approved by the Boards of Directors of the respective companies were used. Where these reports had not yet been approved, the half year statements examined by the respective administrative bodies were consolidated.

---

## Consolidation scope

As at 30/06/2007, the Fondiaria-SAI Group consisted of 125 companies, including the Parent Company, of which 21 operate in the insurance sector, 2 in the banking sector, 48 in the property and agricultural sectors, 21 in the financial sector, 3 in SIM and SGR, with the remaining companies operating in various services.

87 companies are consolidated on a line-by-line basis and 15 using the net equity method. The rest are valued at book value or consolidated using the proportional method.

There are 99 subsidiaries of which 39 are controlled directly by the Parent Company. 15 companies have their registered offices abroad.

We should point out that the Tikal R.E. Closed Property Investment Fund, which the Group controls and in respect of which it determines strategies and the direction of management policy, continues to be consolidated on a line-by-line basis. This structure is consistent with the relevant specifications of IAS 27 and particularly with its Basis for Conclusion.

Only subsidiaries which due to their limited size or the nature of their activity are totally irrelevant to a truthful and correct representation of this half year report are excluded.

During the first half of 2007, the consolidation scope of Gruppo Fondiaria-SAI underwent the following changes:

- acquisition on 29 June of exclusive control by Milano Assicurazioni S.p.A. of the insurance company BIPIEMME VITA S.p.A.. The percentage of ownership in fact increased from 50% to 51%. As a consequence, the consolidation method used for Bipiemme Vita changed from proportional to line-by-line. In the 2006 accounts in particular, the balance sheet data were consolidated proportionally based on 50% while for the profit and loss data the Company was valued using the net equity method, posting to the profit and loss account the share of the result achieved during the third quarter and consolidating the fourth quarter earnings by the proportional method.  
The data relating to Bipiemme Vita are dealt with as follows in the present half year report:
  - line-by-line consolidation of balance sheet data as at 30 June 2007;
  - proportional consolidation, based on 50%, of the profit and loss data relating to the first half year.
- acquisition by the subsidiary Immobiliare Lombarda of a connecting holding of 33.33% of the share capital of the holding company IGLI S.p.A.. We should point out in particular that IGLI S.p.A. is a company that owns a holding of 29.866% in the share capital of Impregilo S.p.A., a company listed on the electronic share market organised and managed by Borsa Italiana S.p.A.;
- establishment of the holding company QUINTO ITALIA S.p.A., in which Fondiaria-SAI has a 49% holding with voting rights. The company subsequently changed to QUINTO GEST S.p.A.;
- deconsolidation and valuation of NOVARA ASSICURA S.p.A. in accordance with IFRS 5, given that it is a business is in the process of divestment following the signing of a preliminary contract that provides for the transfer of the entire shareholding by the end of the financial year;
- reduction of the holding (from 57.21% to 56.45%) owned by Fondiaria-SAI in Milano

---

Assicurazioni S.p.A.;

- acquisition of control by Immobiliare Lombarda S.p.A. of 51.6% of the property company SOCIETÀ EDILIZIA IMMOBILIARE SARDA – S.E.I.S. S.p.A.;
- acquisition of control by Immobiliare Lombarda S.p.A. of 100% of the property company SINTESI SECONDA S.r.l.;
- acquisition by Banca Gesfid S.p.A. of control of the holding company BELTION GESTIONI PATRIMONIALI S.A.;
- acquisition by Scai S.p.A. of control of 63% of the service company NEXT SOLUTION S.r.l.;

We should also mention the following operations that have not resulted in any area changes:

- transfer of shares, amounting to 11%, from SAI INVESTIMENTI SGR S.p.A. from Milano Assicurazioni to Fondiaria-SAI S.p.A., which now has a controlling stake of 51%;
- purchase by Liguria S.p.A. of a 44% stake in the service company GLOBAL CARD SERVICE S.r.l., previously an investee company of Liguria Vita S.p.A.;
- merger by incorporation into CAMPO CARLO MAGNO S.p.A. of the company Campo Carlo Magno Sport S.r.l..
- change of company name of the property company Portobello S.p.A. to MARINA DI LOANO S.p.A.;
- change of company name, registered office and purpose of the holding company Fonsai MB&A to the property company MERIDIANO QUINTO S.r.l..
- change of company name, registered office and purpose of the service company Euro C.S. to I.T. EURO CONSULTING S.r.l..

	Sector	Percentage of control		Group interest
		Direct	Indirect	
SUBSIDIARIES				
Companies consolidated on a line-by-line basis:				
BANCA GESFID S.A. Lugano (CH) Share capital CHF 10,000,000	Banking	60.00		60.00
BANCA SAI S.p.A. Turin Share capital € 116,677,161	Banking	100.00		100.00
BIM VITA S.p.A. Turin Share capital € 7,500,000	Life Insurance	50.00		50.00
BIPIEMME VITA S.p.A. Milan Share capital € 73,500,000	Life Insurance		MILANO ASSICURAZIONI S.p.A. 51.00	30.25
BRAMANTE S.r.l. Milan Share capital € 10,000	Property		IMMOBILIARE LOMBARDA S.p.A. 100.00	54.17
CAMPO CARLO MAGNO S.p.A. Pinzolo Share capital € 3,649,500	Property		MILANO ASSICURAZIONI S.p.A. 100.00	59.31
CAPITALIA ASSICURAZIONI S.p.A. Milan Cap.Soc. € 5,200,000	Non-Life Insurance	51.00		51.00
CARPACCIO S.r.l. Milan Share capital € 10,000	Property		IMMOBILIARE LOMBARDA S.p.A. 100.00	54.17
CASA DI CURA VILLA DONATELLO S.p.A. Florence Share capital € 361,200	Services	100.00		100.00
CASA DI CURA VILLANOVA S.r.l. Florence Share capital € 182,000	Services	100.00		100.00
CASCINE TRENNO S.r.l. Turin Share capital € 10,000	Property		IMMOBILIARE LOMBARDA S.p.A. 100.00	54.17
COLPETRONE S.r.l. Umbertide (PG) Share capital € 10,000	Agriculture		SAIAGRICOLA S.p.A. 100.00	97.23



	Sector	Percentage of control		Group interest
		Direct	Indirect	
CONSORZIO CASTELLO Florence Share capital € 51,000	Property		NUOVE INIZIATIVE TOSCANE S.r.l. 99.66	98.39
CONSULENZA AZIENDALE PER L'INFORMATICA SCAI S.p.A. Turin Share capital € 1,040,000	Services	30.07		30.07
COS.ED S.p.A. in liquidazione Milan Share capital € 120,000	Property		IMMOBILIARE LOMBARDA S.p.A. 100.00	54.17
CRIVELLI S.r.l. Milan Share capital € 10,000	Property		IMMOBILIARE LOMBARDA S.p.A. 100.00	54.17
DIALOGO ASSICURAZIONI S.p.A. Milan Share capital € 8,831,774	Non-Life Insurance		MILANO ASSICURAZIONI S.p.A. 99.85	59.23
DOMINION INSURANCE HOLDING Ltd Londra (GB) Share capital Gbp 35,438,267.65	Financial	100.00		100.00
EFFE FINANZIARIA S.p.A. Florence Share capital € 516,500	Financial		THE LAWRENCE RE IRELAND Ltd 100.00	100.00
EFFE VITA COMPAGNIA DI ASS.NI SULLA VITA S.p.A. Florence Share capital € 6,240,000	Assicurativo Vita	100.00		100.00
EUROPA TUTELA GIUDIZIARIA S.p.A. Milan Share capital € 5,160,000	Non-Life Insurance	100.00		100.00
EUROSAI FINANZIARIA DI PARTECIPAZIONI S.r.l. Turin Share capital € 1,305,600	Financial		SAIFIN-SAIFINANZIARIA S.p.A. 100.00	100.00
FINITALIA S.p.A. Milan Share capital € 15,376,285	Financial		BANCA SAI S.p.A. 100.00	100.00
FINSAI INTERNATIONAL S.A. Lussemburgo Share capital € 22,801,140	Financial	38.53	SAILUX S.A. 61.474	100.00
FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE S.r.l. Florence Share capital € 10,400	Services		CASA DI CURA VILLANOVA S.r.l. 100.00	100.00

	Sector	Percentage of control		Group interest
		Direct	Indirect	
FONDIARIA NEDERLAND B.V. Amsterdam (NL) Share capital € 19,070	Financial	100.00		100.00
FONDIPREV - Compagnia di Assicurazioni sulla Vita S.p.A. Florence Share capital € 6,240,000	Life Insurance	40.00	MILANO ASSICURAZIONI S.p.A. 60.00	75.59
IMMOBILIARE LITORELLA S.r.l. Milan Share capital € 10,329	Property		IMMOBILIARE LOMBARDA S.p.A. 100.00	54.17
IMMOBILIARE LOMBARDA S.p.A. Milan Share capital € 697,907,753.59	Property	50.12	MILANO ASSICURAZIONI S.p.A. 6.83	54.17
INIZIATIVE VALORIZZAZIONI EDILI – IN.V.ED. S.r.l. Roma Share capital € 10,329	Property		IMMOBILIARE LOMBARDA S.p.A. 100.00	54.17
INSEDIAMENTI AVANZATI NEL TERRITORIO I.A.T. S.p.A. Roma Share capital € 2,580,000	Property		IMMOBILIARE LOMBARDA S.p.A. 100.00	54.17
ITALIBERIA INVERSIONES FINANCIERAS SL Madrid Share capital € 62,030,000	Financial	100.00		100.00
LIGURIA SOCIETA' DI ASSICURAZIONI S.p.A. Segrate (Mi) Share capital € 23,000,000	Non-Life Insurance	99.97		99.97
LIGURIA VITA S.p.A. Segrate (Mi) Share capital € 6,000,000	Life Insurance		LIGURIA S.p.A. 100.00	99.97
MAA FINANZIARIA S.p.A. Milan Share capital € 774,000	Financial		MILANO ASSICURAZIONI S.p.A. 100.00	59.31
MANTEGNA S.r.l. Milan Share capital € 10,000	Property	100.00		100.00
MARINA DI LOANO S.p.A. Milan Share capital € 5,536,000	Property		IMMOBILIARE LOMBARDA S.p.A. 100.00	54.17
MASACCIO S.r.l. Milan Share capital € 10,000	Property		IMMOBILIARE LOMBARDA S.p.A. 100.00	54.17
MERIDIANO AURORA S.r.l. Milan Share capital € 10,000	Financial	100.00		100.00

	Sector	Percentage of control		Group interest
		Direct	Indirect	
MERIDIANO BELLARMINO S.r.l. Turin Share capital € 10,000	Property		IMMOBILIARE LOMBARDA S.p.A. 100.00	54.17
MERIDIANO BRUZZANO S.r.l. Turin Share capital € 10,000	Property		IMMOBILIARE LOMBARDA S.p.A. 100.00	54.17
MERIDIANO EUR S.r.l. Milan Share capital € 10,000	Property		MILANO ASSICURAZIONI S.p.A. 100.00	59.31
MERIDIANO ORIZZONTI S.r.l. Milan Share capital € 10,000	Financial		MILANO ASSICURAZIONI S.p.A. 100.00	59.31
MERIDIANO PRIMO S.r.l. Turin Share capital € 10,000	Property		IMMOBILIARE LOMBARDA S.p.A. 100.00	54.17
MERIDIANO QUARTO S.r.l. Turin Share capital € 10,000	Property		SAI HOLDING ITALIA S.p.A. 100.00	100.00
MERIDIANO QUINTO SRL Turin Share capital € 800,000	Property	100,00		100.00
MERIDIANO RISPARMIO S.r.l. Milan Share capital € 10,000	Property	100,00		100.00
MERIDIANO SECONDO S.r.l. Turin Share capital € 10,000	Property		IMMOBILIARE LOMBARDA S.p.A. 100.00	54.17
MERIDIANO TERZO S.r.l. Turin Share capital € 10,000	Property		SAI HOLDING ITALIA S.p.A. 100.00	100.00
MILANOASSICURAZIONI S.p.A. Milan Share capital € 242,987,703.4	Life and Non-Life Insurance	56,45	FONDIARIA NEDERLAND BV 1.89 NOVARA VITA S.p.A. 0.02 PRONTO ASSISTANCE S.p.A. 0.07 SAI HOLDING S.p.A. 0.64 SAINTERNATIONAL S.A. 0.25	59.31
MIZAR S.r.l. Rome Share capital € 10,329	Property		IMMOBILIARE LOMBARDA S.p.A. 100.00	54.17
NOVARA VITA S.p.A. Novara Share capital € 54,000,000	Life Insurance		SAI HOLDING ITALIA S.p.A. 50.00	50.00
NUOVA IMPRESA EDIFICATRICE MODERNA S.r.l. Rome Share capital € 10,329	Property		IMMOBILIARE LOMBARDA S.p.A. 100.00	54.17

	Sector	Percentage of control		Group interest
		Direct	Indirect	
NUOVE INIZIATIVE				
TOSCANE S.r.l.				
Florence			MILANO ASSICURAZIONI. S.p.A.	
Share capital € 26,000,000	Property	96.88	3.12	98.73
PORTOFINO VETTA S.r.l.				
Florence				
Share capital € 10,400	Property	100.00		100.00
PROGETTO BICOCCA LA PIAZZA S.r.l.				
Milan			IMMOBILIARE LOMBARDA S.p.A.	
Share capital € 3,151,800	Property		74.00	40.09
PRONTO ASSISTANCE S.p.A.				
Turin	Non-Life Insurance	100.00		100.00
Share capital € 2,500,000				
PRONTO ASSISTANCE SERVIZI S.p.A.				
Turin			PRONTO ASSISTANCE S.p.A. 60.00 SAIFIN-SAIFINANZIARIA S.p.A	
Share capital € 516,000	Services		40.00	100.00
RISTRUTTURAZIONI EDILI MODERNE – R.EDIL.MO S.r.l.				
Rome			IMMOBILIARE LOMBARDA S.p.A.	
Share capital € 10,329	Property		100.00	54.17
SAI ASSET MANAGEMENT SGR S.p.A.				
Milan	Savings Management	100.00		100.00
Share capital € 5,000,000				
SAI HOLDING ITALIA S.p.A.				
Turin				
Share capital € 143,100,000	Financial	100.00		100.00
SAI INVESTIMENTI S.G.R. S.p.A.				
Turin	Savings Management Company	51.00	MILANO ASSICURAZIONI S.p.A.	
Share capital € 3,913,588			29.00	68.20
SAI MERCATI MOBILIARI SIM S.p.A.				
Milan	Property brokerage	100.00		100.00
Share capital € 20,000,000				
SAIAGRICOLA S.p.A. SOCIETA' AGRICOLA				
Turin			MILANO ASSICURAZIONI S.p.A.	
Share capital € 50,000,000	Agriculture	92.004	6.804 PRONTO ASSISTANCE S.p.A. 1.192	97.23
SAIFIN-SAIFINANZIARIA S.p.A.				
Turin				
Share capital € 102,258,000	Financial	100.00		100.00

	Sector	Percentage of control		Group interest
		Direct	Indirect	
SAILUX S.A. Luxembourg Share capital € 30,000,000	Financial		SAIFIN-SAIFINANZIARIA S.p.A. 99.99 FINSAI INT. S.A. 0.010	100.00
SAINTERNATIONAL S.A. Luxembourg Share capital € 154,000,000	Financial	99.99		99.999
SALEVOX S.r.l. Turin Share capital € 50,000	Services		STARVOX S.p.A. 100.00	100.00
SANTA MARIA DEL FICO S.r.l. Umbertide (PG) Share capital € 78,000	Agriculture		SAIAGRICOLA S.p.A. 100.00	97.23
SASA ASSICURAZIONI RIASSICURAZIONI S.p.A. Trieste Share capital € 52,000,000	Non-Life Insurance	99.99		99.99
SASA VITA S.p.A. Trieste Share capital € 16,500,000	Life Insurance	50.00	SASA ASS.NI RIASS.NI S.p.A. 50.00	100.00
SERVICE GRUPPO FONDIARIA-SAI S.r.l. Florence Share capital € 104,000	Services	70.00	MILANO ASSICURAZIONI S.p.A. 30.00	87.79
SIAT SOCIETÀ ITALIANA ASSICURAZIONI E RIASSICURAZIONI S.p.A. Genoa Share capital € 38,000,000	Non-Life Insurance		SAI HOLDING ITALIA S.p.A. 88.33	88.33
SIM ETOILE S.A. Paris Share capital € 3,049,011.34	Property	99.99		99.99
SINTESI SECONDA S.r.l. Milan Share capital € 10,400	Property		IMMOBILIARE LOMBARDA S.p.A. 100.00	54.17
SOCIETÀ EDILIZIA IMM.RE SARDA S.E.I.S. S.p.A. Rome Cap.Soc. € 3,877,500	Property		IMMOBILIARE LOMBARDA S.p.A. 51.67	27.99
SOGEINT S.r.l. Milan Share capital € 100,000	Other		MILANO ASSICURAZIONI S.p.A. 100.00	59.31
SRP Asset Management S.A. Lugano Share capital CHF 1,000,000	Services		SAINTERNATIONAL S.A. 100.00	100.00
STARVOX S.p.A. Turin Share capital € 258,000	Services	100.00		100.00
STIMMA S.r.l. Florence Share capital € 10,000	Property	100.00		100.00

	Sector	Percentage of control		Group interest
		Direct	Indirect	
SYSTEMA COMPAGNIA DI ASSICURAZIONI S.p.A. Milan Share capital € 5,164,600	Non-Life Insurance		MILANO ASSICURAZIONI S.p.A. 100.00	59.31
THE LAWRENCE RE IRELAND LTD. Dublin (IRL) Share capital € 635,000	Life and Non-Life Insurance		FONDIARIA NEDERLAND B.V. 100.00	100.00
THE LAWRENCE LIFE ASSURANCE CO. LTD. Dublin (IRL) Share capital € 802,886	Life Insurance		FONDIARIA NEDERLAND B.V. 100.00	100.00
TIKAL. R.E. FUND			MILANO ASSICURAZIONI S.p.A. 15.31 MERIDIANO RISPARMIO S.p.A. 5.72 MERIDIANO EUR S.p.A. 19.11	76.82
TRENNO OVEST S.r.l. Turin Share capital € 10,000	Property	50.68		
UNISERVIZI Gruppo Fondiaria S.c.a.r.l. Milan Cap.Soc. € 5,200,000	Property		IMMOBILIARE LOMBARDA S.p.A. 100.00	54.17
	Services	63.37	MILANO ASSICURAZIONI S.p.A. 28.00 CAPITALIA ASSICURAZIONI S.p.A. 0.02 EFFE VITA S.p.A. 0.02 SYSTEMA COMPAGNIA S.p.A. 0.18 DIALOGO ASSICURAZIONI S.p.A. 0.20 EUROPA TUTELAGIUDIZ.S.p.A. 0.02 FINITALIA S.p.A. 0.02 THE LAWRENCE RE IRELAND Ltd 0.02 BANCA SAI S.p.A. 0.02 FONDIPREV S.p.A. 0.02 IMMOBILIARE LOMBARDA S.p.A. 0.02 PRONTO ASSISTANCE S.p.A. 0.90 SAI AGRICOLA S.p.A. 0.02 SAI ASSET MANAGEMENT S.p.A. 0.02 SAINVESTIMENTI S.p.A. 0.02 SAI MERCATI MOBILIARI SIM S.p.A. 0.02 SASA S.p.A.	88.27

---

			5.85	
			SASAVITA S.p.A.	
			0.34	
			SERVICE GR.FONDIARIA-SAI	
			S.p.A. 0.02	
			SIAT S.p.A.	
			0.84	
			SISTEMI SANITARI S.p.A.	
			0.02	
			STARVOX S.p.A.	
			0.02	
<hr/>				
VILLA RAGIONIERI S.r.l.				
Florence				
Share capital € 78,000	Property	100.00		100.00

---

Sector	Percentage of control		Group interest
	Direct	Indirect	
Companies consolidated by the proportional method:			
PO VITA COMPAGNIA DI ASSICURAZIONI S.p.A. Parma Share capital € 124,200,000	Life Insurance	SAI HOLDING ITALIA S.p.A. 50.00	50.00
Companies valued at book value:			
AGRISAI S.r.l. Turin Share capital € 61,000	Services	SAIAGRICOLA S.p.A. 99.00 SAIFIN-SAIFINANZIARIA S.p.A. 1.00	97.26
BELTION GESTIONI PATRIMONIALI S.A. (in liq.) Chiasso Cap.Soc. CHF 1,000,000	Financial	BANCA GESFID S.A. 100.00	60.00
DELTAPRIME S.r.l. Turin Share capital € 24,500	Services	SCAI S.p.A. 51.02	15.34
DIANOS S.p.A. Turin Share capital € 443,000	Services	SCAI S.p.A. 100.00	30.07
GLOBAL CARD SERVICE S.r.l. Segrate (Mi) Share capital € 98,800	Services	LIGURIA VITA S.p.A. 51.00 LIGURIA ASSICURAZIONI S.p.A. 44.00	94.97
I.T. EURO CONSULTING S.r.l. Padova Share capital € 750,000	Services	SCAI S.p.A. 50.53	15.19
LIGURIA DIREZIONE S.r.l. (in liquidazione) Treviso Share capital € 36,400	Services	LIGURIA ASSICURAZIONI S.p.A. 100.00	99.97
NEXT SOLUTION S.r.l. Bologna Cap.Soc. € 60,000	Services	SCAI S.p.A. 63.00	18.94
SAI Sistemi Assicurativi S.r.l. Turin Share capital € 51,000	Services	99.00 SAIFIN-SAIFINANZIARIA S.p.A. 1.00	100.00
TELVOX S.r.l. Turin Share capital € 90,000	Services	SCAI S.p.A. 100.00	30.07
WAVE TECHNOLOGIES* Bedizzole (BS) Share capital € 99,500	Services	15.00	15.00

\*Company controlled by UNISERVIZI GRUPPO FONDIARIA pursuant to art. 2359, paragraph 1 no.3, of the civil code, although it holds no shares in the company itself.



Sector	Percentage of control		Group interest
	Direct	Indirect	
ASSOCIATED COMPANIES			
Companies valued by the net equity method:			
A 7 S.r.l. Milan Share capital € 200,000	Property	IMMOBILIARE LOMBARDA S.p.A. 20.00	10.83
BORSETTO S.r.l. Turin Share capital € 1,255,322.11	Property	IMMOBILIARE LOMBARDA S.p.A. 44.93	24.34
CITY LIFE S.r.l. Milan Share capital € 150,000	Property	IMMOBILIARE LOMBARDA S.p.A. 26.67	14.43
EX VAR S.C.S. Luxembourg Cap.Soc. € 307,692	Finanziario	18.00 IMMOBILIARE LOMBARDA S.p.A. 10.00	23.42
FIN. PRIV S.r.l. Milan Share capital € 20,000	Finanziario	28.57	28.57
FINADIN S.p.A. Milan Share capital € 100,000,000	Finanziario	SAIFIN-SAIFINANZIARIA S.p.A. 40.00	40.00
FONDIARIA-SAI SERVIZI TECNOLOGICI S.r.l. Florence Share capital € 120,000	Servizi	51.00	51.00
GARIBALDI S.C.S. Luxembourg Share capital € 1,001	Finanziario	MILANO ASSICURAZIONI S.p.A. 47.952	28.44
IGLI S.p.A. Milan Share capital € 24,120,000	Finanziario	IMMOBILIARE LOMBARDA S.p.A. 33.33	18.05
METROPOLIS S.p.A. Florence Share capital € 120,000	Property	IMMOBILIARE LOMBARDA S.p.A. 29.73	16.10
PENTA DOMUS S.p.A. Turin Share capital € 120,000	Property	IMMOBILIARE LOMBARDA S.p.A. 20.00	10.83
PROGETTO ALFIERE S.p.A. Rome Share capital € 120,000	Property	IMMOBILIARE LOMBARDA S.p.A. 19.00	10.29
SERVIZI IMMOBILIARI MARTINELLI S.p.A. Cinisello Balsamo (Mi) Share capital 100,000	Property	IMMOBILIARE LOMBARDA S.p.A. 20.00	10.83

	Sector	Percentage of control		Group interest
		Direct	Indirect	
SISTEMI SANITARI S.p.A. Milan Share capital € 1,872,000	Other	22.54	MILANO ASSICURAZIONI S.p.A. 25.71	37.79
SOCIETA' FUNIVIE DEL PICCOLO SAN BERNARDO S.p.A. La Thuile (AO) Share capital € 9,213,417.5	Other		IMMOBILIARE LOMBARDA S.p.A. 27.38	14.83
SVILUPPO CENTRO EST S.r.l. Rome Share capital € 10,000	Property		IMMOBILIARE LOMBARDA S.p.A. 40.00	21.67
<b>Companies valued by the book value method</b>				
CESTAR CENTRO STUDI AUTO RIPARAZIONI S.r.l. Pero (MI) Share capital € 2,040,000	Services	14.664	SASA S.p.A. 0.006 MILANO ASSICURAZIONI S.p.A. 11.35 LIGURIA ASSICURAZIONI S.p.A. 0.149	21.55
INFOMEDIA ITALIA IMI S.r.l. Turin Share capital € 52,000	Services		SCAI S.p.A. 20.00	6.01
MB VENTURE CAPITAL FUND I PARTECIPATING COMPANY DI N.V. Amsterdam Share capital € 50,000	Other	30.00		30.00
QUINTOGEST S.p.A. Milan Share capital € 3,000,000	Financial	49.00		49.00
SOCIETA' FINANZ PER LE GEST.ASSICURATIVE S.r.l. in liquid. Rome Share capital € 47,664,600	Financial	14.907	MILANO ASSICURAZIONI S.p.A. 7.504	19.36
SOAIMPIANTI - ORGANISMI DI ATTESTAZIONE S.p.A. in liquidation Milan Share capital € 588,892	Other	21.637		21.637
UFFICIO CENTRALE ITALIANO S.c.a.r.l. Milan Share capital € 510,000	Other	14.136	SIAT S.p.A. 0.095 MILANO ASSICURAZIONI S.p.A. 10.975 LIGURIA ASSICURAZIONI S.p.A. 0.309	20.73
<b>COMPANY VALUED AS PER IFRS 5:</b>				
NOVARA ASSICURA S.p.A. Novara Share capital € 13,000,000	Non-Life Insurance		MILANO ASSICURAZIONI S.p.A. 100.00	59.31

---

## PART B – Information on the Consolidated Balance Sheet

### Balance Sheet – Assets

#### 1. INTANGIBLE ASSETS

Comprising:

(€K)	30/06/2007	31/12/2006	Variation
Goodwill	1,013,290	1,013,370	(80)
Other intangible assets	249,814	160,117	89,697
<b>TOTAL</b>	<b>1,263,104</b>	<b>1,173,487</b>	<b>89,617</b>

#### Goodwill

The following is a summary of the individual postings relating to Goodwill:

(€K)	30/06/2007	31/12/2006	Variation
Goodwill from the incorporation of La Fondiaria	504,763	504,763	-
Goodwill recorded in the consolidated accounts of Milano Assicurazioni	167,379	167,379	-
Other goodwill	2,371	2,709	(338)
Consolidation differences	338,777	338,519	258
<b>TOTAL</b>	<b>1,013,290</b>	<b>1,013,370</b>	<b>(80)</b>

The Group verifies the recoverability of goodwill allocated to CGU – Cash Generating Units – at least once a year or more frequently if there are indicators of losses in value.

See the accounts file for a description of the methods used to determine the recoverable value of the goodwill recorded.

During the half year period, goodwill increased to € 258K as a result of the acquisition by the subsidiary Milano Assicurazioni of a further 1% of Bipiemme Vita in June 2007. The fall in Other goodwill is due to the loss of value recorded during the period in respect of the residual portfolio of Profilo Life.

During the half year period in question there was no other indication that the goodwill recorded suffered any decrease in relation to the book value as at 31/12/2006, which was subjected to an impairment test in accordance with IAS 36.

---

## Other Intangible Assets

Other intangible assets amounted to € 2+9,14K (€ 160,117K as at 31/12/2006) and comprise the following, by type:

(€K)	Gross book value	Accumulated amortisation and impairment	Net value
Research and development expenditure	189,718	(155,542)	34,176
User rights	9,279	(7,152)	2,127
Other intangible assets	254,341	(40,830)	213,511
<b>TOTAL</b>	<b>453,338</b>	<b>(203,524)</b>	<b>249,814</b>

We should point out that none of the intangible assets shown above have been generated internally.

The intangible assets referred to above have a definite useful life and are consequently depreciated over said life. Research and development expenditure consists of the recording, in 2007 and in previous financial years, of the costs incurred for the installation of technological and application infrastructure with a multi-year duration.

In particular, these include liabilities for installing and operating the Group's claims system, for the functional and IT integration of various legal entities involved in corporate merger processes, as well as costs incurred throughout the first half of 2007 for the development of an online platform. Their depreciation period is three to five years depending on their characteristics and useful life.

The value of the portfolio acquired in the context of corporate amalgamation operations, recorded in accordance with IFRS 3, amounts to € 222.3m in total (€ 115.6m as at 31/12/2006).

The increase in the other non-tangible assets is a result of the change in the method of consolidation of the balance sheet of Bipiemme Vita from proportional to line-by-line following the achievement of exclusive control over the company by the subsidiary Milano Assicurazioni. In fact this amount increased from € 45.6m as at 31/12/2006 to € 139.1m as at 30/06/2007, net of the depreciation for the half year period of € 3.8m.

The amounts of depreciation recorded for the half year relating to the acquired portfolio of the subsidiaries Banca Gesfid, Liguria Assicurazioni and Bipiemme Vita amounted to € 8.4m.

Note furthermore that, following the checks carried out, no impairment was recorded in the period.

## 2. TANGIBLE ASSETS

These amount in total to € 1,216,415K (€ 1,164,620K as at 31/12/2006) having increased by € 52m.

Tangible investments can be broken down as follows:

(€K)	<b>Property</b>		<b>Land</b>		<b>Other tangible assets</b>		<b>Total</b>	
	30/06/2007	31/12/2006	30/06/2007	31/12/2006	30/06/2007	31/12/2006	30/06/2007	31/12/2006
Gross book value							1,451,406	1,501,369
	1,036,888	981,581	79,160	78,150	335,358	441,638		
Accumulated depreciation and impairment	(86,578)	(73,481)	-	-	(148,413)	(263,268)	(234,991)	(336,749)
<b>Net value</b>	<b>950,310</b>	<b>908,100</b>	<b>79,160</b>	<b>78,150</b>	<b>186,945</b>	<b>178,370</b>	<b>1,216,415</b>	<b>1,164,620</b>

The item relating to land is the indefinite useful life component unbundled from buildings for direct use and owned outright. The unbundling was done on the basis of appropriate expert valuations by independent experts with reference to the transition date (01/01/2004), while for subsequent purchases it was done on the basis of expert valuations carried out with reference to the date of purchase.

Properties appearing as tangible assets include properties intended for running the company (so-called premises for direct use). These properties are recognised at cost and are systematically depreciated on the basis of useful life on the components that are subject to this criterion.

The item also includes the properties owned by the Immobiliare Lombarda Group, which are considered to be leftovers and are therefore valued according to IAS 2.

Their contribution to the consolidated statement amounts to € 783m (€ 741m as at 31/12/2006).

The increase in the value of the property includes the purchase of the volumetric rights for hotel and accommodation use in the Garibaldi-Repubblica area of Milan by Immobiliare Lombarda through the subsidiary Meridiano Secondo for € 18m.

As regards the Immobiliare Lombarda Group, we should like to point out an increase of € 59m, representing the fair value of the properties of the newly acquired Sintesi Seconda S.r.l. (€ 36m) and S.E.I.S. S.p.A. (€ 23m).

None of the Group's properties appearing in the macroitem is subject to restrictions of title or ownership, nor has any significant redress obtained for any drop in value, losses or disposals and damages been posted to the profit and loss account.

The other tangible assets primarily comprise the allocation of the Group's capital goods for the running of the business, such as hardware, furnishings, plant and office equipment, as well as stocks and inventories of companies performing agricultural activities valued according to IAS 2. They also include downpayments made by the subsidiary Milano Assicurazioni relating to property operations regarding the areas at Via Lancetti, Milan; Via Confalonieri-Via Castillia (Lunetta dell'Isola), Milan, and Via Fiorentini, Rome, amounting to a total of € 134m.

### 3. TECHNICAL RESERVES BORNE BY REINSURERS

These amount in total to € 932.070K (€ 895.703K as at 31/12/2006) having increased by € 36,367K. They consist of the following:

(€K)	30/06/2007	31/12/2006	Variation
Non-life technical reserves borne by reinsurers	715,034	684,509	30,525
Life technical reserves borne by reinsurers	217,036	211,194	5,842
Class D reserves borne by reinsurers	-	-	-
<b>TOTAL</b>	<b>932,070</b>	<b>895,703</b>	<b>36,367</b>

These include € 726m of remittance liabilities (€ 693m as at 31/12/2006) and € 206m of reserves borne by retrocessionaires (€ 202m as at 31/12/2006).

### 4. INVESTMENTS

These consist of the following:

(€K)	30/06/2007	31/12/2006	Variation
Property investments	2,127,058	2,125,628	1,430
Holdings in subsidiaries, associated companies and joint ventures	275,445	155,921	119,524
Investments held until maturity	-	-	-
Loans and receivables	1,250,993	1,305,863	(54,870)
Financial assets available for sale	23,838,916	23,067,611	771,305
Financial assets at fair value through profit or loss	8,942,106	7,157,453	1,784,653
<b>TOTAL</b>	<b>36,434,518</b>	<b>33,812,476</b>	<b>2,622,042</b>

---

## Property investments

This item includes all Group-owned properties intended for rental to third parties or held as an investment with the aim of increasing the value of said premises over time.

Investment properties are shown at purchase cost in accordance with what is laid down by IAS 16 (to which the IAS 40 refers in the event of a cost model being adopted). For accounting purposes, the Group has made provision to unbundle the value of the land from the value properties owned as a whole, since this component, having an indefinite useful life, must not be depreciated.

The land component was unbundled from the building component on the basis of an expert evaluation updated on the date of transition to international accounting standards (01/01/2004), which subsequent purchases were unbundled on the basis of external expert evaluations referring to the date of purchase.

The part of the property relating to the building is systematically depreciated in line with the useful life of the components characterising said building. The main components depreciated separately include the equipment installed in the building. In particular, it is worth pointing out that the depreciation rate used for the “building” component is between 1.41% and 3% on average, while the depreciation rate used for equipment is between 3.85% and 20%.

The composition of investment property is shown below.

(€K)	30/06/2007	31/12/2006	Variation
Gross book value	2,357,610	2,350,462	7,148
Accumulated depreciation and impairment	(230,552)	(224,834)	(5,718)
<b>Net value</b>	<b>2,127,058</b>	<b>2,125,628</b>	<b>1,430</b>

We should point out that during the course of the year income from property investments amounted to over € 48m.

There are no significant limits on the realisability of property investments arising from legal or contractual restrictions or obligations of any other nature.

As regards the existence of any contractual obligations to purchase or develop property investments, see the information provided in the comments regarding the property sector.

---

## Holdings in subsidiaries, associated companies and joint ventures

As required by IAS 27.20, Fondiaria-SAI consolidated all the Group companies, including those that perform dissimilar activities. The item in question does, therefore, include the book value of some subsidiary holdings which, given their irrelevance in terms of the extent or nature of the activity performed, have no effect on the reliability of these intermediate accounts. Please refer to the annex for details of holdings in non-consolidated subsidiaries.

(€K)	30/06/2007	31/12/2006	Variation
Subsidiary companies	3,962	5,648	(1,686)
Associated companies and joint ventures	271,483	150,273	121,210
<b>TOTAL</b>	<b>275,445</b>	<b>155,921</b>	<b>119,524</b>

The significant increase in the holdings in associated companies is due, among other things, to the acquisition by Immobiliare Lombarda, during the month of February last, of a 33.3% holding in the capital of IGLI S.p.A. (a holding company whose sole asset is a holding of approximately 29.9% in Impregilo S.p.A.) for a countervalue of € 87.2m. This acquisition was made partly with own resources and partly using a loan of € 38m obtained from Efibanca.

Note in particular that the valuation of the shareholding in Igli S.p.A. as at 30/06/2007, determined by the net equity method, was carried out on the basis of the Igli data as at the same date which, in determining the value of the holding in Impregilo S.p.A., assume a substantially break even result.

We should also point out that the process of allocating the price paid has not yet been finalised. This price has provisionally been allocated to goodwill.

The rest refers to shareholdings in associated companies valued by the net equity method. The most significant shareholdings are those held by the Parent Company in the associated company Fin.Priv. S.r.l., amounting to € 69m, and by the subsidiary Saifin-Saifinanziaria in the associated company Finadin S.p.A., amounting to € 42m, as well as those held by the subsidiary Immobiliare Lombarda in City Life S.r.l. and Progetto Alfiere S.p.A. (respectively € 36.9m and € 5.1m).

The value adjustments posted to the profit and loss account during the half year period as a result of the valuation of holdings in associated companies amount to € 0.9m.



---

## Loans and receivables

These amount to € 1,250,993K (€ 1,305,863 as at 31/12/2005) and consist of the following:

(€K)	30/06/2007	31/12/2006	Variation
Receivables from banks for interbank deposits and from bank customers	357,148	426,333	(69,185)
Debt securities	105,057	107,047	(1,990)
Repurchase agreements and carrying amounts	66,162	65,771	391
Loans on life policies	71,243	70,738	505
Deposits with reinsurers	33,902	35,002	(1,100)
Receivables from successor agents for recoupment of claims paid to agents who have ceased trading	214,567	213,671	896
Other loans and receivables	402,914	387,301	15,613
<b>TOTAL</b>	<b>1,250,993</b>	<b>1,305,863</b>	<b>(54,870)</b>

The “receivables from banks for interbank deposits and from bank customers” item includes the amount of € 168,131K receivable from the consolidated companies BancaSAI and Banca Gesfid by other credit institutions for asset deposits and the receivables from bank customers of € 189.017K.

The “debt securities” item includes the book value of some issues (in particular, securities from Ania special issues) for which a valuation at amortised cost rather than at fair value was deemed appropriate, in the absence of an active reference market. These are financial assets for which it is believed that the related fair value cannot be accurately calculated.

Repurchase agreements refers to operations instituted close to year end.

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

Other loans and receivables comprise, amongst others, the receivable for € 161m posted for the forward sale of Intesa SanPaolo shares owned by the Parent company via mandatory exchangeable guaranteed notes, exclusively convertible into Intesa SanPaolo shares, issued by the subsidiary SAINTERNATIONAL in September 2004. This receivable has been discounted, in consideration of the timescale of the forward sale underlying the mandatory’s issue, with a positive effect on the profit and loss account for the period of € 2.6m.

The “Other loans and receivables” include loans of € 17m granted by Immobiliare Lombarda to its associated companies. In addition to this there is an unsecured loan to S.c.s. Ex Var amounting to € 17m, of which € 11m was granted by the Parent Company and € 6m by the subsidiary Immobiliare Lombarda. The item also includes € 27m of loans disbursed to the associated company Garibaldi s.c.s. in relation to the “Garibaldi Repubblica” property development project in Milano.

Finally, it also includes € 164.4m of consumer credit granted by the subsidiary Finitalia to customers and € 6m of unsecured loans which the Parent Company has granted to its employees.

### Financial assets available for sale

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

The financial assets under consideration can be broken down as follows:

(€K)	30/06/2007	31/12/2006	Variation
Capital securities and unit trusts	4,538,784	4,204,911	333,873
Debt securities	19,297,705	18,859,785	437,920
Other financial investments	2,427	2,915	(488)
<b>TOTAL</b>	<b>23,838,916</b>	<b>23,067,611</b>	<b>771,305</b>

The variation is partly due to the change in the consolidation method of the subsidiary Bipiemme Vita from proportional to line-by-line: the change in this method has led to greater assets of € 701.6m being posted.

The capital securities include listed securities of € 3,743m, while the debt securities include listed securities of € 18,577m.

Debt securities and capital securities included in the category are valued at fair value. Among the capital securities we should point out the 2% share held by the Group in the Bank of Italy. This holding is valued at cost in the absence of an active reference market and in view of the enormous variability in possible estimates of the value of this investment.

For securities listed on active markets, the value relating to the half year period is aligned with the stock market listings on the last day of the half year period.

We should point out that the effect of the valuation at fair value has a positive effect of € 818.3m (positive in the amount of € 829.5 as at 31/12/2006) on capital securities and shares in unit trusts, while the impact is negative in the amount of € 343.5m (compared to a negative impact of € 18.8m as at 31/12/2006) for debt securities. Including the third party share, the overall effect of the valuation at fair value has a positive impact of € 513,0m (compared to € 740,7m in 2006).

---

## Financial assets at fair value through profit or loss

These can be broken down as follows:

(€K)	30/06/2007	31/12/2006	Variation
Capital securities and unit trusts	1,893,034	1,450,313	442,721
Debt securities	6,571,560	5,416,753	1,154,807
Other financial investments	477,512	290,387	187,125
<b>TOTAL</b>	<b>8,942,106</b>	<b>7,157,453</b>	<b>1,784,653</b>

We should point out that the component relating to financial assets at fair value through profit or loss amounts to € 7,579m and that included in the same are investments where the risk is borne by life insurance policy holders and deriving from pension fund management of € 7,435m.

Their fair value is determined by using stock market listings on the last day of the half year period as a reference.

The variation is partly due to the change in the consolidation method of the subsidiary Bipiemme Vita from proportional to line-by-line: the change in this method has led to greater assets of € 1,095m being posted.

## 5. OTHER RECEIVABLES

These consist of the following:

(€K)	30/06/2007	31/12/2006	Variation
Receivables derived from direct insurance operations	1,685,924	1,941,642	(255,718)
Receivables derived from reinsurance operations	154,320	192,575	(38,255)
Other receivables	591,184	512,511	78,673
<b>TOTAL</b>	<b>2,431,428</b>	<b>2,646,728</b>	<b>(215,300)</b>

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

The following table shows a breakdown of receivables resulting from direct insurance operations.

(€K)	30/06/2007	31/12/2006	Variation
Receivables from policy holders for premiums due in the financial year	657,722	850,435	(192,713)
Receivables from policy holders for premiums from previous financial years	162,058	79,028	83,030
Receivables from insurance brokers	602,914	762,535	(159,621)
Receivables from current account companies	163,383	155,286	8,097
Amounts to be recovered from policy holders and third parties	99,847	94,358	5,489
<b>TOTAL</b>	<b>1,685,924</b>	<b>1,941,642</b>	<b>(255,718)</b>

Receivables derived from reinsurance contracts include € 136,725 of receivables from insurance and reinsurance companies for reinsurance operations and € 17,595K from reinsurance brokers.

Included in other receivables are:

- commercial receivables of € 135m, mainly consisting of receivables from clients;
- receivables from the tax authorities of € 232m, relating to requested reimbursements and VAT credits, including € 43m receivable by the Parent Company from the Revenue Agency for Tuscany relating to the settlement agreement aimed at speeding up and optimising the collection of a number of tax reimbursements relating to position already settled;
- € 27m in advances payments made by the subsidiary Immobiliare Lombarda to suppliers for property development work to be carried out in buildable areas.

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

---

## 6. OTHER ASSETS

These amount in total to € 1,044,732K (€ 807,325K as at 31/12/2006) having increased by € 237,407K compared to the previous year.

They consist of the following:

(€K)	30/06/2007	31/12/2006	Variation
Non-current assets or those held in a disposal group for sale	99,521	15,390	84,131
Deferred acquisition costs	323,829	320,972	2,857
Current tax assets	107,617	89,775	17,842
Deferred tax assets	116,723	96,978	19,745
Other assets	397,042	284,210	112,832
<b>TOTAL</b>	<b>1,044,732</b>	<b>807,325</b>	<b>237,407</b>

### Non-current assets or those held in a disposal group for sale

As at 30/06/2006, the item includes the book values of the following properties for which a sale agreement has been entered into or the disposal of which has been decided by the relevant statutory bodies.

- Pieve Emanuele - Via delle Rose 6;
- Rome - Piazzale delle Industrie 40/46;
- Pescara - Via Salaria Vecchia 119;
- Pescara - Via Salaria Vecchia 162.

The significant increase compared to 31/12/2006 is due to the reclassification of the property at Piazzale delle Industrie, Rome, for € 76m, a property that was sold during the month of July with a significant capital gain.

The item also includes the value of the assets of the subsidiary Novara Assicura, in respect of which a preliminary contract was drawn up in June for the transfer of 100% of the shareholding owned by Milano Assicurazioni to the Banco Popolare di Verona e Novara Group. The operation is expected to be completed by 30 November 2007.

Pursuant to IFRS 5, the assets mentioned above are valued at the book value or the fair value, whichever is the smallest, net of any foreseeable transfer costs.

### Deferred acquisition costs

Deferred acquisition costs of € 323,829K (€ 320,972K as at 31/12/2006) mainly relate to purchase commissions to be amortised on multi-year contracts. These amounts are deferred and amortised over approximately seven years for Non-life business and six years for Life

---

business, as shown by recent analyses of the average duration of portfolio contracts. All of which conforms to principles responding to matching concepts.

### **Current tax assets**

Current tax assets, amounting to € 107,617K (€ 89,775K as at 31/12/2006) relate to receivables from tax authorities for advance taxes, withholdings and income tax receivables, after offsetting, where allowed, against current tax liabilities in accordance with IAS 12.

Also posted to this item are amounts paid for tax under art. 1 paragraph 2 of Decree Law no. 209/02 as converted by art. 1 of Law 265/2002 and subsequent amendments. This being in accordance with what is laid down by Isvap Instruction no. 2404/05, although the aforementioned assets do not, strictly speaking, come under the application of IAS 12, since they do not relate to income taxes.

### **Deferred tax assets**

These amount to € 116,723K (€ 96,978 as at 31/12/2005) and are calculated on the total amount of temporary differences between the book value of balance sheet assets and liabilities and the respective taxable value according to the “balance sheet liability method” provided for by IAS 12 in relation to the likelihood of their recovery correlated with the capacity to continuously generate positive taxable income.

The end-of-period balances take into account the offsetting, where possible, of the same tax assets against the corresponding deferred tax liabilities according to the terms of IAS 12.

### **Other assets**

Other assets amount to € 397,042K (€ 284,210K as at 31/12/2005) and include, among others, deferred commission payable on life insurance policy holder investment contracts of € 104m, assessments of asset postings for the period of € 81m and claims paid to agents in anticipation of recoupments amounting € 4m, seniority allowance policies of € 5m and outstanding amounts in the process of being matched of € 3m.

The item also includes prepayments and accrued income of € 10m.

## **7. CASH AT BANK AND IN HAND**

These amount in total to € 763,348K (€ 723,032K as at 31/12/2006).

They include cash held by the Group and deposit and current bank accounts with a due date of less than 15 days. They therefore include liquid assets in the strict sense of the word (cash and demand deposits), either equivalent liquid assets or those short-term investments with high liquidity, readily convertible into known cash values which are, therefore, subject to a negligible risk of change in value.

---

The book value of these assets is a significant approximation of their fair value. Deposit and current bank accounts bear interest at both fixed and variable rates which is accrued and credited on a quarterly basis or in relation to the lesser duration of any unavailability constraint on fixed-term deposits.

# Balance Sheet – Net Equity and Liabilities

## 1. NET EQUITY

The consolidated Net Equity, amounting to € 5,234,359K, inclusive of the result for the financial year and minority interests, increased by € 179,817K compared to 31/12/2006.

The composition of equity reserves is given below:

(€K)	30/06/2007	31/12/2006	Variation
<b>GroupNet Equity</b>	<b>3,971,717</b>	<b>3,896,991</b>	<b>74,726</b>
	168,482	177,681	(9,199)
Other equity instruments	-	-	-
Capital reserves	207,729	207,410	319
Profit and other equity reserves	2,781,107	2,643,229	137,878
<i>Own shares</i>	(196,081)	(359,987)	163,906
Reserve or net exchange differences	(1,067)	(126)	(941)
Profits or losses on financial assets available for sale	662,762	694,538	(31,776)
Other profits and losses recorded directly under equity	71,968	53,042	18,926
Group profit (loss) for the financial year	276,817	481,204	(204,387)
<b>Minorities' Net Equity</b>	<b>1,262,642</b>	<b>1,157,551</b>	<b>105,091</b>
Minorities' capital and reserves	1,156,542	972,179	184,363
Profits and losses recorded directly under equity	44,915	65,808	(20,893)
Minorities' profit (loss) in the financial year	61,185	119,564	(58,379)
<b>TOTAL</b>	<b>5,234,359</b>	<b>5,054,542</b>	<b>179,817</b>

For variations in the consolidated Net Equity please refer to the relevant statement.

The information required by IAS 1.76 A is given below:

	Ordinary 30/06/2007	Savings 30/06/2007	Ordinary 31/12/2006	Savings 31/12/2006
<b>Number of shares issued</b>	125,223,296	43,310,622	134,563,790	43,310,622



We should point out that as at 30/06/2007, 51,699 ordinary shares had been issued, which were listed in the Register of Companies on 17/07/2007.

The shares include 47,928 ordinary shares for which an issue request was made by 30/06/2007 by exercising 191,712 02/08 warrants, although the actual delivery of them was completed in July. They are not therefore included in the following statement of shares in circulation.

The following table summarises the movement of the share capital of the Parent Company Fondiaria-SAI during the half year period.

	Ordinary	Savings	Total
Shares existing as at 01/01/2007	134,539,500	43,310,622	177,850,122
Own shares (-)	17,492,769		17,492,769
Shares in circulation: existing as at 01/01/2007	117,046,731	43,310,622	160,357,353
<u>Increases:</u>			
Sale of own shares	126,080		126,080
Exercise of warrants			
<u>Decreases:</u>			
Purchase of own shares	319,166		319,166
Shares in circulation: existing as at 30/06/2007	116,853,645	43,310,622	160,164,267

We should point out that 9,490,212 own ordinary shares were cancelled in March 2007, implementing the decision taken by the extraordinary shareholders' meeting of 4 December 2006, which decided to reduce the share capital. This operation did not evidently involve any changes in the number of shares in circulation.

Capital reserves amounting to € 207,729 relate to the share issue premium reserve recorded in the Parent Company's accounts. This was increased by € 319K.

The ordinary shares and savings shares issued both have a nominal value of € 1.

### **Nature and purpose of the other reserves**

Profits and other equity reserves include other net equity reserves from the Parent Company's separate accounts, increased by the allocation of the profit for 2006 and by the reserves that contain the effects of the consolidation.

Minorities' net equity, inclusive of the result, recorded an increase of € 105,091K.

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

---

### **Own shares**

These amount to € 196,1m (€ 360m as at 31/12/2006). This item includes the book value of instruments representing capital belonging to the Parent Company Fondiaria-SAI amounting to € 5.9m and, for the rest, positions held by the subsidiaries Milano Assicurazioni S.p.A. (€ 161.9m) and Sai Holding S.p.A. (€ 28.3m).

The item is negative according to what is laid down by IAS 32. Note that further to the purchase and sale transactions occurring over the financial year no profit or loss was recorded in the profit and loss account.

### **Reserves for net exchange differences**

The item, which is negative in the amount of € 1,067K (€ -126K as at 31/12/2006), includes conversion differences resulting from the translation into foreign currency of amounts for foreign subsidiaries residing in countries outside the Euro zone.

### **Profits or losses on financial assets available for sale**

The item, which amounts to € 662,762K, includes profits or losses resulting from the valuation of financial assets available for sale. It is expressed net both of the related deferred taxation and of the part attributable to policyholders and allocated to insurance liabilities. The decrease is essentially attributable to the fall in fair value incurred by investments in debt securities as a result of the recent increase in interest rates.

### **Other profits and losses over the year recorded directly under equity**

The item, amounting to € 71,968K, mainly accommodates the effect of the valuation at equity of associated companies in the amount of € 43.4.

The item includes reserves of € 27.9m, which accommodate the write back of capital gains achieved on shareholdings. In fact, transactions that relate to shares in subsidiaries and involve no loss or acquisition of control do not influence the profit resulting from the consolidated balance sheet, because they are interpreted merely as changes to the Group's ownership structure. The only exception to this are the results achieved on separately managed assets in the Life Classes.

The rest relates primarily to profits and losses on instruments covering a financial flow and to profits and losses of an actuarial nature under the terms of IAS 19.

## Statement of reconciliation between the Accounts of the Parent Company and the Consolidated Account

In accordance with Consob communication no. DEM 6064293, the following is a statement of reconciliation between the Group result and net equity at the end of the financial year and the same items recorded by the Parent Company.

(€K)	Profit for the year	
	30/06/2007	30/06/2006
<b>Accounts of Fondiaria-SAI S.p.A. according to Italian accounting principles</b>	170,884	101,663
<i>IAS 38 "Intangible assets"</i>		
Goodwill	23,981	23,981
Other intangible assets	3,538	7,879
<i>IAS 16-40 "Properties and investment properties"</i>		
Properties	(7,353)	(7,534)
<i>IAS 19 "Employee benefits"</i>		
Staff leaving indemnity and other employee benefits	21,304	1,737
<i>IAS 39 "Financial instruments"</i>		
Financial assets	(1,626)	65,188
Financial liabilities	11,153	(3,360)
<i>IFRS 4 "Insurance contracts"</i>		
Provision for unearned premiums and equalisation reserve	2,572	2,264
Mathematical reserves	10,433	15,904
Service component linked policies (IAS 18)	80	89
<i>IFRS 2 "Payments based on shares"</i>		
Stock options	(8,494)	-
Tax impact on IAS/IFRS adjustments	(35,088)	(38,317)
<b>IAS/IFRS Accounts of Fondiaria-SAI S.p.A.</b>	191,384	169,494
<b>Consolidation adjustments:</b>		
<u>Operating results of companies consolidated:</u>		
On a line-by-line basis	230,029	209,807
By the net equity method	69	2,266
Application of group accounting principles, conversion of foreign currency balances and others	9,941	(10,878)
Amortisation of client portfolio	(4,535)	-
<u>Elimination of the effects of inter-group transactions:</u>		
Inter-group dividends	(73,333)	(44,778)
Other inter-group transactions	(14,210)	(7,536)
Tax impact of consolidation adjustments	(1,343)	1,642
<b>Consolidated earnings according to IAS/IFRS principles</b>	338,002	320,017
<b>MINORITY SHARE</b>	(61,185)	(61,908)
<b>Group earnings according to IAS/IFRS principles</b>	276,817	258,109

(€K)	Net Equity net of earnings	
	30/06/2007	31/12/2006
<b>Accounts of Fondiaria-SAI S.p.A. according to Italian accounting principles</b>	<b>2,466,822</b>	<b>2,547,373</b>
<i>IAS 38 "Intangible assets"</i>		
Goodwill	143,886	95,924
Other intangible assets	4,612	(11,437)
<i>IAS 16-40 "Properties and investment properties"</i>		
Properties	(83,315)	(70,910)
<i>IAS 19 "Employee benefits"</i>		
Staff leaving indemnity and other employee benefits	(34,273)	(38,667)
<i>IAS 37 "Provisions, contingent liabilities and contingent assets"</i>	4,805	4,129
<i>IAS 39 "Financial instruments"</i>		
Financial assets	478,824	630,242
Financial liabilities	(13,008)	(4,389)
<i>IFRS 4 "Insurance contracts"</i>		
Provision for unearned premiums and equalisation reserve	55,614	50,778
Mathematical reserves	106,125	(37,458)
Service component linked policies (IAS 18)	(206)	(381)
<i>IFRS 2 "Payments based on shares"</i>		
Stock options	8,494	4,496
Tax impact on IAS/IFRS rectifications	4,689	(27,023)
<b>IAS/IFRS Accounts of Fondiaria-SAI S.p.A.</b>	<b>3,143,069</b>	<b>3,142,677</b>
<b>Consolidation adjustments:</b>		
<u>Differences between book value and net equity of companies consolidated:</u>		
On a line-by-line basis	1,746,379	1,500,432
By the net equity method	42,443	37,788
<u>Elimination of the effects of inter-group transactions:</u>		
Inter-group dividends	65,333	61,480
Other inter-group transactions	(96,608)	(87,244)
Application of group accounting principles	261,264	233,119
Effect of the conversion of balances in foreign currencies	(1,067)	(126)
Tax impact of consolidation adjustments	(68,370)	(74,365)
Elimination of own shares	(196,081)	(359,987)
<b>Consolidated Net Equity according to IAS/IFRS principles</b>	<b>4,896,362</b>	<b>4,453,774</b>
<b>MINORITY SHARE</b>	<b>(1,201,462)</b>	<b>(1,037,987)</b>
<b>Net Equity according to IAS/IFRS principles</b>	<b>3,694,900</b>	<b>3,415,787</b>

---

## 2. AMOUNTS SET ASIDE

These amount in total to € 234,519K (€ 236,677K as at 31/12/2006) and can be broken down into:

(€K)	30/06/2007	31/12/2006	Variation
Provisions relating to tax issues	570	121	449
Other provisions	233,949	236,556	(2,607)
<b>TOTAL</b>	<b>234,519</b>	<b>236,677</b>	<b>(2,158)</b>

The Group is not involved in any significant tax disputes resulting in current obligations linked to past events.

Other provisions include amounts where there is doubt over the due date or the extent of future expenditure required for completion.

With regard to the other provisions, we should point out that there are no substantial variations in the composition of the fund at the end of the financial period. Movements that took place in the period were connected with normal management activities.

## 3. TECHNICAL RESERVES

These amount to € 28,693,887K and have increased by € 1,767,294K compared to 31/12/2006.

The following table shows the details of the technical reserves:

(€K)	30/06/2007	31/12/2006	Variation
Non-life business technical reserves	11,720,065	11,661,887	58,178
Life business technical reserves	14,887,707	14,138,303	749,404
Technical reserves where the investment risk is borne by policy holders and deriving from pension fund management	2,086,115	1,126,403	959,712
<b>TOTAL TECHNICAL RESERVES</b>	<b>28,693,887</b>	<b>26,926,593</b>	<b>1,767,294</b>

The non-life technical reserves include the premium reserve of € 2,655m and the claims reserve of € 9,055m. The balance of € 10m relates to the other technical reserves, including the old age reserve.

The life technical reserves include the mathematical reserve of € 14,597m, the reserve for sums to pay of € 313m and the other technical reserves, which are negative in the amount of € 23m having been reduced by deferred liabilities relating to contracts with discretionary profit-sharing components of € 153m.

In particular, the Group has considered property-linked Life contracts, linked to separately managed contracts, as contracts containing an element of discretionary profit-sharing. Shadow accounting has been applied to these contracts, as a result of which they have been adjusted in respect of unrealised capital gains and losses in the net equity and the profit and loss account according to their origin.

With regard to the capital losses, we should point out that the only ones for which adjustments have been made to the technical reserves are those that relate to separately managed contracts, as a result of which the return was greater than the guaranteed minimums. We should point out that the effect of applying the accounting technique of shadow accounting has led to the recording of negative reserves amounting to approximately € 153m (they were positive in the amount of € 74.5m as at 31/12/2006), this item having suffered from the increase in interest rates that took place at the beginning of the financial year.

The variation in life reserves is essentially due to the change in the consolidation method of Bipiemme Vita from proportional to line-by-line in the amount of € 674,324, and to the good performance of class III production at the subsidiary Novara Vita.

#### 4. FINANCIAL LIABILITIES

(€K)	30/06/2007	31/12/2006	Variation
Financial liabilities at fair value through profit or loss	5,589,508	4,842,032	747,476
Other financial liabilities	2,344,024	2,237,863	106,161
<b>Total</b>	<b>7,933,532</b>	<b>7,079,895</b>	<b>853,637</b>

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

##### **Financial liabilities held for trading purposes**

These amount in total to € 239,989K and include transactions relating to derivative hedging contracts by the Parent Company amounting to € 138,348K and by the subsidiary Milano Assicurazioni amounting to € 26,375K in respect of which financial instruments owned by the Group recorded a similar positive variation.

##### **Financial liabilities at Fair Value impacting on the Profit and Loss Account**

As governed by IAS 39, the item includes investment contracts not falling within the scope of IFRS 4, because they do not present a significant insurance risk, and posted to the accounts using the Deposit Accounting method. For these deposits, which amount in total to € 5,349,519K (€ 4,624,354K as at 31/12/2006), this allocation contributes to reducing the accounting asymmetry with the financial assets serving these contracts.

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

The change in the consolidation method of the subsidiary Bipiemme Vita has led to greater liabilities of € 1,087m being recorded.

### Other financial liabilities

These amount to € 2,344,024K (€ 2,237,863K as at 31/12/2006).

The item includes financial liabilities defined and governed by IAS 39 that are not included in the category “Financial assets at fair value through profit or loss”.

Included are deposits set up to guarantee risks ceded under reinsurance amounting to € 329,598K and subordinated liabilities of € 817,815K.

With regard to loans from banks and other finance providers, amounting to € 655m, the most significant amounts, already commented on in the Management Report, are listed below:

- € 282m relate to the bank debt of the Immobiliare Lombarda Group;
- € 187m relate to the loan taken out by the subsidiary Sainternational, expiring in 2010;
- € 174m relate to the loan taken out by the Tikal R.E. Closed Property Investment Fund with Banca IntesaSanPaolo;

The item also includes deposit accounts opened by customers with the subsidiary BancaSAI of € 318m, € 13m relating to investment contracts stipulated by life policyholders valued using the amortised cost method and finally € 116m relating to repurchase agreements stipulated by the subsidiary SAI Mercati Mobiliari.

## 5. PAYABLES

These amount to € 1,045,071K and consist of the following:

(€K)	30/06/2007	31/12/2006	Variation
Payables derived from direct insurance operations	185,234	177,205	8,029
Payables derived from reinsurance operations	135,100	113,102	21,998
Other payables	724,737	779,112	(54,375)
<b>Total</b>	<b>1,045,071</b>	<b>1,069,419</b>	<b>(24,348)</b>

Here is a breakdown of payables resulting from direct insurance operations:

(€K)	30/06/2007	31/12/2006	Variation
Payables to insurance brokers	146,555	152,301	(5,746)
Current account payables in respect of insurance companies	36,635	22,303	14,332
Payables in respect of deposits paid by policy holders	220	460	(240)
Payables for guarantee funds in favour of policy holders	1,824	2,141	(317)
<b>Total</b>	<b>185,234</b>	<b>177,205</b>	<b>8,029</b>

Payables deriving from reinsurance operations relate to reinsurance companies for € 81,150K and to reinsurance brokers for € 53,950K.

Details of “other payables” are given below:

(€K)	30/06/2007	31/12/2006	Variation
Trade payables	213,927	212,945	982
Staff leaving indemnity	91,945	127,092	(35,147)
Payables for taxes payable by policy holders	121,953	106,598	15,355
Payables for sundry tax liabilities	46,478	95,111	(48,633)
Payables to social security and welfare institutions	19,239	16,188	3,051
Other payables	231,195	221,178	10,017
<b>Total</b>	<b>724,737</b>	<b>779,112</b>	<b>(54,375)</b>

### Staff leaving indemnity

Following the coming into force of Legislative Decree no. 252/2005, as a result of the 2007 Budget, the Reform of Complementary Welfare was brought forward to 1 January 2007. This reform provided for all private employees to choose by 30/06/2007 (or within six months of being hired) whether to allocate the staff leaving indemnity matured from 01/01/2007 to forms of complementary welfare or to maintain them within the company. In the latter case, the company is required to transfer the said units to the Treasury Fund managed by INPS.

For private employees of companies with 50 or more employees, this choice is compulsory. If employees fail to make this choice by 30 June 2007 (or within 6 months of being hired), the TFR units matured from 1 January 2007 are in any case transferred to the INPS Treasury Fund. Making this choice is however optional for the workers of companies with fewer than 50 employees. If no choice has been made by the employees of these companies by 30 June 2007 (or within 6 months of being hired) the staff leaving indemnity units remain within the company.

In view of the above, the following criteria have been applied to the actuarial valuation of liabilities connected with the disbursement of the staff leaving indemnity based on the IAS 19 accounting principle, according to the instructions given by the Italian Association of Actuaries, the Italian Banking Association and Assirevi:

- Group companies with fewer than 50 employees:
  - the valuation of liabilities was based on traditional actuarial criteria already applied to previous valuations;
- Group companies with more than 50 employees:
  - the staff leaving indemnity units matured since 01/01/2007 have not been calculated using actuarial criteria since they constitute a defined contribution plan, whether a complementary welfare plan or allocation to the INPS Treasury Fund is chosen.



We should point out that the staff leaving indemnity fund accrued as at 31/12/2006 remains a defined benefits plan in terms of the calculation done in the past (and reflected in the 2006 Accounts) and has been redefined, also using actuarial criteria, excluding the component relating to future wage increases. The difference resulting from the new calculation has been treated as a “curtailment” (§109 of IAS 19) and consequently already recognised in the profit and loss account in the first half of 2007.

The following table shows the movements for the period:

(€K)

<b>Opening balance</b>	<b>127,092</b>
Curtailment	(35,613)
<b>Opening balance after reform</b>	<b>91,479</b>
Appropriation to profit and loss account for interest cost	1,841
Appropriation to profit and loss account for service cost	120
Actuarial Gains/Losses	1,225
Uses	(7,748)
Variation in consolidation scope	5,028
<b>Closing balance</b>	<b>91,945</b>

### Healthcare benefits for retired employees

The main statistical/actuarial and financial assumptions used to determine health care benefits for retired employees according to IAS 19 are not substantially different from those used in drawing up the accounts for the financial year.

We therefore refer the reader to the accounts for 2006 for details of the numeric assumptions applied.

We should point out that as at 30/06/2007 the liabilities associated with health cover for retired executives amounted to € 24,437K (€ 26,504K as at 31/12/2006).

## 6. OTHER LIABILITIES

These consist of the following:

(€K)	30/06/2007	31/12/2006	Variation
Current tax liabilities	46,631	31,474	15,157
Deferred tax liabilities	264,281	256,777	7,504
Liabilities for a group spin-off held for sale	2,862	-	2,862
Other liabilities	630,473	567,996	62,477
<b>Total</b>	<b>944,247</b>	<b>856,247</b>	<b>88,000</b>

---

### Current tax liabilities

The amount to € 46,631K (€ 31,474K as at 31/12/2006) and relate to the income tax set aside by the Group at the end of the period, net of current tax assets, where offsettable, according to the provisions of IAS 12.

The income tax has been calculated by applying the current nominal tax rates applicable to the end-of-year results to the respective taxable base.

### Deferred tax liabilities

The deferred tax liabilities, amounting to € 264,281K, include the tax impact of all temporary differences relating to items of an equity-related or economic nature, intended to be repaid in future years.

The balances shown take account of the offsetting, where allowed, against the corresponding deferred tax assets as provided for in IAS 12.

### Liabilities for a group spin-off held for sale

This item includes the value of the liabilities of the subsidiary Novara Assicura, in respect of which a preliminary contract was drawn up in June for the transfer of 100% of the shareholding owned by Milano Assicurazioni to the Banco Popolare di Verona e Novara Group. The operation is expected to be completed by 30 November 2007.

### Other liabilities

These amount to € 630,473K (€ 567,996K as at 31/12/2005) and consist of the following:

(€K)	30/06/2007	31/12/2006	Variation
Commissions for premiums in the process of being collected	140,615	139,342	1,273
Deferred commissions payable for life policy holder investment management services	155,284	153,795	1,489
Cheques issued in respect of claims and life sums cashed by beneficiaries after 30 June 2007	57,416	38,881	18,535
Transitional reinsurance accounts	18	887	(869)
Other liabilities	277,140	235,091	42,049
<b>TOTAL</b>	<b>630,473</b>	<b>567,996</b>	<b>62,477</b>

The sub-item “other liabilities” includes, among other things, the assessments for presumed costs of € 60m, outgoing bank transfers of € 24m, remittances from brokers awaiting matching of € 19m, and debts for tax withholdings on current accounts and deposit accounts of € 1m.

In addition it includes € 3m for the debt which the subsidiary Immobiliare Lombarda has estimated in respect of the charges arising from the presentation of the applications for indemnity under the terms of Law 724/94, which allows the purpose of a number of property units to be changed.

---

## **Disclosure regarding risks and commitments not recorded in the Balance Sheet**

According to IAS/IFRS international accounting principles, financial statements should not only contain information on data recorded in the accounts but also information on the risks and uncertainties affecting the company, in addition to any resources and obligations not shown in the balance sheet.

For this purpose, both the risks and the undertakings given by the company and the third party property it holds are reported.

### **Real guarantees granted by the Group to third parties**

These amount to € 576,316K compared to € 458,085K in the previous financial year and consist of the following: € 518,700K relating to first degree mortgages registered on properties owned (separately for each property and for a value equivalent to twice the respective allocated debt), following the renegotiation of the banking exposure of the company Immobiliare Lombarda S.p.A.; € 19,236K constitute the property titles given as security, previously pledged in favour of the Municipality of Milan as security for the undertakings given to the latter regarding charges for urbanisation and the issuing of building permits; € 30,231K for real guarantees relating to bank deposits on which a pledge has been registered relating to insurance claim disputes; € 8,967K refer to assets deposited as guarantees for active reinsurance operations.

### **Other guarantees granted by the Group to third parties**

The other commitments amount to € 35,196K and essentially consist of the guarantees given to lending institutions against the issuing of sureties, as well as guarantees in the interests of third party companies, consisting primarily of co-obligations in favour of the tax authorities for the early reimbursement of VAT credits.

### **Guarantees given by third parties in the interests of the Group**

As at the end of the half year period these amounted to € 159,312K and primarily included bank guarantees of obligations assumed in respect of third parties, particularly institutional investors (for property sales) in previous financial years, and the Municipality of Milan (for the construction of urbanisation works). These also include the new guarantee set up in the interest of Fondiaria-SAI, Milano Assicurazioni, Liguria Assicurazioni, Sasa, Siat and Capitalia Assicura based on the *Convenzione tra Assicuratori per il Risarcimento Diretto* (CARD) (agreement between insurers on direct compensation), which the Companies signed on 27/11/2006. The total value of this guarantee is € 82,051K.

### **Guarantees received**

The balance of these at the end of the half year was € 349,137K and included guarantees issued by agents in respect of the fulfilment of their mandates, amounting to € 284,749K, and the guarantee received during the financial year, in the form of a pledged capitalisation to cover any damages due to the purchase of Liguria Assicurazioni, amounting to € 50,000K. The guarantees from tenants in respect of leasing contracts amount to € 3,105K.

---

**Undertakings**

These essentially include the € 91,845K that remains to be paid by Milano Assicurazioni in respect of the purchase and sale of properties. Securities to be delivered amount to € 131,994K and those to be received amount to € 45,302K. These are registered in respect of purchase and sale operations carried out during the first half of 2007 but settled subsequently. With regard to hedging operations on shares, carried out by means of combined options (put purchases – call sales), these undertakings include € 138,348K relating to the cash settlement to be paid on valuations carried out as at 30/06/07. The exposure is counterbalanced by the potential capital gains generated on the underlying securities as of the moment when the hedging operation was stipulated.

As regards the convertible (Mandatory) bonded loan, there are current commitments amounting to € 184,400K for the delivery to noteholders, on the expiry date of the loan, of the shares in Banca Intesa Sanpaolo that are the subject of the conversion.

## PART C – Information on the Consolidated Profit and Loss Account

### NET PREMIUMS

Consolidated net premiums amount to € 5,933,977K (€ 4,728,864K as at 30/06/2006).  
The Group's gross premium income amounts to € 6,180,553K, having increased by 25.09% compared to the first half of 2006.

The gross premiums for the period can be broken down as follows:

(€K)	30/06/2007	30/06/2006	Variation	31/12/2006
Life business gross premiums	2,374,809	1,209,986	1,164,823	2,670,472
Non-life business gross premiums	3,805,744	3,730,823	74,921	7,304,794
Variation in gross amount of premium reserve	88,547	80,629	7,918	(11,439)
Total non-life business	3,717,197	3,650,194	67,003	7,316,233
<b>Gross premiums for the period</b>	<b>6,092,006</b>	<b>4,860,180</b>	<b>1,231,826</b>	<b>9,986,705</b>

The item “gross premiums recorded” does not include the cancellation of securities issued in previous financial years, which have been posted to “Other costs”. The above amounts are net of reinsurance carried out between Companies within the Group. For a breakdown of gross premiums recorded in the various classes of business in the accounts and the split between direct business and indirect business please refer to the tables contained in the Management Report.

Premiums ceded, totalling € 154,961K, account for 2.5% of total premiums written (2.6% as at 30/06/2006).

(€K)	30/06/2007	30/06/2006	Variation	31/12/2006
Life business	12,066	9,186	2,880	24,288
Non-Life business	142,895	120,491	22,404	307,654
Variation in premium reserve borne by reinsurers	3,068	1,639	1,429	4,926
Total non-life business	145,963	122,130	23,833	312,580
<b>Premiums ceded under relevant reinsurance contracts</b>	<b>158,029</b>	<b>131,316</b>	<b>26,713</b>	<b>336,868</b>

The Group's reinsurance policy had a negative effect on the consolidated accounts of € 1,840K (€ 4,155K in the Non-life business).

Under the terms of IFRS 4.36 b ii, we hereby state that it is not the Group's practice to defer and amortise profits or losses resulting from reinsurance contracts.

For further illustrations of item 1.1 of the Profit and Loss account, broken down into Life and Non-life segments, please refer to the Annex at the end of the half year accounts.

## CREDIT COMMISSIONS

Credit commissions as at 30/06/2007 amount to € 60,247K, having increased compared to the first half of 2006 by € 24,743K.

(€K)	30/06/2007	30/06/2006	Variation	31/12/2006
Credit commissions	60,247	35,504	24,743	76,499

The item includes both explicit and implicit loadings relating to investment contracts written by Group companies and, as such, not covered by the application of IFRS 4, and to management fees for internal funds.

In particular, approximately € 21m relate to the subsidiaries Novara Vita and Po Vita.

Also included are approximately € 29m of accrued credit commissions from companies operating within the managed savings and consumer credit industry.

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

These amount to € -2,012K, having increased compared to 30/06/2006 by € 19,968K.

The following table shows the individual components:

(€K)	Interest	Other net income	Profits achieved	Losses incurred	Capital gains from valuation and write-ups	Capital losses from valuations and value adjustments	Total 30/06/07	Total 30/06/06	Variation	Total 31/12/2006
<i>Result of investments deriving from:</i>										
Financial assets held for trading	22,487	70,898	16,788	(62,461)	50,207	(35,304)	62,615	(33,349)	95,964	39,463
Financial assets at fair value through profit or	25,695	(7,907)	9,150	(22,751)	28,731	(69,606)	(36,688)	(48,057)	40,802	

loss											
Financial liabilities					(28,69	(27,93		(27,93			
held for trading				751	0)	9)	-	9)	-		
				(85,21	(133,6	(2,012	(21,98				
<b>TOTAL</b>	<b>48,182</b>	<b>62,991</b>	<b>25,938</b>	<b>2)</b>	<b>79,689</b>	<b>00)</b>	<b>)</b>	<b>0)</b>	<b>19,968</b>	<b>80,265</b>	

## FINANCIAL INCOME AND CHARGES FROM HOLDINGS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES AND FROM FINANCIAL INSTRUMENTS AND PROPERTY INVESTMENTS

Sono riepilogati nella seguente tabella:

	<i>Net interest</i>	<i>Other net income</i>	<i>Profits achieved</i>	<i>Losses incurred</i>	<i>Capital gains from valuation and write-ups</i>	<i>Capital losses from valuation and adjustments</i>	<i>Total 30.06.07</i>	<i>Total 30.06.06</i>	<i>Varia- tion</i>	<i>Total 31/12/2006</i>
(€K)										
<i>Result deriving from:</i>										
Property investments		19,555	3,535		(18,134)		4,956	34,418	(29,462)	25,983
Shareholdings in subsidiaries, associated companies and joint ventures		(1,318)	17,896				16,578	23,810	(7,232)	19,446
Investments owned to maturity							-	-	-	-
Loans and receivables	23,681	9,506		(1,463)	90		31,814	27,535	4,279	42,489
Financial assets available for sale	360,395	89,191	95,999	(32,730)			512,855	486,394	26,461	877,311
Sundry receivables	5,695	(14)					5,681	4,962	719	13,166
Net available cash and equivalents	14,216	379	1	(116)			14,480	10,717	3,763	26,893
Other financial liabilities and sundry payables	(63,922)	1,024					(62,898)	(57,545)	(5,353)	(107,234)
<b>TOTAL</b>	<b>340,065</b>	<b>188,323</b>	<b>117,431</b>	<b>(34,309)</b>	<b>90</b>	<b>(18,134)</b>	<b>523,466</b>	<b>530,291</b>	<b>(6,825)</b>	<b>898,054</b>

The profits and losses columns show the economic effects of the sale of various financial instruments. In particular, the fall in earnings from property investments is the result of the smaller capital gains from sales made in the period (€ 3.5m compared to € 28.2m as at 30/06/2006).

Negative interest on other financial liabilities includes the heavy burden of the Group's financial indebtedness.

No accrued interest was received on financial assets written down for impairment losses in previous years.



Losses from the valuation of property investments include depreciation allowances recognised over the year.

Profits made on holdings in subsidiaries, associates and joint ventures relate primarily to the sale of minority shares in the subsidiary Milano Assicurazioni previously assigned to separately managed assets in the Life sector.

## OTHER REVENUE

Other revenue amounts to € 218,888K (€ 179,323K as at 30/06/2006) and is summarised in the table below:

(€K)	30/06/2007	30/06/2006	Variation	31/12/2006
Capital gains relating to non-current assets	29	60	(31)	144
Other technical income	16,657	13,436	3,221	75,699
Fund withdrawals	33,598	15,159	18,439	46,664
Exchange differences	4,227	4,063	164	17,256
Contingent assets	13,468	18,340	(4,872)	44,419
Profits realised on tangible assets	13	97	(84)	282
Other revenue	150,896	128,168	22,728	216,482
<b>Total</b>	<b>218,888</b>	<b>179,323</b>	<b>39,565</b>	<b>400,946</b>

In particular, the following income is included in the “other revenue” subitem shown in the table above:

- € 54m relating to income earned by subsidiary Immobiliare Lombarda from the property sector, the properties of which, being considered as inventories, are classified as tangible assets;
- € 11m relating to income from sales of hardware and services of an IT nature outside the Group, relating to subsidiaries operating in this industry;
- € 12m relating to income earned by the subsidiary Pronto Assistenza Servizi;
- € 15m relating to income earned by the care homes in which the Group has a controlling interest;
- € 4m relating to income earned by agricultural holdings.

## NET CHARGES RELATING TO CLAIMS

Claims paid, including life business amounts and related expenses, gross of units ceded to re-insurers, reached the sum of € 3,762,524K, having increased by 6.33% compared to the previous financial year.

### Claims-related charges, amounts paid and variation in technical reserves

(€K)	30/06/2007	30/06/2006	Variation	31/12/2006
<i>Non-Life business</i>				
Amounts paid	2,700,887	2,672,883	28,004	5,192,691
Variation in recoveries	(60,542)	(51,581)	(8,961)	(104,434)
Variation in other technical reserves	230	178	53	424
Variation in claims reserve	(25,537)	(69,570)	44,033	7,592
<b>Total non-life business</b>	<b>2,615,038</b>	<b>2,551,910</b>	<b>63,128</b>	<b>5,096,273</b>
<i>Life Classes</i>				
Amounts paid	1,061,637	865,718	195,919	1,871,209
Variation in mathematical reserves and other technical reserves	248,366	413,975	(165,609)	715,188
Variation in technical reserves where the investment risk is borne by policy holders and arising from pension fund management	968,964	(75,150)	1,044,114	234,742
Variation in the reserve for payables	97,477	101,086	(3,609)	100,762
<b>Total life business</b>	<b>2,376,444</b>	<b>1,305,629</b>	<b>1,070,815</b>	<b>2,921,901</b>
<b>Total Non-life + Life</b>	<b>4,991,482</b>	<b>3,857,539</b>	<b>1,133,943</b>	<b>8,018,174</b>
<b>Amounts paid</b>	<b>3,701,982</b>	<b>3,487,020</b>	<b>214,962</b>	<b>6,959,466</b>
<b>Variation in reserves</b>	<b>1,289,500</b>	<b>370,519</b>	<b>918,981</b>	<b>1,058,708</b>

The significant increase in the variation of class D technical reserves is due to the excellent results achieved in the half year by the subsidiary Novara Vita and Po Vita particularly as regard premium income in class III.

### Claims-related charges, quotas borne by reinsurers

(€K)	30/06/2007	30/06/2006	Variation	31/12/2006
<i>Non-Life business</i>				
Amounts paid by reinsurers	75,186	87,345	(12,159)	187,544
Variation in other technical reserves	(418)	(531)	113	(938)
Variation in recoveries	-	-	-	-
Variation in claims reserve	36,853	(18,792)	55,645	(26,521)
<b>Total non-life business</b>	<b>111,621</b>	<b>68,022</b>	<b>43,599</b>	<b>160,085</b>
<i>Life business</i>				
Amounts paid by reinsurers	14,370	11,129	3,241	26,926
Variation in mathematical reserves and other technical reserves	281	(723)	1,004	(3,266)
Variation in the reserve for payables	(1,292)	72	(1,364)	601
<b>Total life business</b>	<b>13,359</b>	<b>10,478</b>	<b>2,881</b>	<b>24,261</b>
<b>Total Non-life + Life</b>	<b>124,980</b>	<b>78,500</b>	<b>46,480</b>	<b>184,346</b>
<b>Amounts paid by reinsurers</b>	<b>89,138</b>	<b>98,474</b>	<b>(9,336)</b>	<b>213,532</b>
<b>Variation in reserves</b>	<b>35,842</b>	<b>(19,974)</b>	<b>55,816</b>	<b>(29,186)</b>

The variation in non-life business net technical reserves amounts to € -62,160K, with a drop compared with 30/06/2006 of € 11,560K.

Life business net technical reserves, including reserve for payables, increased by € 1,315,818K (€ 440,562K as at 30/06/2006).

For further illustrations of item 2.1 of the Profit and Loss account, broken down into Life and Non-life segments, please refer to Annex 10 at the end of this report.

## COMMISSIONS PAYABLE

Commissions payable for the first half of 2007 amount to € 32,956K, having varied compared to the first half of 2006 by € 12,171K.

(€K)	30/06/2007	30/06/2006	Variation	31/12/2006
Commissions payable	32,956	20,785	12,171	39,754

The item includes acquisition costs relating to investment contracts issued by insurance companies and not included in the scope of IFRS 4.

## OPERATING EXPENSES

(€K)	30/06/2007	30/06/2006	Variation	31/12/2006
<i>Non-Life business</i>				
Acquisition commissions and variations in deferred acquisition costs	549,364	509,859	39,505	1,044,057
Other acquisition costs	90,838	80,859	9,979	159,047
Collection commissions	25,932	27,647	(1,715)	52,623
Commissions and profit shares received from reinsurers	(30,187)	(29,737)	(450)	(63,340)
<b>Total life business</b>	<b>635,947</b>	<b>588,628</b>	<b>45,735</b>	<b>1,192,387</b>
<i>Life business</i>				
Acquisition commissions and variations in deferred acquisition costs	95,193	17,536	77,657	53,469
Other acquisition costs	17,787	13,409	4,378	30,501
Collection commissions	6,270	7,199	(929)	15,717
Commissions and profit shares received from reinsurers	(1,022)	(1,241)	219	(2,486)
<b>Total life business</b>	<b>118,228</b>	<b>36,903</b>	<b>81,325</b>	<b>97,201</b>
Investment management expenses	6,059	43,134	(37,075)	10,462
Other administrative costs	169,923	158,553	11,370	344,228
<b>Total</b>	<b>930,157</b>	<b>827,218</b>	<b>102,939</b>	<b>1,644,278</b>

The variation in the Life business acquisition commissions, amounting to € 77.6m, is due to the significant increases in premium income earned by the subsidiaries Novara Vita and Po Vita.

## OTHER COSTS

Other costs amount to € 380,173K (€ 361,837K as at 30/06/2006) and are summarised in the table below:

(€K)	30/06/2007	30/06/2006	Variation	31/12/2006
Other technical charges	184,899	211,188	(26,289)	317,069
Provisions	23,325	33,661	(10,336)	67,002
Losses on receivables	5,566	4,929	637	10,830
Contingent liabilities	13,315	12,640	675	40,842
Amortisation of tangible fixed assets	7,959	7,503	456	14,583
Amortisation of intangible fixed assets	18,886	13,472	5,414	35,115
Exchange differences	6,927	8,850	(1,923)	19,612
Other costs	119,296	69,594	49,702	173,810
<b>Total</b>	<b>380,173</b>	<b>361,837</b>	<b>18,336</b>	<b>678,863</b>

In particular, the following charges are included in the “other costs” subitem shown in the table above:

- € 55m relating to the characteristic costs of the subsidiary Immobiliare Lombarda, including € 30m for services, € 20m for purchases of building rights and € 5m for staff costs;
- € 10m relating to production and labour costs for the subsidiaries Scai, Salevox and Starvox;
- € 10m relating to costs incurred by the subsidiary Pronto Assistenza Servizi to provide Group policyholders and clients with call centre and support services in the event of a claim;
- € 9m relating to costs incurred by Care Homes in which the Group has a controlling interest for typical activities and related labour costs;
- € 3m relating to the characteristic management costs of the subsidiary Saiagricola.

## TAXES

(€K)	30/06/2007	30/06/2006	Variation	31/12/2006
Current taxes	124,534	81,906	42,628	249,016
Deferred taxes	62,046	61,199	847	59,100
<b>Total</b>	<b>186,580</b>	<b>143,105</b>	<b>43,475</b>	<b>308,116</b>

---

Taxes for the financial year amount to € 186,580K (€ 143,105K as at 30/06/2006) as the combined effect of current taxes of € 124,534K and of net deferred taxes of € 62,046K.

Current national taxes (Ires and Irap) and taxes on foreign subsidiaries are calculated by applying the current nominal rates applicable to annual results to the respective taxable bases.

---

## PART D – Segment report

According to what is laid down by IAS 14, business segment disclosures provide an additional tool to improve the reader's understanding of the Group's economic/financial performance.

The logic underlying the application of the standard is that indicating how and where the Group's results are formed makes it possible to obtain information on both the Group's overall operability and, more especially, areas where risks and returns are concentrated.

The Group's primary reporting is by business segment. Group companies are organised and managed separately on the basis of the nature of the products and services supplied, for each business segment representing a strategic business unit offering different products and services.

In order to identify primary segments, the Group conducted an analysis of the risk/return profile of these segments and took into consideration the internal disclosure structure. The Non-life segment provides insurance cover for the events shown in article 2, paragraph 3, of Legislative Decree 209/05. The Life segment, on the other hand, offers insurance cover consisting of the payment of a capital amount or annuity when an event relating to human life occurs, as well as capitalisation contracts with no significant insurance risk (article 2, paragraph 1, Legislative Decree 209/05).

The property segment rents out offices, premises and dwellings that exceed the hedge requirements of the Group's technical/insurance reserves and is active in the investment property management and development market.

The Other Business segment, being of a residual nature, offers products and services within the scope of managed savings and asset management, as well as in the agricultural segment. Identification of the remaining segment is the result of a discretionary valuation aimed at showing the primary source of risks and benefits to which the Group is exposed.

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

Lastly, it should be considered that Isvap, with Instruction 2404/05, deemed it appropriate to show the Non-life and Life segments as de minimis disclosure for the purposes of segment reporting.

It should also be noted that, in accordance with the geographical breakdown of the Group's business during the first half of 2007, this was developed mainly in the European Union and that there are, therefore, no other geographical segments which satisfy the requirements laid down by IAS 14 par.69.

The balance sheet and profit and loss account broken down by segment are shown below:

Balance Sheet by sector of activity													
(€K)													
		Non-Life Insurance Sector		Life Insurance Sector		Property Sector		Other Activities Sector		Inter-sector combinations		Total	
		30/6/2007	31/12/2006	30/6/2007	31/12/2006	30/6/2007	31/12/2006	30/6/2007	31/12/2006	30/6/2007	31/12/2006	30/6/2007	31/12/2006
1	INTANGIBLE ASSETS	809,380	816,298	389,739	297,028	7,755	7,334	56,230	52,827			1,263,104	1,173,487
2	TANGIBLE ASSETS	319,970	314,622	14,777	14,583	798,058	745,237	83,636	90,204	-26	-26	1,216,415	1,164,620
3	REINSURERS' SHARE OF TECHNICAL RESERVES	715,034	684,509	217,036	211,194							932,070	895,703
4	INVESTMENTS	11,037,960	10,899,244	22,946,125	20,500,486	1,178,317	1,201,865	1,666,127	1,577,319	-394,011	-366,438	36,434,518	33,812,476
4.1	Investment property	1,107,935	1,088,553	33,999	33,990	960,147	978,477	24,977	24,608			2,127,058	2,125,628
4.2	Holdings in subsidiaries, associates and joint ventures	24,822	1,706	-1,656	-1,656	139,338	49,312	112,941	106,559			275,445	155,921
4.3	Investments held to maturity											0	0
4.4	Loans and receivables	407,354	406,888	231,940	229,056	23,042	23,029	971,380	1,002,244	-382,723	-355,354	1,250,993	1,305,863
4.5	Financial assets available for sale	9,151,956	9,036,148	14,210,958	13,556,309	49,192	147,576	426,810	327,578			23,838,916	23,067,611
4.6	Financial assets at fair value through profit and loss	345,893	365,949	8,470,884	6,682,787	6,598	3,471	130,019	116,330	-11,288	-11,084	8,942,106	7,157,453
5	SUNDRY RECEIVABLES	2,001,367	2,308,617	223,776	249,040	110,290	112,959	113,251	130,295	-17,255	-154,183	2,431,429	2,646,728
6	OTHER ASSETS	592,002	632,823	615,348	677,000	89,921	20,894	44,587	32,937	-297,126	-556,328	1,044,732	807,326
6.1	Deferred acquisition costs	306,132	301,350	17,697	19,622							323,829	320,972
6.2	Other assets	285,870	331,473	597,651	657,378	89,921	20,894	44,587	32,936	-297,126	-556,328	720,903	486,353
7	CASH IN HAND AND AT BANK AND EQUIVALENTS	317,491	253,680	343,227	312,498	60,142	75,897	166,525	218,348	-124,037	-137,391	763,348	723,032
	TOTAL ASSETS	15,793,204	15,909,793	24,750,028	22,261,829	2,244,483	2,164,186	2,130,356	2,101,930	-832,455	-1,214,366	44,085,616	41,223,372
1	NET EQUITY											5,234,359	5,054,542
2	PROVISIONS	202,800	207,054	16,398	13,599	10,719	11,193	4,602	4,830			234,519	236,676



3	TECHNICAL RESERVES	11,720,065	11,661,887	16,985,109	15,275,790					-11,288	-11,084	28,693,886	26,926,593
4	FINANCIAL LIABILITIES	1,083,816	1,072,113	5,945,864	5,204,752	478,264	380,731	920,637	906,824	-495,049	-484,525	7,933,532	7,079,895
4.1	Financial liabilities at fair value through profit or loss	164,723	153,503	5,349,519	4,624,354			75,266	64,175			5,589,508	4,842,032
4.2	Other financial liabilities	919,093	918,610	596,345	580,398	478,264	380,731	845,371	842,649	-495,049	-484,525	2,344,024	2,237,863
5	PAYABLES	642,577	731,629	202,994	189,902	86,250	83,748	132,458	227,871	-19,207	-163,731	1,045,072	1,069,419
6	OTHER LIABILITIES	853,054	918,396	289,179	419,209	43,516	36,582	65,385	37,060	-306,886	-555,000	944,248	856,247
	TOTAL NET EQUITY AND LIABILITIES	0	0	0	0	0	0	0	0	0	0	44,085,616	41,223,372
Profit and Loss Account by sector of activity													
(€K)													
		Non-Life Insurance Sector		Life Insurance Sector		Property Sector		Other Activities Sector		Inter-sector combinations		Total	
		30/6/2007	30/6/2006	30/6/2007	30/6/2006	30/6/2007	30/6/2006	30/6/2007	30/6/2006	30/6/2007	30/6/2006	30/6/2007	30/6/2006
1.1	Net premiums	3,571,235	3,528,064	2,362,743	1,200,800	0	0	0	0.00	0	0	5,933,978	4,728,864
1.1.1	Gross premiums earned	3,717,198	3,650,194	2,374,809	1,209,986		0		0		0	6,092,007	4,860,180
1.1.2	Premiums earned ceded in reinsurance	-145,963	-122,130	-12,066	-9,186		0		0		0	-158,029	-131,316
1.2	Commissions receivable		0	30,863	22,489		0	29,752	13,136	-368	-120	60,247	35,505
1.3	Income and expenditure deriving from financial instruments at fair value through profit or loss	36,004	-2,024	-41,600	-21,089	380	0	3,407	1,346	-203	-213	-2,012	-21,980
1.4	Income deriving from holdings in subsidiaries, associates and joint ventures			17,896	16,400		5,354	1,586	9,073	-444	-4,458	19,038	26,369
1.5	Income deriving from other financial instruments and investment property	224,904	216,400	362,483	344,920	27,743	40,980	59,326	43,922	-20,077	-22,362	654,379	623,860
1.6	Other revenue	105,814	67,818	7,084	6,659	59,368	40,737	144,618	143,915	-97,997	-79,806	218,887	179,323

<b>1</b>	<b>TOTAL REVENUE AND INCOME</b>	<b>3,937,957</b>	<b>3,810,258</b>	<b>2,739,469</b>	<b>1,570,179</b>	<b>87,491</b>	<b>87,071</b>	<b>238,689</b>	<b>211,392</b>	<b>-119,089</b>	<b>-106,959</b>	<b>6,884,517</b>	<b>5,571,941</b>
2.1	Net charges relating to claims	2,503,417	2,483,888	2,363,288	1,295,364	0	0	0	0	-203	-213	4,866,502	3,779,039
2.1.2	<i>Amounts paid and changes in technical reserves</i>	2,615,038	2,551,910	2,376,647	1,305,842		0		0	-203	-213	4,991,482	3,857,539
2.1.3	<i>Reinsurers' share</i>	-111,621	-68,022	-13,359	-10,478		0		0		0	-124,980	-78,500
2.2	Commissions payable		0	22,184	14,504		0	10,771	6,281		0	32,955	20,785
2.3	Expenses deriving from holdings in subsidiaries, associates and joint ventures	66	0		0	2,394	2,560		0		0	2,460	2,560
2.4	Expenses deriving from other financial instruments and investment property	59,040	51,206	48,434	38,684	26,701	22,520	31,531	25,133	-18,216	-20,163	147,490	117,380
2.5	Operating expenses	748,873	693,633	146,411	66,666	106	37,057	34,767	29,861		0	930,157	827,217
2.6	Other costs	224,761	272,928	54,051	33,498	59,385	3,074	142,647	138,920	-100,670	-86,583	380,174	361,837
<b>2</b>	<b>TOTAL COSTS AND EXPENSES</b>	<b>3,536,157</b>	<b>3,501,655</b>	<b>2,634,368</b>	<b>1,448,716</b>	<b>88,586</b>	<b>65,211</b>	<b>219,716</b>	<b>200,195</b>	<b>-119,089</b>	<b>-106,959</b>	<b>6,359,738</b>	<b>5,108,818</b>
	<b>PRE-TAX PROFIT (LOSS) FOR THE YEAR</b>	<b>401,800</b>	<b>308,603</b>	<b>105,101</b>	<b>121,463</b>	<b>-1,095</b>	<b>21,860</b>	<b>18,973</b>	<b>11,197</b>	<b>0</b>	<b>0</b>	<b>524,779</b>	<b>463,123</b>

---

## Part E – Information on business combinations

### **ACQUISITION OF EXCLUSIVE CONTROL OF BIPIEMME VITA S.P.A.**

On 14 June 2006, Banca Popolare di Milano and the subsidiary Milano Assicurazioni signed an agreement for the joint development under exclusive terms of the bancassurance business of the BPM Group in the life sector, signed on 21 December 2005.

Under the terms of the agreement, Milano initially acquired from BPM and the respective subsidiary Banca di Legnano a 46% stake in the capital of Bipiemme Vita S.p.A., for a price of € 90.5 million (fully paid-up on the date of the deed of purchase) with the opportunity to transfer the controlling share in the latter from the BPM Group to Milano itself by the purchase and sale of further shares amounting to 4% and 1% respectively, at two successive points in time, respectively by 31/12/2006 and 30/06/2007, exercising put and call options, in two tranches, which the parties have mutually granted to one another under certain conditions.

On 18 October 2006, Milano Assicurazioni exercised the first tranche of the aforesaid call option, buying 4% of Bipiemme Vita and therefore bringing its shareholding up to 50%. In accordance with the provisions of the contract, the purchase price was fixed at € 7.9m and paid on the same date.

After this option was exercised, an equal balance was achieved in the governance of Bipiemme Vita which, in accordance with IAS 31, was consolidated by the proportional method in the balance sheet as at 31 December 2006.

On 29 June 2007, Milano Assicurazioni exercised the second and last tranche of the call option, acquiring 1% of the company for € 2.2m and increasing its total holding to 51%. Therefore, the balance sheet of Bipiemme Vita as at 30 June 2007 was consolidated on a line-by-line basis, while for the profit and loss account, given that exclusive control was only reached at the end of the half year, the proportional consolidation was maintained.

The following is a summary of the values of the acquired net assets of Bipiemme Vita between the 2006 and 2007 financial years.

Net assets acquired in 2006, already recorded in the consolidated balance sheet as at 31 December 2006 following the proportional consolidation at 50%:

(€K)	Book value	Fair value adjustments	Total fair value
<b>Assets</b>			
Intangible assets	103	76,428	76,531
Tangible assets	11		11
Technical reserves borne by reinsurers	1,227		1,227
Investments	1,684,102		1,684,102
Sundry receivables	10,096		10,096
Deferred tax assets			
Other assets	22,946		22,946
Cash	14,419		14,419
<b>Total</b>	<b>1,732,904</b>	<b>76,428</b>	<b>1,809,332</b>
<b>Liabilities</b>			
Technical reserves	497,540		497,540
Financial liabilities	1,186,626		1,186,626
Other payables	146		146
Deferred tax liabilities	1,299	28,855	30,154
Other liabilities	16,831		16,831
<b>Total</b>	<b>1,702,442</b>	<b>28,855</b>	<b>1,731,297</b>
<b>Net assets acquired</b>	<b>30,462</b>	<b>47,573</b>	<b>78,035</b>
<b>Minorities' shares</b>			-
<b>Purchase price</b>			<b>98,622</b>
<b>Goodwill</b>			<b>20,587</b>

Net assets acquired in 2007 following the change in the method of consolidation of Bipiemme Vita, from proportional to line-by-line, that was made as a result of exclusive control being achieved by the purchase of the 1% holding:

(€K)	Book value	Fair value adjustments	Total fair value
<b>Assets</b>			
Intangible assets	90	76,428	76,518
Tangible assets	126		126
Technical reserves borne by reinsurers	1,710		1,710
Investments	1,796,648		1,796,648
Sundry receivables	20,850		20,850
Deferred tax assets	59		59
Other assets	17,902		17,902
Cash	32,944		32,944
<b>Total</b>	<b>1,870,329</b>	<b>76,428</b>	<b>1,946,757</b>
<b>Liabilities</b>			
Technical reserves	674,325		674,325
Financial liabilities	1,095,180		1,095,180
Other payables	20,959		20,959
Deferred tax liabilities	2,538	28,855	31,393
Other liabilities	29,416		29,416
<b>Total</b>	<b>1,822,418</b>	<b>28,855</b>	<b>1,851,273</b>
<b>Net assets acquired</b>	<b>47,911</b>	<b>47,573</b>	<b>95,484</b>
<b>Minorities' shares</b>			<b>93,575</b>
<b>Purchase price</b>			<b>2,167</b>
<b>Goodwill</b>			<b>258</b>

The fair value adjustments refer to the value of the Bipiemme Vita insurance portfolio net of the respective taxes, already existing at the moment of acquisition, which are amortised in accordance with the respective average due date.

The net cash flow of the acquisition is the following:

(€K)	
Payment in cash	(2,167)
Cash and bank acquired	32,944
<b>Net incoming/(outgoing) cash flow</b>	<b>30,777</b>

---

## ACQUISITION OF 51.66% OF S.E.I.S. S.p.A.

During the period, the Group acquired 100% of the company Sintesi Seconda S.r.l. and 51.66% of the company S.E.I.S. S.p.A..

The fair value of the assets and liabilities acquired by the Group on the date of the transaction is the following:

<b><u>Acquisition of S.E.I.S. S.p.A.</u></b>	<b>Book value</b>	<b>Apportioned book value (51.66%)</b>	<b>Fair value</b>
Plant and machinery	159	82	82
Other intangible assets	1	1	1
Licences	-	-	-
Stocks	7,668	3,961	19,374
Commercial receivables and other receivables	447	231	231
Other financial assets	1,914	989	989
Cash	5	3	3
	10,194	5,267	20,680
Loans and financing	4,784	2,471	2,471
Commercial payables and other payables	336	174	174
Funds	131	<b>68</b>	<b>68</b>
Tax liabilities	-	-	5,741
Other financial liabilities	360	186	186
	5,611	2,899	8,640
<b>Fair value of net assets</b>	<b>4,583</b>	<b>2,368</b>	<b>12,040</b>

The net cash flow of the acquisition is the following:

(€K)

Payment in cash	(12,040)
Cash and bank acquired	5
<b>Net incoming/(outgoing) cash flow</b>	<b>(12,035)</b>

## ACQUISITION OF 100% OF SINTESI SECONDA S.R.L.

<b><u>Acquisition of Sintesi Seconda S.r.l.</u></b>	<b>Book value</b>	<b>Fair value</b>
Plant and machinery	-	-
Other intangible assets	-	-
Licences	-	-
Stocks	36,000	36,020
Commercial receivables and other receivables	137	137
Other financial assets	1	1
Cash	262	262
	<b>36,400</b>	<b>36,420</b>
Loans and financing	-	-
Commercial payables and other payables	351	351
Funds	-	-
Tax liabilities	-	-
Other financial liabilities	-	-
	<b>351</b>	<b>351</b>
<b>Fair value of net assets</b>	<b>36,049</b>	<b>36,069</b>

The net cash flow of the acquisition is the following:

(€K)

Payment in cash	(36,069)
Cash and bank acquired	262
<b>Net incoming/(outgoing) cash flow</b>	<b>(35,807)</b>

---

## ASSETS AND LIABILITIES IN THE COURSE OF DIVESTMENT

A preliminary contract was signed in June for the sale of 100% of the shareholding in Novara Assicura, a company operating in the Non-life sector, to a Company of the Banco Popolare di Verona e Novara Group. The operation is expected to be completed by 30 November 2007.

The assets and liabilities of Novara Assicura as at 30 June 2007 are shown below:

(€K)

<b>Assets (non-life sector)</b>	
Investments	15,327
Sundry receivables	240
Other assets	319
Cash	782
<b>Total</b>	<b>16,668</b>
<b>Liabilities (non-life sector)</b>	
Technical reserves	1,885
Other payables	166
Other liabilities	811
<b>Total</b>	<b>2,862</b>
<b>Net book equity</b>	<b>13,806</b>
<b>Transfer price</b>	<b>15,600</b>



---

## Part F – Other information

### INFORMATION ABOUT FINANCIAL RISKS

#### Derivative financial instruments

The Group makes limited use of derivative financial instruments. In fact, the characteristics and specific nature of the insurance business mean that the use of derivative financial instruments is regulated by appropriate framework operating resolutions required by the supervisory body in its Regulation no. 297/1996.

The aforesaid regulation requires operations involving derivative financial instruments for the purpose of so-called effective management not to exceed a reasonable percentage of the available solvency margin. In this respect, we should point out that the Group's operations involving derivative financial instruments has been primarily aimed at hedging the fair value of a number of significant shareholdings classed as available for sale, and at containing the interest rate risk on a number of liability transactions.

In respect of the first of the above hedging operations, the Group has drawn up the respective hedging reports, which demonstrate the high level of effectiveness of these operations.

The following table shows the book values as at 30/06/2007 of the aforementioned hedging derivatives and the resulting revaluations of the hedged AFS shares:

(€K)	Assets	Liabilities
<b>AFS shares</b>		
Fondiaria-SAI S.p.A.	138,348	138,348
Milano Assicurazioni S.p.A.	26,375	26,375
<b>Total</b>	<b>164,723</b>	<b>164,723</b>

The hedged item has therefore been adjusted by the variations in fair value attributable to the hedged risk with a counter-entry in the profit and loss account. The profits and losses resulting from the valuation of the hedging derivative are also recorded in the profit and loss account. As at 30 June 2007, the impact on the profit and loss account of the market valuations of the hedged shares and of the respective hedging derivatives amounted to € 9,372K for Fondiaria-SAI and € 1,223K for Milano Assicurazioni.

Following the closure of the hedging derivatives on the RCS Mediagroup ord. securities, the Parent Company realised the existing credit amounting to € 1,013K.

The impact on the consolidated profit and loss account was nil because a capital loss for the hedging derivative was recorded against the net increase in the value of the hedged financial instruments.

The Group enters into Interest Rate Swap contracts in order to manager the risk arising from changes in interest rates on the debt exposure to banks, converting part of these loans from variable rates to fixed rates. These derivative financial instruments are recorded as assets when the fair value is positive and as liabilities when it is negative. This fair value is periodically re-measured.

The fair value of a derivative instrument is the current value of the cash flow which the company expects to received from the contract itself: these variations in value must be recorded as counterparts to a net equity reserve and subsequently entered in the profit and loss account in order to neutralise the effects of the operation.

The profit and loss part associated with the derivative hedging instrument that is equal to the variation in the fair value of the expected flows in absolute terms, being considered an effective hedge (range of 80%-125%), must be directly posted to the net equity; the ineffective portion of the profits and losses on the hedging instrument must be posted to the profit and loss account and consists of overhedging. If however the surplus value is on the side of the hedged instrument (underhedging), the whole variation in the fair value of the derivative must be posted to the net equity.

If it is believed that the future transaction will not take place, all the profit and loss components allocated to the net equity must immediately to posted to the profit and loss account.

At the present time, contracts for a notional amount of approximately € 394m have been drawn up (€ 394m as at 31/12/2006).

As at 30/06/2007, the fair value of the IRSs is estimated to be € 6.1m approximately. These derivative instruments are desganted as future cash flow hedging instruments: as a result, the hedging has turned out to be highly effective.

Furthermore, we should point out that the five derivative contracts and the underlying financial instruments have the same reference amount, expiry dates, currency and rate. Here is an illustration of the current IRS operations as at 30/06/2007:

(€K)					Fair value	
Company	Notional	Expiry	Fixed rate %	Variable rate	30/06/2007	31/12/2006
Fondiaria-SAI	200,000	23-Jul-13	3.970	Euribor 6 months Act/360	1,950	2,025
				Euribor 6 months Act/360		1,305
Tikal	50,000	31-Dec-09	3.160	Euribor 6 months Act/360	1,066	
				Euribor 6 months Act/360		1,581
Tikal	58,000	31-Dec-09	3.120	Euribor 6 months Act/360	1,291	
Immobiliare				Euribor 6 months		244
Lombarda	42,857	31-Dec-12	3.770	30/360	837	
Immobiliare				Euribor 6 months		340
Lombarda	42,857	31-Dec-12	3.695	30/360	919	
<b>TOTAL</b>					<b>6,063</b>	<b>5,496</b>

---

## Part G – Information on transactions with related parties

The presentation in the accounts of the disclosure regarding “Related Parties” is governed by IAS 24 and by the relevant Consob Communication, to which the reader is referred.

The main asset, financial and economic relations between the Parent Company and its subsidiaries (whether or not they come within the scope of articles 2497 *et seq.* of the Civil Code) are shown in the Management Report of the individual half-year report.

Transactions between the Parent Company and its subsidiaries, which are related parties of the Parent Company itself, have been eliminated from these consolidated accounts and are not therefore shown in these notes

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

### Transactions of a commercial and financial nature

(€K)	30/06/2007		31/12/2006	
	Assets	Liabilities	Assets	Liabilities
Parent company	-	-	-	1,283
Associated companies and joint ventures	62,413	771	65,585	-
Affiliated companies	-	-	1	20
Other related parties	180,077	10,810	174,728	13,341

(€K)	30/06/2007		30/06/2006	
	Income	Charges	Income	Charges
Parent company	-	-	289	-
Associated companies and joint ventures	1,805	50	411	-
Affiliated companies	-	-	-	-
Other related parties	4,449	13,378	5,839	15,283

Note that the transactions shown above were all carried out under normal market conditions. The receivables recorded among assets are not guaranteed and will be settled in cash. No appropriation was made during the financial year for any losses on receivables from related entities.

Note the following with regard to the main relationships:

The main relationships which resulted in payments to related companies and joint ventures relate to:

- € 27.7m in respect of Garibaldi S.c.s. with regard to the interest-bearing loan granted by Milano Assicurazioni S.p.A.;
- € 16.6m in respect of Ex Var S.c.s. with regard to an interest-bearing loan granted by

---

Fondiarria-SAI S.p.A. and or a shareholders' loan granted by Immobiliare Lombarda S.p.A.

- € 6.8m in respect of Borsetto S.r.l. with regard to a shareholders' loan granted by Immobiliare Lombarda S.p.A..

The main relationships that resulted in payments to Other Related Parties mainly relate to:

- € 30m of advance payments made to IM.CO. S.p.A. with regard to the property project relating to the buildable area on Via Lancetti, Milan. This operation, which was launched during the 2003 financial year, provided for the transfer to IM.CO. S.p.A. of the buildable area and the purchase from IM.CO. S.p.A. of the property complex which is currently being built in the area in question, for a price of € 36.4m.
- € 30m of advance payments made to IM.CO. S.p.A. with regard to the property operation relating to the land situated at Via Confalonieri-Via de Castilia (Lunetta dell'Isola), Milan. The project involved the transfer of the said land to IM.CO. S.p.A. during the 2005 financial year and provides for the purchase from IM.CO. S.p.A. for € 94m of a service business property that will be built on the transferred land.
- € 2.4m in respect of IM.CO. S.p.A. by Fondiarria-SAI S.p.A. to support additional costs on the buildings owned.
- € 13.7m in respect of IM.CO. S.p.A. by Immobiliare Lombarda S.p.A. in the form of advances paid for the future construction of various buildings and additional costs on the buildings owned.
- € 74.4m of advances paid to the company Avvenimenti e Sviluppo Alberghiero S.r.l. in relation to the implementation of property contracts relating to the buildable area on Via Fiorentini, Rome. We should remind you that this operation, which was launched in the 2003 financial year, provided for the transfer to the company Avvenimenti e Sviluppo Alberghiero S.r.l. of the buildable area and the acquisition from the purchasing company of the property complex that is being built in the area in question for a price of € 96.2m.
- € 16m payable to Immobiliare Lombarda S.p.A. by I.C.E.IN S.p.A. as advances on extraordinary maintenance operations and advance payments for future construction work.
- € 10m incurred by the subsidiary N.I.T. S.r.l. and payable to Europrogetti S.r.l. in respect of work progress reports on properties owned.

The liabilities in respect of Other Related Parties relate primarily to the commercial debts of the subsidiary Immobiliare Lombarda S.p.A. in respect of IM.CO. S.p.A. of € 4.6m and Atahotels S.p.A. of € 3.7m.

The income in respect of Associated Companies and joint ventures relates primarily to interest on loans incurred by the associated company Garibaldi S.c.s. in respect of Milano Assicurazioni S.p.A. and Ex Var in respect of Fondiarria-SAI and Immobiliare Lombarda.

The income in respect of Other Related Parties relates primarily to active leases of Immobiliare Lombarda S.p.A. of € 2m and in respect of Atahotels S.p.A..

The charges in respect of Other Related Parties relate primarily to fees of € 8m payable to Directors for posts held in Group companies.

Finally, € 5.2m were incurred by Immobiliare Lombarda (€ 3.7m) and Fondiarria-SAI (€ 1.5m) in respect of operating costs and maintenance of the property assets respectively.

---

The charges payable to other related parties do not include the stock option plan costs, which amount to € 11.6m and are recorded in accordance with IFRS 2.

IM.CO S.p.A., I.C.E.IN. S.p.A., Atahotels S.p.A. and Avvenimenti e Sviluppo Alberghiero S.r.l. are related parties because some of the members of their administration bodies, or of the administration bodies of their parent companies, are the same as those of Fondiaria-SAI and/or its Subsidiaries.

As regards the transactions carried out with related parties, we should point out that there are no significant positions or transactions arising from atypical and/or unusual operations.

## **DIVIDENDS**

The total amount of dividends paid on the profit for the 2007 financial year was € 125,171K on ordinary shares (€ 119,359K in 2006) and € 45,563K on savings shares (€ 42,678K in 2006).

## **SOLVENCY MARGIN AND HEDGING ASSETS**

The elements that constitute the Group's solvency margin are adequate to cover the margin required under the provisions of ISVAP Instruction no. 2050 of 26/02/2002.

Based on the growth trend in the second half of the year, one can assume that the margin required at the end of the financial year for the fully consolidated subsidiaries will be covered by the corresponding constitutive elements. For details regarding the Parent Company, see the information already provided in the statutory accounts.

As at the date on which this half year report was drawn up, the consolidated insurance companies had sufficient assets to cover the increase in technical reserves from Italian direct business and no shortages are expected in respect of them as regards the constitutive elements of solvency.

As regards the subsidiary Novara Vita, we should like to point out that, as at 30/06/2007, the elements constituting the solvency margin, net of the earnings for the period, amount to € 64.5m, providing a surplus of € 0.3m over and above the margin required by the same date.

Given that an expansion of the distribution network and the consequent development of the company are expected during the second half year, the Shareholders will be invited to an Extraordinary Shareholders' Meeting to resolve on a proposal to increase the share capital in order to supplement the elements constituting the solvency margin.

---

## Profit per share

The following information is provided with regard to IAS 33:

	30/06/2007	30/06/2006
Net profit attributable to the Parent Company's ordinary shareholders (€K)	254,035	236,770
Average weighted number of ordinary shares for the purpose of determining the basic profit per share	117,102,648	117,976,406
Basic profit per share	2.17	2.01
<i>Effect of dilution:</i>		
Average weighted and adjusted number of ordinary shares for the purposes of the diluted profit per share	118,271,508	120,818,941
Diluted profit per share	2.15	1.96

Note that the weighted average of shares in circulation is decreased by the weighted average of own shares owned by the Fondiaria-SAI group.

In calculating the basic profit, accounts is taken of the shares issued from the moment the warrants are exercised, while in calculating the diluted profit the number ordinary shares is increased by all the potential shares. Note also that the net consolidated profit is decreased by the dividends distributed to savings shareholders.

## Stock option plans

On 14 July 2006, the Board of Directors of Fondiaria-SAI resolved to allocate the options in the 2006-2011 stock option plans to the executive directors and management of Fondiaria-SAI, its subsidiaries and the parent company for the purchase of savings shares in Fondiaria-SAI itself. The assignment by the Board took place in accordance with the resolution of the Fondiaria-SAI AGM of 28 April 2006.

Meeting on 20 June 2007, the Board of Directors resolved to bring forward the expiry date of the vesting period established by the stock option plan regulations.

In particular, each tranche of options may be exercised one year early.

The decision to bring forward the expiry date of the vesting period is a result of the early achievement of a number of objectives in the Group's Business Plan for 2006-2008, to which the exercise of these options was subject, and of the different tax system to which the plans are now subject compared to their date of approval.

According to the amendments made to the plan regulations by the Board of Directors of Fondiaria-SAI on 20 June 2007, the options can only be exercised in the following way after a vesting period running from the date of assignment has expired:

- 40% of the options may be exercised as of 14 July 2007 (once 12 months have elapsed from the date of assignment);
- 30% of the options cannot be exercised until 24 months have elapsed from the date of assignment;
- 30% of the options cannot be exercised until 36 months have elapsed from the date of assignment;

---

On expiry of the vesting period, the beneficiaries have the following alternatives:

- maintaining the options until expiry;
- exercising the options, subscribing the shares and keeping them in the portfolio;
- exercising the options, subscribing the shares and selling them on the market;

In any case, options not exercised within 5 years of the date of the AGM will automatically be forfeited.

The power to exercise the option is in any case suspended for a period running between 10 days before the date of the Board of Directors meeting called to approve the accounts and the date of detachment of the dividend.

The Regulations also impose restrictions on the way in which options can be exercised and specifically:

- once the options have been exercised and the respective share subscription has taken place, no more than 10% or 15% (for the management plan and the executive directors respectively) of the daily average of volumes recorded in the third days preceding the date chosen for the sale may be sold every day;
- share that result from the options being exercised cannot be traded during the month in which the Board of Directors has been convened for approval of the accounts and of the half-year statement.

In the event that, due to changes in the current state of welfare and tax legislation and any other applicable law, or in the respective interpretation and application, implementation of the Plan should involve welfare, tax or other costs for the Company, the latter will be entitled to amend the Plan, or to withdraw from the Plan itself, without the beneficiaries having any right to compensation.

Finally, the Board has also resolved to make exercising the options conditional upon the achievement of the main objectives of the Group's Business Plan for 2006-2008, already made known to the market.

Consequently, pursuant to IFRS 2 "Share-based payments", the periods for which the implicit costs associated with the aforementioned stock option plan should be posted to the profit and loss account have again been determined taking this earlier exercise date into account. Appropriate valuation models have therefore been used to determine the fair value of the options. Consequently the cost of labour for the period in the consolidated balance sheet of Fondiaria-SAI (net of the options assigned to the parent company) has been increased as a counterpart to a net equity reserve of € 11.6m, which includes € 8.5m relating to the Parent Company.

Given that the plan also involves a number of executive directors and managers of the subsidiaries Milano Assicurazioni and Immobiliare Lombarda, the financial effects of the stock option plan are also recorded in the accounts of the aforesaid companies in the amounts that correspond to them. Vice versa, the consolidated accounts of Fondiaria-SAI do not record the cost of options allocated to executive directors and managers of the parent company. The total cost of the plan for the Fondiaria-SAI Group is estimated to be € 36m.

(Values in €)	Number of options granted	Residual life	Optional value	Total cost	Cost as at 30/06/2007
Tranche A	5,173,360	0	2.792	14,445,940	7,163,603
Tranche B	3,880,020	1	2.708	10,506,003	2,601,349
Tranche C	3,880,020	2	2.809	10,897,715	1,799,714
<b>Total for Fondiaria-SAI Group</b>	<b>12,933,400</b>			<b>35,849,658</b>	<b>11,564,667</b>
Options attributable to the parent company	2,066,600				
<b>Total</b>	<b>15,000,000</b>				

## CURRENT DISPUTES

See the details provided in the Parent Company's report. No significant disputes exist with regard to the subsidiaries.

## NUMBER OF EMPLOYEES IN THE GROUP

As at 30/06/2007, the Group had 6,155 employees (6,130 as at 31/12/2006). This figure can be broken down as follows:

(Number)	30/06/2007	31/12/2006	Variation
Executives	165	147	18
Officers and employees	5,894	5,874	20
Others	96	109	(13)
<b>Total</b>	<b>6,155</b>	<b>6,130</b>	<b>25</b>

We should point out that the overall staff cost for the Group as at 30/06/2007 amounts to € 231m (€ 379m as at 31/12/2006).

## SPECIFIC NOTES

With regard to the requirements of IAS 34, paragraph 16, note the following:

- The insurance sector is not in itself a seasonal sector. At the moment, therefore, there are no indicators that point to the existence of cyclical events in the accounting period in question.



- 
- There were no unusual elements in the period in question that could have had a significant effect on the items in the asset and liability statement, profit and loss account or financial flows.
  - No variations occurred in the estimates made in periods and financial years prior to the current period which could have had a significant effect on the intermediate period in question.

With regard to the requirements of IAS 37, we should also point out that the Group knows of no potential assets or liabilities of a significant nature that did not exist as at 31/12/2006 and in respect of which specific disclosure should be provided.

---

## **SIGNIFICANT EVENTS THAT OCCURRED AFTER THE END OF THE HALF YEAR**

### **Purchase of the shareholding in BPV Vita S.p.A.**

On 07/09/2007, the Fondiaria-SAI Group and the Banco Popolare Group signed an agreement for a strategic and exclusive partnership in the Banco Popolare Group bancassurance sector relating to the Life and Welfare business.

After having obtained the necessary authorisations from the relevant authorities, Fondiaria-SAI acquired a total holding of 50% plus one share in BPV Vita S.p.A. from the Banco Popolare Group for € 530m.

In particular, in order to acquire this holding, Fondiaria-SAI acquired 35% of share capital from Banco Popolare S.c.a.r.l. for € 371m and 15% of share capital from Credito Bergamasco S.p.A. for € 159m.

The Fondiaria-SAI Group and the Banco Popolare Group also signed a shareholders' agreement to govern the business aspects of the partnership and establish the corporate governance rules of BPV Vita. In addition to containing a number of appropriate clauses that will allow the Fondiaria-SAI Group fully to consolidated BPV Vita, the agreement also provides for reciprocal put&call options in the event of a dissolution of the partnership, providing for the Fondiaria-SAI shareholding to be valued by the appraisal method.

Also on 07/09/2007, BPV Vita and the networks of the Banco Popolare Group signed a distribution agreement for a ten year term, renewable for further periods of 5 years. This agreement will be exclusive from 1 January 2008, subject to the residual distribution agreements with Aviva (non-exclusive agreement expiring at the end of 2009) and Aurora (exclusive agreement expiring in May 2009) applicable, respectively, to the branches of BPI and to the branches of the S.p.A. banking network. Once fully operational, the BPV Vita distribution will be able to count on a total network of around 2,200 branches with an annual premium income target of approximately € 6bn when fully operational.

### **Vehicle repair project**

Fondiaria-SAI has set up an appropriate and fully-owned vehicle company called Auto Presto & Bene S.r.l. (formerly SAI Sistemi Assicurativi S.r.l.) to be used for the purpose of implementing a project to launch a new system to manage vehicle repairs, which will allow the Parent Company to benefit from the opportunities arising from the introduction of the new direct compensation system.

It is important to note that Fondiaria-SAI paid out just over 1 billion euros for vehicle repairs in 2006, that the direct compensation system will increase the opportunity to extract value from the vehicle repair system and that the market share reached will allow the Company and the Group to seize the market opportunities.

The compulsory and optional channelling provided for by the new regulations is one of the drivers for creating value, together with the opportunity to control the quality of service and to intervene in the supply chain through agreements with suppliers and repair centres. The purpose of this is to pay the right price, offer an excellent service and acquire margins in the value chain.

The plan would allow the cost of labour and the cost of spare parts to be reduced. The first step to reducing repair costs is to ensure proper monitoring in order to identify any critical mistakes in the activities of vehicle repair centres.

---

Given that the vehicle repair business is completely different from the insurance business, it has been necessary to keep the two businesses separate, just as other companies have already done. The aforesaid vehicle company has therefore been identified for this purpose and will carry out the following activities:

- aggregating demand and negotiating with suppliers;
- controlling repair costs with specialised resources;
- controlling the IT infrastructure;
- controlling the working capital and balancing stocks;
- auditing and developing vehicle repair centres.

Both the vehicle company and the development of highly integrated models at local level may benefit from partnerships and/or acquisitions.

The winning model has a variable geometry, with selective multi-level integration across the territory. The scenario of vehicle claims is in fact very diverse across the country and local specificities suggest having a varied geometry with a high level of integration limited to high density areas in central and northern Italy.

The operating model will have the following objectives:

- to implement a peripheral control system for loss adjusters and body repair centres;
- to optimise the system of fiduciary checks;
- to involve agents in optimising the channelling system;
- to implement IT interfaces.

#### **PROPERTY OPERATIONS:**

- During July, the Tikal R.E. Fund sold the building for commercial use situated at Piazzale dell'Industria, Rome, for € 120m, achieving a significant capital gain.
- On 26 July 2007, through the newly established company Chrysalis S.p.A., in which it owns 20% of the share capital, Immobiliare Lombarda submitted an offer document to CONSOB in Milan for the purchase of all the units in the BETA Immobiliare closed property mutual investment fund set up and managed by FIMIT Sgr. The amount offered per unit was agreed at € 1,213.00. The period for subscribing to the offer, agreed with Borsa Italiana S.p.A., will run from 20 August 2007 to 14 September 2007, unless subsequently extended. Capitalia S.p.A. has been appointed as the intermediary in charge of coordinating the collection of subscriptions.

#### **BUSINESS OUTLOOK**

Management actions and initiatives aimed at achieving the objectives of the strategic plan for the 2006-2008 triennium will continue in 2007.

The activities will pursue the following objectives in particular:

- being a leader in the Motor Classes and in the retail sector of the Non-Marine Classes in Italy;

- 
- maintaining excellent levels of profitability;
  - developing new initiatives for growth in Italy and, possibly, abroad;
  - offering an attractive risk profile and return profile to shareholders.

In this context, initiatives are taking shape aimed at strengthening and training the sales network, while the development of the Non-Motor Classes will also include the launch and/or strengthening of agreements in the Non-life bancassurance sector. Leadership in the Motor Classes will in turn be confirmed by the relaunch of direct sales channels, to which resources will be dedicated aimed at ensuring the necessary amount of visibility and publicity.

Business in the Life Classes will continue with greater attention paid to maturing capital, prioritising commercial objectives that are more focused on the intrinsic value of the portfolio than on the volumes as such. The development of bancassurance channels will continue, both by means of targeted commercial agreements and by means of joint ventures.

As regards the property business, activities will continued based on different risk profiles: as regards the Group's insurance companies, investment will continue in property offering significant returns for the benefit of technical reserves; Immobiliare Lombarda and the Tikal Fund will however be involved in development initiatives, both on their own and as part of joint ventures, with the aim of maximising returns on investments in the medium term.

Finally, action will continue aimed at strengthening equity in order to improve the rating, increasing the diversification of investments in order to reduce risk and increase profitability.

In a national market in which structural processes of change are taking place, such as the new direct compensation procedure in the Motor TPL sector or the new developments contained in the Bersani Decree, the Group intends to seize opportunities for development and profitability offered by the new scenarios.

In this context, even though we do not yet have objectively definite data regarding the economic effects of the changes recently introduced, we are confident that the result for 2007 will of an excellent standard.

*Milan, 12 September 2007*

*For the Board of Directors  
The Chairman*

*Jonella Ligresti*

---

**Statement pursuant to article 154-ii, paragraph 2, Legislative Decree  
24/2/1998 no. 58**

The undersigned Pier Giorgio Bedogni, in his capacity as the executive assigned to drawing up the corporate accounting documents of Fondiaria-SAI S.p.A.

certifies

pursuant to the terms of the second paragraph of article 154-ii of the *Testo Unico in materia di intermediazione finanziaria* (Italian consolidation act on financial intermediation) that, to his knowledge, the Consolidated Half-Year Report as at 30 June 2007 corresponds to the contents of the accounting documents, books and records.

*Milan, 12 September 2007*

*documents*

*Executive assigned  
to drawing up the corporate accounting*

*Dr. Pier Giorgio Bedogni*

---

# Annexes

	Basis of consolidation							
		(Value in Euros)						
Order number	Company name	Status	Method (1)	Activity (2)	% Direct shareholding	% Total interest (3)	% Votes available at ordinary general meeting (4)	% consolidation
1	BANCA SAI SPA	86	G	7	100.00	100.00	100.00	100.00
2	BIM VITA SPA	86	G	1	50.00	50.00	50.00	100.00
3	BRAMANTE SRL	86	G	10	0.00	54.17	100.00	100.00
5	CAMPO CARLO MAGNO SPA	86	G	10	0.00	59.31	100.00	100.00
6	CARPACCIO SRL	86	G	10	0.00	54.17	100.00	100.00
7	CASA DI CURA VILLA DONATELLO SPA	86	G	11	100.00	100.00	100.00	100.00
8	CASA DI CURA VILLANOVA SRL	86	G	11	100.00	100.00	100.00	100.00
9	CASCINE TRENNO S.R.L	86	G	10	0.00	54.17	100.00	100.00
10	COLPETRONE SRL	86	G	11	0.00	97.03	100.00	100.00
11	CONSORZIO CASTELLO	86	G	10	0.00	98.39	99.66	100.00
12	CONSULENZA AZIENDALE PER L'INFORMATICA SCAI SPA	86	G	11	30.07	30.07	30.07	100.00
13	COS.ED SPA	86	G	10	0.00	54.17	100.00	100.00
14	CRIVELLI SRL	86	G	10	0.00	54.17	100.00	100.00
15	DIALOGO ASSICURAZIONI SPA	86	G	1	0.00	59.23	99.85	100.00
16	DOMINION INSURANCE HOLDING LTD	31	G	11	100.00	100.00	100.00	100.00
17	EFFE FINANZIARIA SPA	86	G	11	0.00	100.00	100.00	100.00
18	SAI ASSET MANAGEMENT SGR	86	G	8	100.00	100.00	100.00	100.00

19	EFFE VITA SPA	86	G	1	100.00	100.00	100.00	100.00
20	EUROPA TUTELA GIUDIZIARIA SPA	86	G	1	100.00	100.00	100.00	100.00
21	EUROSAI FINANZIARIA DI PARTECIPAZIOE SRL	86	G	11	0.00	100.00	100.00	100.00
22	FINITALIA SPA	86	G	11	0.00	100.00	100.00	100.00
23	FINSAI INTERNATIONAL SA	92	G	11	38.53	100.00	100.00	100.00
24	FONDIARIA NEDERLAND BV	50	G	11	100.00	100.00	100.00	100.00
25	FONDIPREV SPA	86	G	1	40.00	75.59	100.00	100.00
26	IMMOBILIARI LITORELLA SRL	86	G	10	50.12	54.17	100.00	100.00
27	IMMOBILIARE LOMBARDA SPA	86	G	10	0.00	54.17	56.95	100.00
28	INIZIATIVE VALORIZZAZIONI EDILI SRL	86	G	10	0.00	54.17	100.00	100.00
29	INSEDIAMENTI AVANZATI NEL TERRITORIO I.A.T. APA	86	G	10	0.00	54.17	100.00	100.00
30	MAA FINANZIARIA SPA	86	G	11	0.00	59.31	100.00	100.00
31	MANTEGNA SRL	86	G	10	100.00	100.00	100.00	100.00
32	MASACCIO SRL	86	G	10	0.00	54.17	100.00	100.00
33	MERIDIANO BELLARMINO SRL	86	G	10	0.00	54.17	100.00	100.00
34	MERIDIANO BRUZZANO SRL	86	G	10	0.00	54.17	100.00	100.00
35	MERIDIANO EUR SRL	86	G	10	0.00	59.31	100.00	100.00
36	MERIDIANO ORIZZONTI SRL	86	G	10	0.00	59.31	100.00	100.00
37	MERIDIANO PRIMO SRL	86	G	10	0.00	54.17	100.00	100.00
38	MERIDIANO QUARTO SRL	86	G	10	0.00	100.00	100.00	100.00
39	MERIDIANO RISPARMIO SRL	86	G	10	100.00	100.00	100.00	100.00
40	MERIDIANO SECONDO SRL	86	G	10	0.00	54.17	100.00	100.00
41	MERIDIANO TERZO SRL	86	G	11	0.00	100.00	100.00	100.00
42	MILANO ASSICURAZIONI SPA	86	G	1	56.45	59.31	59.32	



								100.00
43	MIZAR SRL	86	G	10	0.00	54.17	100.00	100.00
45	NOVARA VITA SPA	86	G	1	0.00	50.00	50.00	100.00
46	NUOVA IMPRESA EDIFICATRICE MODERNA SRL	86	G	10	0.00	54.17	100.00	100.00
47	NUOVE INIZIATIVE TOSCANE SRL	86	G	10	96.88	98.73	100.00	100.00
48	MARINA DI LOANO SPA (EX PORTOBELLO)	86	G	10	0.00	54.17	100.00	100.00
49	PORTOFINO VETTA SRL	86	G	10	100.00	100.00	100.00	100.00
50	PROGETTO BICOCCA LA PIAZZA SRL	86	G	10	0.00	40.09	74.00	100.00
51	PRONTO ASSISTANCE SPA	86	G	1	100.00	100.00	100.00	100.00
52	PRONTO ASSISTANCE SERVIZI SPA	86	G	11	0.00	100.00	100.00	100.00
53	RISTRUTTURAZIONI EDILI MODERNE SRL	86	G	10	0.00	54.17	100.00	100.00
54	SAIAGRICOLA SPA	86	G	11	92.00	97.23	100.00	100.00
55	SAIFIN SAIFINANZIARIA SPA	86	G	11	100.00	100.00	100.00	100.00
56	SAI INVESTIMENTI S.G.R. SPA	86	G	8	51.00	68.20	80.00	100.00
57	SAINTERNATIONAL SA	92	G	11	99.99	99.99	99.99	100.00
58	SAIHOLDING SPA	86	G	11	100.00	100.00	100.00	100.00
59	SAILUX SA	92	G	11	0.00	100.00	100.00	100.00
60	SAI MERCATI MOBILIARI SIM SPA	86	G	11	100.00	100.00	100.00	100.00
61	SALEVOX SRL	86	G	11	0.00	100.00	100.00	100.00
62	SANTA MARIA DEL FICO SRL	86	G	11	0.00	97.23	100.00	100.00
63	SASA ASS. E RIASS. SPA	86	G	1	99.99	99.99	99.99	100.00
64	SASA VITA SPA	86	G	1	50.00	100.00	100.00	100.00
65	SERVICE GRUPPO FONDIARIA SPA	86	G	11	70.00	87.79	100.00	100.00

66	SIAT SOCIETA' ITALIANA DI ASS. E RIASS. SPA	86	G	1	0.00	88.33	88.33	100.00
67	SIM ETOILE SA	29	G	10	99.99	99.99	99.99	100.00
68	SOGEINT SRL	86	G	11	0.00	59.31	100.00	100.00
69	SRP ASSET MANAGEMENT SA	71	G	11	0.00	100.00	100.00	100.00
70	STARVOX SPA	86	G	11	100.00	100.00	100.00	100.00
71	STIMMA SRL	86	G	10	100.00	100.00	100.00	100.00
72	SYSTEMA COMPAGNIA DI ASS.NI SPA	86	G	1	0.00	59.31	100.00	100.00
73	THE LAWRENCE LIFE ASSURANCE LTD	40	G	2	0.00	100.00	100.00	100.00
74	THE LAWRENCE RE IRELAND LTD	40	G	5	0.00	100.00	100.00	100.00
75	TIKAL R.E.FUND	86	G	10	50.68	76.82	90.82	100.00
76	TRENNO OVEST S.R.L.	86	G	10	0.00	54.17	100.00	100.00
77	UNISERVIZI SCARL	86	G	11	63.37	88.27	99.98	100.00
78	VILLA RAGIONIERI SRL	86	G	10	100.00	100.00	100.00	100.00
79	PO VITA COMPAGNIA DI ASSICURAZIONI SPA	86	P	1	0.00	50.00	50.00	50.00
80	FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE SRL	86	G	11	0.00	100.00	100.00	100.00
81	LIGURIA SOCIETA' DI ASSICURAZIONI SPA	86	G	1	99.97	99.97	99.97	100.00
82	LIGURIA VITA SPA	86	G	1	0.00	99.97	100.00	100.00
83	BANCA GESFID S.A.	71	G	7	60.00	60.00	60.00	100.00
84	CAPITALIA	86	G	1	51.00	51.00	51.00	100.00
85	ITALIBERIA INVERSIONES FINANCIERAS SL	67	G	11	100.00	100.00	100.00	100.00
86	MERIDIANO AURORA SRL	86	G	11	100.00	100.00	100.00	100.00
87	BIPIEMME VITA SPA	86	G	1	0.00	30.25	51.00	50.00
88	MERIDIANO QUINTO SRL	86	G	10	100.00	100.00	100.00	100.00

89	SINTESI SECONDA SRL	86	G	10	0.00	54.17	100.00	100.00
90	SOCIETA' EDILIZIA IMM.RE SARDA S.E.I.S. SPA	86	G	10	0.00	27.99	51.67	51.67
	(1) Method of consolidation: Fully consolidated =G, Using the proportional method=P, Fully consolidated by Unit Management=U							
	(2) 1=Italian ins.; 2=EU ins.; 3=third party state ins.; 4=insurance holdings; 5=EU reins.; 6=third party state reins.; 7=banks; 8=SGR; 9=misc. holdings; 10=property 11=other							
	(3) this is the product of the transactions involving holdings relating to all companies which, along the chain of participation, may be placed between the company which draws up the consolidated balance sheet and the company in question. If there is a direct holding in the latter company held by several subsidiaries, the individual products must be added together.							
	(4) total percentage of votes available in the ordinary general meeting if different from the direct or indirect quota held.							

<b>Detail of non-consolidated holdings</b>									
(Value in Euros)									
Order number	Company name	Status	Activity (1)	Type (2)	% Direct shareholding	% Total interest (3)	% Votes available at ordinary general meeting (4)	Book value	
1	AGRISAI SRL	86	11	a	0.00	97.26	100.00	54,419	
2	DELTAPRIME SRL	86	11	a	0.00	15.34	51.02	62,500	
3	I.T. EURO CONSULTING SRL (ex EURO C.S.)	86	11	a	0.00	15.19	50.53	330,000	
8	SAI SISTEMI ASSICURATIVI SRL	86	11	a	99.00	100.00	100.00	91,493	
9	TELVOX SRL	86	11	a	0.00	30.07	100.00	572,162	
10	FINADIN SPA	86	11	b	0.00	40.00	40.00	41,791,956	
11	SISTEMI SANITARI SPA	86	11	b	22.54	37.79	48.25	1,010,940	
12	SOCIETA' FUNIVIE DEL PICCOLO SAN BERNARDO SPA	86	11	b	0.00	14.88	27.38	4,007,651	
13	A7 SRL	86	10	b	0.00	10.83	20.00	617,087	
14	BORSETTO SPA	86	10	b	0.00	24.34	44.93	4,135,954	
15	CESTAR SRL	86	11	b	14.66	21.55	26.17	537,329	
16	CITY LIFE SRL	86	10	b	0.00	14.43	26.67	36,897,491	
17	FIN. PRIV. SRL	86	11	b	28.57	28.57	28.57	69,263,306	
18	GARIBALDI SCS	86	11	b	0.00	28.44	47.95	-322,264	

19		INFOMEDIA ITALIA IMI SRL	86	11	b	0.00	6.01	20.00	0
20		MB VENTURE CAPITAL FUND	50	11	b	30.00	30.00	30.00	9,315,000
21		METROPOLIS SPA	86	10	b	0.00	16.10	29.73	1,017,721
22		SERVIZI IMMOBILIARI MARTINELLI SPA	86	10	b	0.00	10.83	20.00	51,075
23		SOCIETA' FINANZ. PER LE GEST. ASSICURATIVE SRL	86	11	b	14.91	19.36	22.41	0
24		SOAIMPIANTI- ORGANISMI DI ATTESTAZIONE SPA	86	11	b	21.64	21.64	21.64	317,114
25		UFFICIO CENTRALE ITALIANO SCARL	86	11	b	14.14	20.73	25.52	129,652
26		PROGETTO ALFIERE SRL	86	10	b	0.00	10.29	19.00	5,110,063
28		EX VAR SCS	86	11	b	18.00	23.42	28.00	1,040,168
29		PENTA DOMUS SPA	86	10	b	0.00	10.83	20.00	424,447
30		SVILUPPO CENTRO EST SRL	86	10	b	0.00	21.67	40.00	77,322
31		DIANOS SPA	86	11	a	0.00	30.07	100.00	464,172
32		GLOBAL CARD SERVICE SRL	86	11	a	0.00	94.97	95.00	485,795
33		LIGURIA DIREZIONE SRL (in liquidation)	86	11	a	0.00	99.97	100.00	0
34		WAVE	86	11	a	15.00	15.00	15.00	1,500,000

		TECHNOLOGIES							
35		FONDIARIA-SAI SERVIZI TECNOLOGICI SRL	86	11	b	51.00	51.00	51.00	7,453,069
36		BELTION GESTIONI PATRIMONIALI SA (in liquidation)	71	11	a	0.00	60.00	100.00	362,472
37		NEXT SOLUTION SRL	86	11	a	0.00	18.94	63.00	39,500
38		IGLI SPA	86	11	b	0.00	18.05	33.33	1,980,000
39		QUINTOGEST SPA	86	11	b	49.00	49.00	49.00	86,627,837
40		NOVARA ASSICURA SPA	86	1	*	0.00	59.31	100.00	0
		(1) 1=Italian ins.; 2=EU ins.; 3=third party state ins.; 4=insurance holdings; 5=EU reins.; 6=third party state reins.; 7=banks; 8=SGR; 9=misc. holdings; 10=property 11=other							
		(2) a=subsidiaries (IAS27); b=associates (IAS28); c= <i>joint ventures</i> (IAS 31); indicate with an asterisk (*) companies classified as held for sale in accordance with IFRS 5 and enter the key at the foot of the statement							
		(3) this is the product of the transactions involving holdings relating to all companies which, along the chain of participation, may be placed between the company which draws up the consolidated balance sheet and the company in question. If there is a direct holding in the latter company held by several subsidiaries, the individual products must be added together.							
		(4) total percentage of votes available in the ordinary general meeting if different from the direct or indirect quota held.							

---

<b>Detail of tangible and intangible assets</b>			
(Value in €K))			
	<b>At cost</b>	<b>At adjusted value or at fair value</b>	<b>Total book value</b>
Investment property	2,127,058	0	2,127,058
Other property	1,029,470	0	1,029,470
Other tangible assets	186,945	0	186,945
Other intangible assets	249,814	0	249,814

Detail of financial assets												
(€K)												
	Investments held to maturity		Loans and receivables		Financial assets available for sale		Financial assets at fair value through profit and loss				Total book value	
							Financial assets held for trading		Financial assets designated at fair value through profit and loss			
	30/6/2007	31/12/2006	30/6/2007	31/12/2006	30/6/2007	31/12/2006	30/6/2007	31/12/2006	30/6/2007	31/12/2006	30/6/2007	31/12/2006
Equity securities and derivatives valued at cost	0	0		0		0		0		0	0	0
Equity securities at fair value	0	0		0	3,879,469	3,640,308	263,380	248,720	57,037	48,410	4,199,886	3,937,438
<i>including listed securities</i>	0	0		0	3,743,793	3,553,658	262,914	248,274	57,037	48,410	4,063,744	3,850,342
Debt securities	0	0	105,057	107,047	19,297,705	18,859,785	1,085,120	1,058,258	5,486,440	4,358,495	25,974,322	24,383,585
<i>including listed securities</i>	0	0		0	18,577,048	18,734,805	1,021,845	975,067	3,997,176	2,845,716	23,596,069	22,555,588
UCITS quotas	0	0		0	659,316	564,603	3,106	1,498	1,569,510	1,151,685	2,231,932	1,717,786
Loans and receivables to/from bank clients	0	0	189,017	145,275		0		0		0	189,017	145,275
Inter-bank loans and receivables	0	0	168,131	281,058		0		0		0	168,131	281,058
Deposits with ceding undertakings	0	0	33,902	35,002		0		0		0	33,902	35,002
Financial asset components of insurance policies	0	0		0		0		0		0	0	0
Other loans and receivables	0	0	754,398	737,472		0		0		0	754,398	737,472
Non-hedging derivatives	0	0		0		0	11,783	6,312	441,439	264,790	453,222	271,102
Hedging derivatives	0	0		0		0		0	6,514	6,293	6,514	6,293
Other financial investments	0	0	488	9	2,427	2,915		0	17,776	12,992	20,691	15,916
Total	0	0	1,250,993	1,305,863	23,838,917	23,067,611	1,363,389	1,314,788	7,578,716	5,842,665	34,032,015	31,530,927



**Detail of assets and liabilities relating to policies issued by insurance companies when the risk of the investment is borne by the client and deriving from pension fund management**

(€K)						
	Transactions connected to investment funds and market indices		Transactions connected to pension fund management		Total	
	30/6/2007	31/12/2006	30/6/2007	31/12/2006	30/6/2007	31/12/2006
Balance sheet assets	7,267,887	5,599,629	167,608	151,674	7,435,495	5,751,303
Infra-group assets *					0	0
<b>Total Assets</b>	<b>7,267,887</b>	<b>5,599,629</b>	<b>167,608</b>	<b>151,674</b>	<b>7,435,495</b>	<b>5,751,303</b>
Financial liabilities on balance sheet	5,181,572	4,472,110	167,608	151,674	5,349,180	4,623,784
Technical reserves on balance sheet	2,086,114	1,126,403			2,086,114	1,126,403
Infra-group liabilities *					0	0
<b>Total Liabilities</b>	<b>7,267,686</b>	<b>5,598,513</b>	<b>167,608</b>	<b>151,674</b>	<b>7,435,294</b>	<b>5,750,187</b>
* Assets and liabilities combined in the consolidation process						

<b>Detail of reinsurers' share of technical reserves</b>		
(€K)		
	<b>Total book value</b>	
	<b>30/6/2007</b>	<b>31/12/2006</b>
<b>Non-life reserves</b>	<b>715,033</b>	<b>684,509</b>
<b>Life reserves</b>	<b>217,036</b>	<b>211,194</b>
Technical reserves when the risk of the investment is borne by the policyholders and reserves deriving from pension fund management	0	0
Mathematical and other reserves	217,036	211,194
<b>Total reinsurers' share of technical reserves</b>	<b>932,069</b>	<b>895,703</b>

Detail of technical reserves		
(€K)		
	Total book value	
	30/6/2007	31/12/2006
<b>Non-life reserves</b>	<b>11,720,065</b>	<b>11,661,887</b>
Premiums reserve	2,654,474	2,567,470
Claims reserve	9,054,860	9,083,916
Other reserves	10,731	10,501
<i>including reserves entered following the audit of the liabilities</i>		0
<b>Life reserves</b>	<b>16,973,822</b>	<b>15,264,707</b>
Reserve for sums still to be paid	313,555	206,256
Mathematical reserves	14,597,366	13,746,587
Technical reserves when the risk of the investment is borne by the policyholders and reserves deriving from pension fund management	2,086,114	1,126,403
Other reserves	-23,213	185,461
<i>including reserves entered following the audit of the liabilities</i>		0
<i>including deferred liabilities to policyholders</i>	-153,315	74,521
<b>Total Technical Reserves</b>	<b>28,693,887</b>	<b>26,926,594</b>

Detail of financial liabilities								
(€K)								
	Financial liabilities at fair value through profit and loss				Other financial liabilities		Total book value	
	Financial liabilities held for trading		Financial liabilities designated at fair value through profit and loss					
	30/6/2007	31/12/2006	30/6/2007	31/12/2006	30/6/2007	31/12/2006	30/6/2007	31/12/2006
Equity financial instruments	0	0	0	0	0	0	0	0
Subordinated liabilities	0	0	0	0	817,815	807,386	817,815	807,386
Liabilities from financial policies issued by insurance companies deriving from	0	0	5,349,180	4,623,784	12,737	12,886	5,361,917	4,636,670
Policies for which the risk of investment is borne by the policyholders	0	0	5,181,572	4,472,110	0	0	5,181,572	4,472,110
Pension fund management	0	0	167,608	151,674	0	0	167,608	151,674
Other policies	0	0	0	0	12,737	12,886	12,737	12,886
Deposits received from reinsurers	0	0	0	0	329,598	324,499	329,598	324,499
Payable financial components of insurance policies	0	0	0	0	0	0	0	0
Debt securities issued	0	0	0	0	186,751	180,875	186,751	180,875
Payables to bank	0	0	0	0	317,834	284,892	317,834	284,892

clients								
Inter bank payables	0	0	0	0	21	9	21	9
Other loans obtained	0	0	0	0	178,817	178,318	178,817	178,318
Non-hedging derivatives	12,425	7,109	0	0	0	0	12,425	7,109
Hedging derivatives	164,723	153,503	0	0	0	0	164,723	153,503
Sundry financial liabilities	62,842	57,066	339	570	500,451	448,998	563,632	506,634
Total	239,990	217,678	5,349,519	4,624,354	2,344,024	2,237,863	7,933,533	7,079,895

<b>Detail of technical insurance items</b>			
(€K)			
		<b>30/6/2007</b>	<b>30/6/2006</b>
<b>Non-life business</b>			
NET PREMIUMS		<b>3,571,235</b>	<b>3,528,064</b>
a	Premiums entered in the accounts	3,662,851	3,610,332
b	Change in premiums reserve	-91,616	-82,268
NET EXPENDITURE RELATING TO CLAIMS		<b>2,503,418</b>	<b>2,483,888</b>
a	Sums paid	2,625,701	2,585,538
b	Change in claims reserve	-62,390	-50,778
c	Change in recoveries	-60,124	-51,050
d	Change in other technical reserves	231	178
<b>Life business</b>			
NET PREMIUMS		<b>2,362,740</b>	<b>1,200,800</b>
NET EXPENDITURE RELATING TO CLAIMS		<b>2,363,287</b>	<b>1,295,365</b>
a	Sums paid	1,047,266	854,590
b	Change in reserve for sums still to be paid	98,769	101,013
c	Change in mathematical reserves	246,017	431,840
d	Change in technical reserve when the risk of investment is borne by the policyholders and deriving from pension fund management	968,964	-75,149
e	Change in the other technical reserves	2,271	-16,929

Financial and investment income and expenditure														
(€K)														
		Interests	Other Income	Other Expenditure	Profits realised	Losses realised	Total income and expenditure realised	Profit from valuation		Losses from valuation		Total unrealised income and expenditure	Total income and expenditure 30/06/2007	Total income and expenditure 30/06/2006
								Capital gains from valuation	Value readjustment	Capital losses from valuation	Reduction in value			
Result of investments		432,259	229,089	49,164	143,368	119,406	636,146	78,938	90	122,933	113	-44,018	592,128	550,175
a	Deriving from investment property		47,868	28,313	3,535		23,090	0	0	18,021	113	-18,134	4,956	34,418
b	Deriving from holdings in subsidiaries, associates and joint ventures		1,142	2,460	17,896		16,578	0	0	0	0	0	16,578	23,810
c	Deriving from investments held to maturity						0	0	0	0	0	0	0	0
d	Deriving from loans and receivables	23,682	12,417	2,911	0	1,464	31,724		90	0	0	90	31,814	27,535
e	Deriving from financial assets available for sale	360,395	90,489	1,298	95,999	32,730	512,855			0	0	0	512,855	486,393
f	Deriving from financial assets held for trading	22,487	71,397	499	16,788	62,461	47,712	50,207		35,304	0	14,903	62,615	-33,349
g	Deriving from financial assets designated at fair value through profit and loss	25,695	5,776	13,683	9,150	22,751	4,187	28,731		69,608	0	-40,877	-36,690	11,368
Result of sundry receivables		5,695	0	14		0	5,681	0	0	0	0	0	5,681	4,962
Result of cash in hand and at bank and equivalents		14,216	-8	-387	1	116	14,480	0	0	0	0	0	14,480	10,717
Result of financial liabilities		-61,551	0	-2,299	0	0	-59,252	751	0	28,690	0	-27,939	-87,191	-51,309
a	Deriving from financial liabilities held for trading	0	0	0	0	0	0	751	0	28,690	0	-27,939	-27,939	0
b	Deriving from financial liabilities designated at fair value through profit and loss	0	0	0	0	0	0	0	0	0	0	0	0	0
c	Deriving from other financial liabilities	-61,551	0	-2,299	0	0	-59,252	0	0	0	0	0	-59,252	-51,309
Result of payables		-2,371	0	1,275	0	0	-3,646	0	0	0	0	0	-3,646	-6,236
Total		388,248	229,081	47,767	143,369	119,522	593,409	79,689	90	151,623	113	-71,957	521,452	508,309

<b>Detail of insurance management expenditure</b>					
(€K)					
		<b>Non-Life business</b>		<b>Life business</b>	
		<b>30/6/2007</b>	<b>30/6/2006</b>	<b>30/6/2007</b>	<b>30/6/2006</b>
	Gross commissions and other acquisition costs net of commission and profit sharing received from reinsurers	635,947	588,628	118,228	36,903
	Investment management costs	2,233	4,092	3,239	1,602
	Other administration costs	110,693	100,913	24,944	28,162
	<b>Total</b>	<b>748,873</b>	<b>693,633</b>	<b>146,411</b>	<b>66,667</b>



---