INTERIM REPORT
FOR THE FIRST QUARTER 2009

FONDIARIA-SAI S.p.A.

FONDIARIA-SAI S.P.A. - REGISTERED OFFICE AND FLORENCE HEADQUARTERS - P.ZA DELLA LIBERTA 6 - TURIN HEADQUARTERS - CORSO G. GALILEI, 12 - SHARE CAPITAL EURO 167,043,712 FULLY PAID-IN – TAX, VAT AND FLORENCE COMPANY REGISTRATION NO. 00818570012 - COMPANY AUTHORISED TO UNDERTAKE INSURANCE ACTIVITIES PURSUANT TO ARTICLE 65 R.D.L. NO. 966 OF APRIL 29, 1923, ENACTED INTO LAW NO. 473 OF APRIL 17, 1925

CORPORATE BOARDS OF FONDIARIA-SAI S.p.A.

BOARD OF DIRECTORS

Salvatore Ligresti	*Honorary Chairman*
Jonella Ligresti*	*Chairman*
Giulia Maria Ligresti*	*Vice Chairman*
Massimo Pini*	*Vice Chairman*
Antonio Talarico*	*Vice Chairman*
Fausto Marchionni*	*Chief Executive Officer - General Manager*
Andrea Broggini	
Maurizio Comoli	
Francesco Corsi	
Carlo d'Urso	
Vincenzo La Russa*	
Gioacchino Paolo Ligresti*	
Lia Lo Vecchio	
Valentina Marocco	
Enzo Mei	
Giuseppe Morbidelli	
Cosimo Rucellai	
Salvatore Spiniello	
Sergio Viglianisi	
Oscar Zannoni	
Alberto Marras	*Secretary of the Board and the Executive Committee*

BOARD OF STATUTORY AUDITORS

Benito Giovanni Marino	*Chairman*
Marco Spadacini	*Statutory Auditor*
Antonino D'Ambrosio	*Statutory Auditor*
Maria Luisa Mosconi	*Alternate Auditor*
Alessandro Malerba	*Alternate Auditor*
Rossella Porfido	*Alternate Auditor*

INDEPENDENT AUDITOR
DELOITTE & TOUCHE S.p.A.

GENERAL REPRESENTATIVE OF THE SAVINGS SHAREHOLDERS
Sandro Quagliotti

GENERAL MANAGER
Fausto Marchionni

EXEUCTIVE RESPONSIBLE
for the preparation of the corporate accounting documents
Pier Giorgio Bedogni

** Members of the Executive Committee*

The Chairman, Ms. Jonella Ligresti, and the Chief Executive Officer, Prof. Fausto Marchionni are the representatives of the company pursuant to article 21 of the Company By-Laws and have all ordinary and extraordinary administrative powers with all rights thereto, to be exercised in single signature and with possibility to confer mandates and proxies, with the exclusive exception of the following powers:
- sale and/or purchase of property above the value of Euro 15 million for each operation;
- sale and/or purchase of investments above the value of Euro 30 million for each operation and, in any case, of controlling interests;
- obtaining of loans above Euro 50 million for each operation;
- provision of non-insurance guarantees in favour of third parties.

The Chairman and the Chief Executive Officer report to the Executive Committee or to the Board of Directors in each meeting in relation to the exercise of the above powers, with particular regard to atypical, unusual or operations with related parties (where not reserved to the Board) and, in general, on the most significant operations.

The Executive Committee has all the powers not already attributed to the Chairman and to the Chief Executive Officer, except for those which for law or the company by-laws are the exclusive competence of the Board of Directors, while providing that - in accordance with the principles of correct conduct in relation to operations with related parties approved by the Board of Directors' meeting of February 18, 2009 - the exclusive competence to the Board of all deliberations in relation to the transactions with related parties which for subject, payment, terms, conditions and time period may have effects on the safeguarding of the company assets or on the completeness and correctness of the information, including accounting, relating to the issuer, with the exclusion of the operations made between subsidiary companies and subsidiary companies with associated companies. The attribution of exclusive duties to the Executive Committee in relation to specific types of operations or operations with limited amount does not exist. 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 Shareholders' Meeting of April 24, 2009.

The Board will expire, together with the Board of Statutory Auditors, with the shareholders' meeting for the approval of the financial statements for 2011.

CONTENTS

INTRODUCTION

The present quarterly report at 31/3/2009 (Interim report pursuant to article 154 ter of Legislative Decree No. 58/98) was prepared on a consolidated basis, in accordance with the provisions contained in the above-mentioned Legislative Decree as supplemented, as well as Consob Issuers' Regulations.

Due to the adoption of EU Directive 109/2004 (Transparency), Consob, on April 6 issued Regulation No. 16850 which, among others, modified Issuers' Regulation No. 11971/99, article 82 concerning Interim Reports and clarified unequivocally that the regulatory norms for the quarterly report must comply with article 154 ter, paragraph 5 of Legislative Decree No. 58/98.

The most appropriate technical form of the quarterly reports is currently being evaluated, in order to provide the information and disclosures on the balance sheet and the results for the period in accordance with the above-mentioned directive and related applicable regulations.
These considerations should also take into account the best practices at a European level among insurance companies with a so-called "operational" approach where the operational performance is highlighted through specific performance indicators rather than by the "accounting" result for the period. This latter in fact, due to the particularity of the insurance sector whereby, in particular in the preparation of the quarterly reports, there is clearly greater recourse to estimates and simplification and results may not be representative of the actual performance of the insurance companies. These considerations also have greater significance in the presence of the "particular" financial-economic situation which we are currently facing and, therefore, require greater detailed information.

While awaiting implementation of a new "format", in accordance with the provisions of Consob Communication No. 8041082 of April 30, 2008, which provided some general principles in relation to the publication of quantitative data on the economic and financial performance of the company, it was decided for this quarter to present the data in continuity with that contained in the previous regulation, in order to ensure comparability with the previous interim and annual accounts, while at the same time continuing to provide specific operational indicators.

In particular:

- in the preparation of the income statement and net financial position, consideration was taken of the instructions for the format of the consolidated financial statements as per Isvap Regulations No. 7/2007;
- all the data and accounting statements are prepared on a consolidated basis. The income statement data is compared with the relative data of the same period of the previous year; the balance sheet and financial position data are compared with the end of the previous quarter and the previous year.

In order to facilitate comparison, the same accounting principles were utilised as for the last consolidated financial statements. The present report was prepared in accordance with International Accounting Standards IAS/IFRS issued by the IASB, approved by the European Union, and on the current interpretation by the official organisations;

The quarterly financial statements have not been audited.

Key Group data

(in Euro millions)	Q1 2009	Q1 2008
Net profit(*)	31	155
Total Gross premiums written	2,560	3,004
of which:		
Gross Non-Life premiums written	1,813	1,850
Gross Life premiums written	747	1,154
Investment policies written	17	159
APE(**)	65	100
Combined ratio – Non-Life sector	96.2	92.0
Expense ratio of the Non-Life sector	20.9	20.4
Expense ratio of the Life sector	5.4	6.4

(in Euro millions)	31/03/2009	31/12/2008
Investments	33,651	33,438
Net technical reserves - Non-Life division	10,475	10,645
Net technical reserves - Life division	18,064	17,843

(*) The result includes the minority interest share.
(**) Sum of the first premiums of the new annual premium contracts, plus one tenth of the new single premium contracts.

ECONOMIC OVERVIEW AND THE INSURANCE MARKET

International economic overview

The world economy is undergoing the deepest recession in decades. Fortunately, thanks to the quality and the depth of the measures undertaken by the individual governments, the strong depression which characterised the markets in the 1930s did not materialise. Recent indications also suggest a slowdown in the rate of the decline in the economy, thanks to some signs of stabilisation reported by the authorities.

However, the Ocse forecasts a drop in global GDP in 2009 of 2.7% which, although with small growth in 2010 (+1.2%), will remain below potential growth, with a gap double that recorded during the recession at the beginning of the 1980s.

In the USA, the contraction in GDP, although sharp in the short-term at around 4%, will continue during the year but at lower rates, thanks to the fiscal stimulus, to the progressive stabilisation of the financial markets and to the lower negative impact from the real estate sector, bottoming out in 2010.

The situation in Japan is even worse, where due to the strong fall in exports and inadequate equilibrium of the stimulus on internal demand, the GDP is forecast to reduce by 6.6% in 2009, will a small drop also in 2010 (-0.5%).

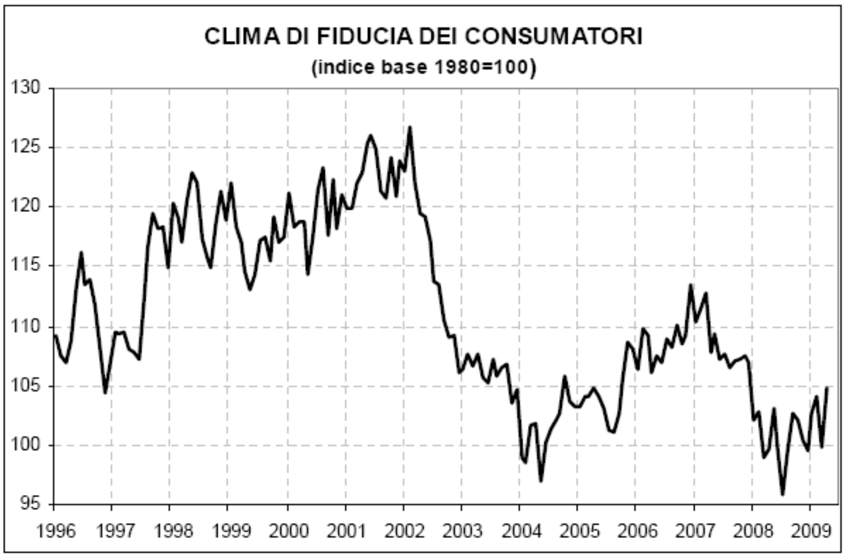
The European and Italian markets

The economies in the Eurozone will also record a strong contraction in GDP, which is estimated by Ocse to fall by 4.1% in 2009, followed by a further moderate decrease of 0.3% in 2010. Unemployment in Europe is expected to rise to 9.9% in 2009, with a further increase to 11.5% in 2010.

In particular, the Study Centre of Confindustria further lowered the estimates of Italian GDP, which are expected to contract by 3.5% in 2009, with a slight recovery of 0.8% in 2010.
Even the EU Commission cut the forecasts for growth in Italy: the GDP in 2009 is forecast to decrease by 4.4% and return to a small growth in 2010 (+0.1%). The EU Commission also forecasts an unemployment rate in Italy of 8.8% in 2009 and 9.4% in 2010.

In March, the national index of consumer premiums reported an increase of 0.1% compared to the previous month, while the annual growth rate was 1.2% (1.6% in February). The sharp slowdown in inflation is principally related to the significant shift in prices both in the goods segment (+0.8% compared to 1.2% in February) and in services (from 2.2% in February to 1.7% in March).
After successive months of decreases, in April consumer confidence rose, recording the best results since December 2007, with the ISAE index up to 104.9 from 99.8. In April, the confidence of businesses also improved, thanks to more favourable expectations on orders and on the economy.

Graph 1 – Consumer confidence levels



Source: ISAE – April 2009

In May, the European Central Bank, in an attempt to reduce the negative effects of the global recession, further reduced the cost of lending, bringing it to a historical minimum of 1% following a further reduction of 50 basis points for a total reduction of 325 basis points since October 2008.

The insurance sector

According to data published by Ania, in 2008 total premiums written by Italian insurance companies amounted to Euro 92 billion, a decrease of 7.2% in nominal terms compared to 2007. This result was impacted by the slowdown in the Life sector (-11.2%) and the substantial stability of premiums in the Non-Life sector (-0.6%).

With particular reference to the classification of direct Italian premiums prepared by the insurance association, in 2008 Fondiaria-SAI rose from 3rd to 2nd place with premiums written of Euro 11,660 million (+0.5% on 2007) and a total market share of 12.67% (calculation made for Group of companies, in accordance with the principle of "sole control").

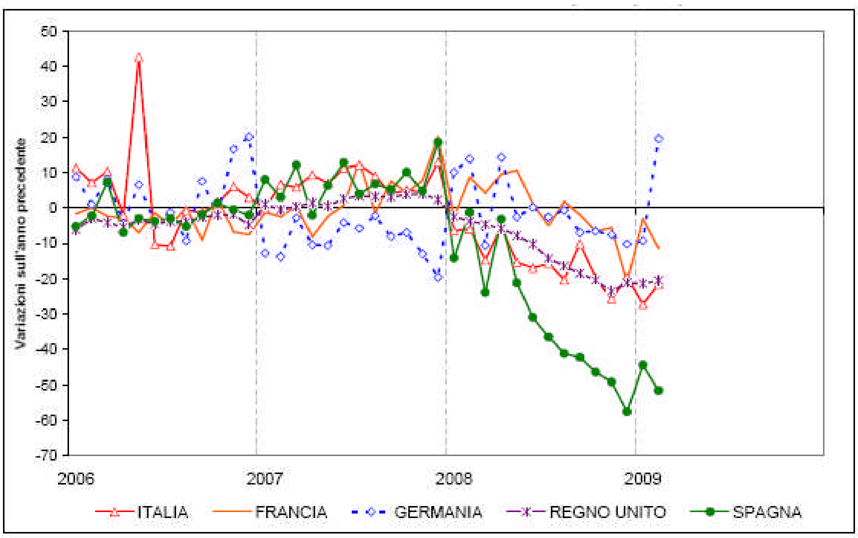
Finally we report that, in difficult market conditions, only a few insurance companies recorded a rise in premiums in 2008.
The Fondiaria-SAI Group, in addition to the total direct premiums written as described above, is one of the few operators to have recorded a positive performance in the Life segment (Euro 4,498 million, +4.8% on 2007).

The Non-Life Insurance Sector

In 2008, premiums written in the Non-Life Sector amounted to Euro 37.5 billion, a slight decrease in nominal terms of 0.6% on 2007. The decrease is due to a drop in the premiums written in the Motor TPL segment of 3.3% (drop of 1.0% in 2007), accounting for 47.1% of the total Non-Life premiums (48.4% in 2007). The land vehicle class also reported reduced premiums (-2.4%). In relation to the other Non-Life Classes, the premiums increased by 2.8% in 2008, compared to 3.8% in 2007 with growth principally in the Health Class (+5.3%) and in the other Property Damage Class (+6.1%).

In March, the new motor registrations in Europe (European Union including Iceland, Liechtenstein, Norway and Switzerland) fell by 9% on an annual basis, equal to 1,506,249 units (-18.3% in February), with a small increase in the Italian market (+0.2% compared to -24.4% in February), thanks to the Government incentives. In the first quarter of 2009, the automotive market in the EU (27 countries including Efta) reported a drop of 17.2%, equal to 3,439,720 new registrations. Particularly effective incentives facilitated an excellent performance in the first three months in Germany (+39.9%), as in France (+0.8%) and in Italy (+0.2%, in line with the monthly increase).

Graph 2 – New motor registrations in the principal countries



Source: Eurostat, new automotive registrations, non seasonal data

Finally, we report that from January 1, 2009 the optional regime became obligatory based on which also the so-called “reciprocal” or “natural” claims (in which the two vehicles involved in the claim are insured by the same insurance company which assumes the role of management company of the vehicle damaged as well as creditor of the insured party responsible) are covered by the CARD Convention and, consequently, are no longer excluded from the Clearing House.

The Life Insurance Sector

Premiums written in the Life Sector in 2008 amounted to Euro 54.6 billion, a reduction in nominal terms of 11.2% on 2007. This trend principally reflects the reduction in the sale of Class III – Linked policies which, due to the turbulence on the financial markets, recorded a sharp contraction (-36.1%, with total premium volume of Euro 18.6 billion). A similar performance was seen for the premiums in Italy by companies providing intermediary services and which principally offer Class III – Linked policies: it is estimated that the turnover in 2008 of these companies reduced by approx. 40% and the premiums written are approx. Euro 6 billion (Euro 10.0 billion in 2007).

Premiums in Class I – Human life however recorded an increase of 15.7%, thanks to the expansion of the new traditional policies. In relation to the Class VI - Pension funds, premiums increased by 88.3%, amounting to Euro 1.4 billion. As a consequence of the changes in the premiums written, also the mix of Life policies written in 2008 changed: the market share of Class I - Human life policies increased from 44.2% in 2007 to 57.6% in 2008 while the Class III – Linked policies decreased from 47.3% to 34.0%.
In February, new Life business - individual policies sector - recorded premiums written of Euro 3.8 billion, a slight increase of 1.5% on the same month in 2008. In the first two months of the year, premiums in Life new business amounted to Euro 6.8 billion, an increase of 7.3% on the same period of the previous year.

There was also a sharp drop (-72.9%) in the premiums written of the financial promoters in the month analysed; from January the premiums written by this channel (just over Euro 200 million) reduced by 66.1% on 2008. Premiums written by the non-profit insurance companies also contracted, amounting to Euro 114 million, a fall of 43.7% compared to February 2008. A similar trend was recorded in the first two months of 2008. With Euro 463 million, premiums written by the agents grew (+7.7% on February 2008). However since the beginning of the year, premiums fell (-6.8%) and amounted to Euro 769 million. The bank and postal offices brokered total new premiums of approx. Euro 3 billion, an increase of 15.9% compared to the same month of 2008; the result improved from the beginning of the year (+23.4%) with Euro 5.6 billion of premiums.

In February the new "linked" policies recorded another strong contraction of 83.8% compared to February 2008 with total premiums of Euro 316 million. Since the beginning of the year, Class III has recorded a drop of 76.6% with total premiums of Euro 761 million. Class I, with new premiums of Euro 3.3 billion doubled compared to the same month of the previous year; this result is in addition to the strong growth in January, with total premiums since the beginning of the year of Euro 5.5 billion. Although much lower, the premiums in Class V (Euro 192 million) increased by 43.6% on February 2008. The average single premium was Euro 21,500, while the average annual and recurring premiums were Euro 1,270 and Euro 4,000 respectively.

Asset Management

In March, the outflow from open funds amounted to Euro 5.1 billion. Differing from the redemptions, the capital contracted by Euro 2 billion, from Euro 388 billion in the previous month to the current Euro 386 billion. The data recorded by Assogestioni reports a total increase in outflows for all categories. Liquidity funds are close to breakeven, which recorded total redemptions of Euro 139 million. The category reported growth in assets under management on the previous month, amounting to over Euro 87 billion - 22.6% of the total assets.

The Balanced and Equity products reported outflows of Euro 420 million and 490 million respectively. At the end of the month, the assets of the Balanced funds reported a small decrease compared to the previous month and amounted to Euro 16.2 billion, 4.2% of assets managed. The assets of the Equity funds amounted to Euro 63.9 million, accounting for 16.6% of the assets invested in open funds. The redemptions of the Hedge funds amounted to Euro 677 million. The assets held by the category, equivalent to 4.6% of the total assets managed, were just above Euro 17.8 billion at the end of the month.

The Flexible funds category reported redemptions in the month of Euro 701 million and at the end of the month accounted for 12.9% of assets managed, amounting to a little under Euro 50 billion. The outflows of the Bond products are considerably higher than the other categories. The outflows from these funds in the month amounted to over Euro 2.7 billion. At the end of the month, this category accounts for 39.1% of assets managed, amounting to Euro 151 billion.

In March, the outflows from Italian funds amounted to Euro 3.3 billion. The assets invested in domestic products promoted by Italian and foreign groups currently amount to Euro 204 billion, 52.8% of the total assets invested in open funds.

Investment management

Even though the markets recently reported some signs of improvement, the conditions in the financial sector are extremely fragile.
The Financial Stability Board, the organisation created by the G7 on April 2 to counter the global crisis, led by the Governor of the Bank of Italy, outlined the guidelines to reform the financial system.

For further details on the Investment Management, reference should be made to the section “Asset and Financial Management”.

Real Estate management

The real estate market reflects the deterioration in the international economic environment. The number of purchases/sales of homes fell in 2008 by 15.1%, with a drop in prices, for the first time in at least a decade, of an average 2%. In particular: -2.2% for new homes, -2.4% for second hand homes, -1.5% for offices, -2% for shops, -1.9% for warehouses, while garages were the only category to record a small gain (+0.9%).

The services sector, with the transactions for offices, recorded a similar reduction.
For 2009, the forecast is a further reduction in the number of transactions for homes in the order of 8-10%, thus total sales-purchases of homes of approx. 620-630 thousand units with a decrease in the value estimated at around 7-8%.

The downgrading in the estimates of economic growth in general also have an impact on future performance, to the extent that a further deterioration for 2010 cannot be excluded.

The rental sector partially benefits from the crisis in the sales-purchases market, with an indication of greater interest at least until the availability of credit returns and the prices drop further, given the deflation expectations on the real estate market. Rents however report a drop as supply is abundant and the income capacity of the households currently remains flat.

Regulatory framework

With reference to the principal regulatory norms concerning the Italian insurance market in recent months, the following information is provided. The information is outlined in greater detail in the annual accounts.

Direct compensation

Presidential Decree No. 28 of February 8, 2009 published in the Official Gazette of April 2, 2009 modifies article 13 of the Regulation enacting the procedure for the direct compensation between insurance companies (Pres. Decree No. 254/2006). The amendment to paragraph 2 of article 13 provides that the compensation between companies participating within the direct compensation system can also be made on the basis of differentiated average costs for large vehicles in addition to, as in the current system, for physical damage and property damage (this latter differentiated for a maximum number of three similar territorial macro areas).

For claims from January 1, 2009, the compensation will be regulated as follows:

- the following flat rates for the three geographic areas, for damage to the vehicle and other material damage belonging to the owner or the driver of the vehicle: Euro 1,658, Euro 1,419, Euro 1,162;
- the same flat rate established for 2008, both for minor damage suffered by the driver in the amount of Euro 3,250 and for the repayment of damage compensated to third parties (including personal damage and property damage) for Euro 3,300.

The differentiation criteria of the flat rate can be applied alternatively or jointly with the only limit to excessive fragmenting of the average cost to be used as a basis for the compensations. Each change to the compensation system must be for a period of not less than one year and will be established by decree of the Economic Development Ministry, having consulted ISVAP and the Technical Committee for the determination of the flat rate.

With the new formulation of the regulation, the reference flat rates for the compensation between participating companies to the direct compensation system may be differentiated for those categories of vehicles (motorcycles and mopeds) which in the first two years of the direct compensation procedures were penalised by inadequate compensation values in relation to their frequency and average cost.

Motor TPL claims databank

In the first quarter, ISVAP has put to public consultation a Regulation which will introduce significant improvements in the utilisation and the functionality of the Motor TPL claims databank operated by the Authority.

The Regulation formalises the Private Insurer's Code and the Code for the protection of personal data which gives ISVAP the power to regulate the significant material aspects (method of transmission of data by the companies, organisational procedures and functioning procedures of the databank, consultation conditions by the judicial bodies and by relevant public administrations in relation to the prevention and fight against fraud within the sector and conditions of and limits to access by the insurance companies).

The text put to public consultation takes account of the observations and suggestions of the Privacy Authority, the evaluations of which were acquired in a consultative manner in consideration of the delicateness of the material.

In summary, the Regulation seeks to make the consultation of the databank faster and more efficient, with a significant improvement in the "visibility" of the information relating to claims recorded benefiting from a larger amount of parties involved and in particular of those from the settlement structures of the insurance companies.

Specifically, the Regulation:

1. reduces the information subject to the transmission obligation;
2. reorganises the manner of transmission of data by the company which manages the claim, guaranteeing a timely update in accordance with cost criteria;
3. restructures the output provided in relation to the new consultation online methods (with the immediate publication of the information) and batch information (deferred until the transfer of the file), in order to facilitate the systematic utilisation of the claims databank as an efficient and common instrument in the fight against fraud in the obligatory Motor TPL insurance sector.

Multi-year policies

We report that, at the current moment, the Senate Industrial Commission, through amendment No. 12.1, has reintroduced the option to propose multi-year insurance policies against a decrease in the premium. The new text provides that the "insurance company, as an alternative to an annual coverage, can propose a multi-year contract against a reduction of the premium compared to that for the same coverage of an annual contract".

Motor TPL Estimator

At the end of May it is expected that the Motor TPL estimator will be available on the Internet site of ISVAP and of the Economic Development Ministry. The electronic calculator will permit users to compare Motor TPL policies of over 70 companies operating in Italy.

The new instrument will be called “Your estimator” and the launch will be in conjunction with an information campaign informing policyholders of the new instrument. It is intended that this project will increase competitiveness in the sector.

“Illiquid” products

On March 2, 2009, Consob (with communication No. 9019104 of March 2, 2009) has introduced more rigorous regulations in terms of both transparency and conduct of the brokers involved in the distribution of financial products such as bank bonds, financial insurance policies, over-the-counter market brokered derivatives (and in general all “illiquid” products). This communication is included within the “level 3” measures on Brokerage regulation and is based on an interpretive reading of the general existing regulations, with specific reference to the dealing of illiquid financial products to retail clients.

A financial product is considered illiquid if the bearer of the same has difficulty to sell or resell it in a reasonable timeframe, at conditions which attract a reasonable degree of interest for purchase or sale. In the document, Consob has in fact re-stated the definition of “illiquid” also for the financial-insurance products (index-linked, unit-linked and securitisations).

As financial brokerage occurs in an unequal disclosure environment where the complexity of the operation, the costs of information and the financial disclosure culture renders a deficit of information for the client of the intermediaries, the degree of which is directly linked to the type of operation and the nature of the client; the retail client (often with less experience and financial knowledge) must place great trust in the assistance of the broker, with particular reference to the evaluation in the adequateness/appropriateness of the transaction and the setting out of the conditions to be applied to the same, in which he/she is not able to assess the suitability of the contract, and often even after the conclusion of the operation.

Moreover, the situation is often more complex due to the crossover of the role of the broker and issuer. The measures set out, aimed at protecting the most vulnerable clients, provides concrete guidelines for the maintenance of a correct relationship between the broker and client to preserve trust in the financial system, safeguarding any eventual undesirable consequences of innovation, without which development would be hindered.

The necessary verifications are currently taking place to evaluate – also based on the indications which will most likely be provided by ANIA – if the measures above render it opportune to revise the current organisational and procedural structures of the brokers.

Class Action

From July 1, 2008, the provisions on class actions will become law, approved by the 2008 Finance Act, demonstrating the increasing protection of consumers and the liberalisation process in course in recent years in Italy.

The Class Action may be taken out against unfair commercial practices, illegal non-contractual acts, anti competitive behaviour and violation of standard contracts. The premise is always that a large number of consumers and users must be harmed.

Only 11 Italian courts will accept Class Action cases: the courts located in the Regional capitals, with regrouping for smaller regions.

We report that, at the present moment, a majority amendment was presented to the Senate which no longer permits retrospective class action.

CONSOLIDATION SCOPE

At 31/3/2009, the Fondiaria-SAI Group, including the Parent Company, was made up of 117 Companies, of which 19 operated in the insurance sector, 2 in the banking sector, 51 in the real estate and agricultural sector and 23 in the financial services sector, while the remaining companies are various service companies. The company has 19 overseas offices.
The number of fully consolidated companies is 85, those consolidated under the Equity Method 19, while the remaining companies are maintained at cost due to limited size or the nature of the activities and are not significant for the purposes of a true and fair representation of the quarterly financial situation. There are 91 subsidiary companies, of which 38 are controlled directly by the Parent Company.

During the first quarter of 2009, the consolidation scope of the Fondiaria-SAI Group did not change significantly. We report however the incorporation of the service company CITTA' DELLA SALUTE Scrl and the incorporation by merger, into the Group company Fondiaria-SAI Servizi Scrl, of the companies STARVOX S.r.l. and SALEVOX S.r.l.

ACCOUNTING PRINCIPLES

The quarterly report applied the IAS/IFRS accounting standards utilised for the preparation of the consolidated financial statements for the year ended 31/12/2008.

For detailed information on the accounting principles utilised, reference should be made to the consolidated financial statements at 31/12/2008.

However, the quarterly report is reflected by a more evaluative approach and includes the use of greater estimates and simplifications, whilst ensuring the correct application of the accounting principles.

In particular, for the direct technical reserves we report:

- **Non-Life Premium Reserve**

In relation to this reserve, any component of the reserve for the risks in course is prudently maintained unchanged, in the Classes in which it was accrued where the claims ratio is stable compared to the previous report.
Where there is a deterioration of this ratio, in the calculation procedure as per ISVAP circular No. 360/D the data at March 31 is included. In the case of abnormal trends in the premiums, prudent provisions are made based on the expected claims.

- **Non-Life Claims Reserve**

For the valuation of the technical reserves of the Motor TPL Class, we recall that from February 1, 2007, a new direct compensation procedure was put in place which, in the case of road accidents, permits non-responsible claimants, or those only partly responsible, to be compensated directly by their insurance company. From January 1, 2008, the regulations for the calculation of the flat rate reimbursements were significantly modified. In particular, the single flat rate for the direct compensation convention was replaced by two separate flat rates, separately applied for Material Damage and for any personal injury to the driver. Shortly after the start-up of the new settlement procedures, a further element was introduced, which contributes to the difference in the historical data of the management indicators and requires further caution in expressing a definitive opinion on the economic impacts deriving from the new settlement regime.

In this context, the Motor TPL claims reserve was measured separately for the various types of management under the new regime. In particular:

- for the claims within the CARD Debtor regime, the valuation was made based on the differing flat rates, for 2007, 2008 and 2009, defined by the Technical Committee set up under Pres. Decree No. 254/2006;

- for the CARD Operator claims, the expected final cost was recorded net of the flat recoverable amounts;

- for the claims not covered by the new regime (essentially as they involve two vehicles or permanent personal injury greater than 9%), the valuation of the final cost of the claims in the current year was made revaluing the amounts indicated by the settlement offices, taking into account the average costs assumed for these type of claims, which are more costly. For the claims of previous years, already recorded in reserves, the trends relating to the claims settled in the period were noted, verifying the appropriateness of the reserves recorded at December 31, 2008.

In the Other Non-Life Classes, for both the current generation and previous generations, the technical offices estimate was supplemented utilising the parameters already utilised for the 2008 annual accounts, where there were not significant statistical changes compared to the consolidated trends.

The reinsurers' technical reserves are calculated based on the portion ceded for the proportional reinsurance and analytically for the excess claims and stop-loss reinsurance, on the basis of the information available and utilising the same criteria for the direct premium reserves, taking into account the contractual clauses.

- **Valuation and impairment of financial instruments**

With reference to the valuation of financial instruments, reference should be made to the financial statements at December 31, 2008.
The “fair value policy” outlined therein did not incur changes and, therefore, with reference to the listed financial instruments in active markets, the stock exchange price at March 31, 2009 was utilised.

It is also reported that some valuation processes, such as those utilised to determine any losses in value (impairment) of financial assets available-for-sale, are - given their complexity - generally made in the preparation of the annual financial statements. However, the current financial crisis further complicated the valuation processes, requiring analysis, with reference in particular to the equity instruments, based not only on stock market movements, but also on values of fundamental use of these assets.
Consequently in this quarterly report, also due to the limited availability of all the necessary information, the losses in value of “AFS” financial instruments recorded due to the application of the automatic criteria as illustrated in the consolidated financial statements of December 31, 2008 were recorded in the income statement. Excluded are all the equity financial instruments for which the analytical and qualitative valuations made at the end of 2008 confirmed no impairment of the assets.

OPERATIONAL PERFORMANCE

INCOME STATEMENT

The operational performance for the quarter compared to the same quarter of the previous year is shown below.

(in Euro thousands)	Q1 2009	Q1 2008	FY 2008
Net premiums	2,507,216	2,962,082	11,153,553
Commission income	23,843	27,696	89,319
Net Income from financial instruments recorded at fair value through profit or loss	18,690	(313,881)	(341,548)
Income from investments in subsidiaries, associates and joint ventures	-	30,304	38,062
Income from other financial instruments and property investments :	313,411	316,061	1,413,772
- Interest income	217,071	217,191	924,990
- Other income	43,207	44,392	262,623
- Profits realised	53,068	54,446	225,710
- Valuation gains	65	32	449
Other revenues	211,604	101,351	460,392
TOTAL REVENUES	**3,074,764**	**3,123,613**	**12,813,550**
Net charges relating to claims	(2,156,568)	(2,043,149)	(8,965,047)
Commission expenses	(18,654)	(14,813)	(32,611)
Charges from investments in subsidiaries, associates and joint ventures	(1,311)	(1,514)	(7,236)
Charges from other financial instruments and property investments	(183,602)	(87,333)	(679,962)
- Interest expense	(39,050)	(28,112)	(144,866)
- Other expenses	(29,432)	(16,650)	(71,354)
- Losses realised	(41,059)	(32,071)	(193,203)
- Valuation losses	(74,061)	(10,500)	(270,539)
Management expense	(449,710)	(481,905)	(1,948,428)
- Commissions and other acquisition expenses on insurance contracts	(338,713)	(372,096)	(1,478,826)
- Investment management charges	(3,297)	(2,851)	(17,932)
- Other administration expenses	(107,700)	(106,958)	(451,670)
Other costs	(210,850)	(256,073)	(1,005,774)
TOTAL COSTS	**(3,020,695)**	**(2,884,787)**	**(12,639,058)**
PROFIT BEFORE TAXES	**54,069**	**238,826**	**174,492**
Income taxes	(22,870)	(83,981)	(83,728)
NET PROFIT	**31,199**	**154,845**	**90,764**
PROFIT FROM DISCONTINUED OPERATIONS	**-**	**-**	**-**
CONSOLIDATED PROFIT	**31,199**	**154,845**	**90,764**
GROUP NET PROFIT FOR THE PERIOD	**20,964**	**136,341**	**87,409**
MINORITY INTEREST SHARE	**10,235**	**18,504**	**3,355**

The key financial results for the first quarter of 2009 are as follows:

- The **consolidated profit** was Euro 31 million compared to Euro 155 million in the first three months of 2008; The result is still impacted by significant reductions in value of financial instruments available-for-sale in portfolio of Euro 61.4 million for which the Group impairment policy was carried out (nil in first quarter of 2008).
  However it should be noted that the result in the first quarter of 2008 included the gain of Euro 29 million from the sale of Po Vita;
- The **Non-Life Insurance Division** reported a decrease of approx. 2% in premiums and a pre-tax profit of Euro 84 million (Euro 183 million in the first three months of 2008). The segment technical account, recorded in accordance with the traditional reporting statements, reports a profit of Euro 48 million (Euro 126 million in the first three months of 2008). The decrease of the technical management is due to lower premiums and the impact of the amortisation on the long-term commissions before 2008. In particular, this latter was not offset by a similar flow of new securitisations in consideration of the commercial decision taken by the Group to no longer make advance commission payments against long-term contracts. In addition, claims increased in the Land Vehicle and General Classes.
  The Motor TPL Class remains moderately positive, benefiting from the drop in claims reported, although still penalised by the contraction in premiums, due to the decrease in the registration of new motor vehicles and the continued negative effects of the so-called Bersani bis law in relation to the application of the bonus-malus classes. The Land Vehicle Class recorded a breakeven result which was affected by negative atmospheric events at the beginning of the year.
  The General Classes report a breakeven result and was negatively impacted by the Health Class;
- The **Life Insurance Division** reports a decrease in premiums of 35.3%, principally due to the significant lower contribution from the bancassurance channel.
  In particular this channel was significantly affected in the first three months of the year by the uncertainties related to the current financial crisis with the consequent difficulties in reaching targets, although this decrease is also due to some seasonal factors. Premiums written through agency networks of traditional products remain positive.
  The result before taxes was a loss of Euro 18 million (profit of Euro 53 million in the first quarter of 2008, which included the gain deriving from the sale of Po Vita) and was strongly impacted, for Euro 39.4 million, by the reduction in value recorded through profit and loss of financial instruments available-for-sale in portfolio;
- The **Real Estate Division** reports a pre-tax loss of Euro 8 million (Euro 4 million in the first three months of 2008), prevalently due to the Immobiliare Lombarda group in relation to management costs and interest expense not offset by significant sales.
  Following the positive outcome of the takeover bid of Immobiliare Lombarda in 2008 the internal restructuring plan is at an advanced study phase in order to rationalise and control the operating activities of the real estate activities;

- The **Other Activities sector,** which includes the companies operating in the financial and asset management sectors, report a pre-tax loss of Euro 4 million (profit of Euro 7 million in the first three months of 2008). This sector also includes the lower results from financial activities and further impairment on the RCS shares held by the subsidiary Sainternational compared to the share price at December 31, 2008, with an income statement effect of Euro 3.1 million. The result from brokerage and asset management commissions, although lower, remained stable;
- **Management expenses** amounted to Euro 450 million (Euro 482 million in the first quarter of 2008), a decrease of 6.7%, principally due to the lower charges on premiums written and, secondly, to the commencement of the containment policy of general expenses whose effects will be seen fully through the year;
- Excluding the contribution of the financial instruments recorded at fair value through profit or loss and interest expense, the **total net income from investments** amounted to Euro 169 million (Euro 257 million in the first three months of 2008). This amount consists of Euro 217 million of interest income, Euro 14 million of net income and net profits to be realised on real estate and securities of Euro 12 million. Net valuation gains and losses was a loss of approx. Euro 74 million;
- **Interest expense** amounting to approx. Euro 39 million (Euro 28 million in the first three months of 2008) refers almost entirely to financial debt;
- **Financial instruments recorded at fair value through profit or loss** amounted to a profit of Euro 19 million (a loss of Euro 314 million in the first three months of 2008). This account includes the net income from financial assets where the risk is borne by the policyholders (positive for Euro 123 million although offset by the correlated increase in net charges relating to Life Division claims) as well as the adjustment to the fair value of financial instruments belonging to the sector;
- **Income from investments in subsidiaries, associated and joint venture companies** amounts to Euro 1.3 million (in March 2008, it related principally to the above-mentioned gain realised on the sale of the investment in Po Vita);
- **Other revenues and costs** amounted substantially to breakeven at Euro 0.8 million (net charge of Euro 155 million in the first quarter of 2008). This residual balance includes technical and non-technical income and charges not classified elsewhere, in addition to depreciation other than on investment properties, prior year income and charges as well as net changes in risk provisions. The account includes amortisation and depreciation on intangible and fixed assets totalling Euro 19 million. The reason for the break-even result in the period is due to the reversal of Euro 150 million during the quarter relating to the provision made in the previous year by the subsidiary Popolare Vita against restructuring charges of the index linked policies with underlying securities of Lehman Brothers, charges whose amount become certain only in the first part of the present year.

  The counter-entry to this amount is the write-down to the recovery rate estimated by the Group of the Lehman securities to service the above-mentioned index policies, whose effects were already prudently recorded in 2008 through the accrual in the afore-mentioned provision;
- The **tax rate** is not representative, given that the accounts for the period do not include significant income items which are exempt from tax, such as dividends.

The table below shows the profit before taxes in each sector. The real estate sector principally refers to the results of the Immobiliare Lombarda Group, of the subsidiary Nit S.r.l., and of the Tikal R.E. Closed Real Estate Fund. The Other Activities sector relates to the subsidiary companies operating in the financial services and banking sector, among which BancaSai, Banca Gesfid, SAI Mercati Mobiliari, Saifin-Saifinanziaria and Sainternational.

(in Euro thousands)	**Non-Life**	**Life**	**Real Estate**	**Other Activities**	**IC**	**Total Q1 2009**	**Total Q1 2008**
Net premiums	1,767,588	739,628	-	-	-	2,507,216	2,962,082
Net charges relating to claims	(1,223,612)	(932,956)	-	-	-	(2,156,568)	(2,043,149)
Net commission	-	(1,864)	-	7,158	(105)	5,189	12,883
Net income from subsidiary and associated companies	(51)	-	(1,260)	-	-	(1,311)	28,790
Net income from investments	11,343	115,949	(3,915)	6,432	-	129,809	228,726
Net Income from financial instruments recorded at fair value through profit or loss	41,251	(25,607)	(26)	3,072	-	18,690	(313,881)
Management expenses	(388,833)	(41,730)	(97)	(19,050)	-	(449,710)	(481,906)
Other income and charges	(123,618)	128,292	(2,597)	(1,428)	105	754	(154,722)
Profit (loss) before taxes	**84,068**	**(18,288)**	**(7,895)**	**(3,816)**	**-**	**54,069**	**238,823**
Income taxes for the period						(22,870)	(83,981)
Net Profit						**31,119**	**154,842**
Profit from discontinued operations						**-**	**-**
Consolidated profit						**31,199**	**154,842**
Minority interest profit						10,235	18,501
Group profit						**20,964**	**136,341**

NON-LIFE INSURANCE SECTOR

The Fondiaria-SAI Group, in the first quarter of 2009, recorded premiums of Euro 1,813 million (-2.01% on the first quarter of 2008). The breakdown by Class is shown in detail in the following table:

(in Euro thousands)	Q1 2009	Q1 2008	Cge. %
NON-LIFE DIVISION			
Accident & Health	183,017	178,998	2.25
Marine, aviation and transport insurance	57,568	61,668	(6.65)
Fire and other property damage	199,526	204,548	(2.46)
General TPL	139,595	125,151	11.54
Credit & Bonds	23,690	24,963	(5.10)
General pecuniary losses	8,891	5,234	69.87
Legal expenses	4,927	4,550	8.29
Assistance	12,600	10,669	18.10
TOTAL OTHER NON-LIFE DIVISION	**629,814**	**615,781**	**2.28**
Land vehicle TPL	997,717	1,042,250	(4.27)
Motor vehicles – other classes	183,385	189,273	(3.11)
TOTAL MOTOR	**1,181,102**	**1,231,523**	(4.09)
TOTAL DIRECT PREMIUMS	**1,810,916**	**1,847,304**	**(1.97)**
INDIRECT PREMIUMS	**1,663**	**2,425**	**(31.42)**
TOTAL NON-LIFE DIVISION	**1,812,579**	**1,849,729**	**(2.01)**

The decrease in premiums written in the Motor Classes (-4.1%) continued in the first three months of 2009, due to the highly competitive environment within the sector and the continual drop of new motor vehicle registrations.
The decrease in premiums written is also due to the Group leadership position in the sector and the consequent greater exposure to competition. In this context however measures are currently being implemented to protect the profitability in the segment and the market share.

In relation to the General Classes, the growth in premiums (2.3%) is supported by the commercial planning measures implemented, which will be further strengthened to extend insurance cover to those parties, such as small and medium size businesses, historically underinsured.

The Parent Company in the first quarter of 2009 recorded total direct premiums of Euro 915.0 million (-1.58%), of which 603.8 million (-4.23%) in the Motor Classes.
The subsidiary Milano Assicurazioni S.p.A. recorded premiums at group level of Euro 816 million (-2.99% on like-for-like terms not including SASA and Liguria), recording a decrease of 4.1% in the Motor Classes and a decrease of 0.4% in the other Non-Life Classes.

The claims paid of the direct business in the first quarter of 2009 amounted to Euro 1,315 million (+4.3%), of which Euro 721 million related to the Parent Company (Euro 713 million in the first quarter of 2008).

From the third quarter 2008, the Fondiaria-SAI Group has revised the presentation of some of its technical efficiency ratios among which the Combined Ratio, the Combined Operating Ratio and the Expense Ratio, excluding from the calculation the amortisation of the long-term commissions capitalised in previous years.
In fact the abolition, due to the Bersani bis Decree, of the long-term contract obligation on the Other Class policies results in higher charges for the amortisation of these commissions - charges which in turn are not offset by new capitalisations.

It is evident that this factor introduces, in the trend of the technical indicators, distortive elements and provides discontinuity which does not adequately allow the analysis of the operational activities. In line with the decision adopted for the present year, the March 2008 ratios were restated to provide uniform figures.

The table below shows the principal technical indicators in the first quarters of 2009 and 2008:

Data shown in %	**31/03/2009**	**31/03/2008**
Loss ratio	69.2	64.7
Expense ratio	20.9	20.4
Combined operating ratio	90.1	85.1
OTI ratio (*)	6.1	6.9
Combined ratio	**96.2**	**92.0**

(*) Includes the balance of the other technical accounts.

Claims paid and reported

A breakdown of the claims reported and paid on direct Italian business, including the expenses directly attributable to the claim and indirect expenses relating to the settlement structure are shown below:

	Claims paid (in Euro thousands)			Claim reported (Number)		
	Q1 2009	Q1 2008	Cge. %	Q1 2009	Q1 2008	Cge. %
Accidents	59,090	52,494	12.57	27,322	25,926	5.38
Health	45,459	45,214	0.54	61,517	54,704	12.45
Railway	7	4	75.00	-	-	-
Aviation	30	36	(16.67)	5	10	(50.00)
Maritime	3,563	1,587	124.51	119	85	40.00
Merchandise transport	4,783	2,538	88.46	614	612	0.33
Fire and other natural elements	67,867	49,975	35.80	19,353	11,810	63.87
Other property damage	68,232	55,204	23.60	41,484	35,124	18.11
Aviation TPL	13	1,517	(99.14)	5	4	25.00
Maritime TPL	370	-	-	69	-	-
General TPL	96,444	83,290	15.79	28,219	22,928	23.08
Credit	128	36	255.56	1	-	-
Bonds	12,551	7,558	66.06	377	348	8.33
Pecuniary losses	2,807	980	186.43	860	934	(7.92)
Legal expenses	519	399	30.08	464	485	(4.33)
Assistance	5,492	4,317	27.22	19,981	20,843	(4.14)
TOTAL OTHER NON-LIFE DIVISION	**367,355**	**305,149**	**20.39**	**200,390**	**173,813**	**15.29**
Motor TPL	857,006	920,549	(6.90)	243,761	254,723	(4.30)
Land vehicles	118,045	93,165	26.71	86,585	72,432	19.54
TOTAL MOTOR	**975,051**	**1,013,714**	**(3.81)**	**330,346**	**327,155**	**0.98**
TOTAL NON-LIFE DIVISION	**1,342,406**	**1,318,863**	**1.79**	**530,736**	**500,968**	**5.94**

(*) The table excludes the data of DDOR Novi Sad

The Motor TPL Division includes the claims paid for the charges incurred for the management of the claims as “Operator” within the new direct compensation system, net of those recovered as a flat-rate in the CONSAP compensation procedure. With reference to claims reported it is noted that they only refer to claims caused and do not include the relative number of claims in the “Card Operation” system.

With reference to the operating performance of the Motor TPL Class it should be noted that the data for the first quarter of 2009 is not sufficiently indicative of the trend for the entire year. However it is reported that the contraction of the average premium and the need to maintain an adequate level of reserves for the No Card claims does not permit profit margins in the quarter comparable with the first quarter of 2008.

The number of claims of the **Parent Company Fondiaria-SAI** recorded in the period was 124,409, a decrease of 4.9%. The number of claims paid was 116,768 (+12.7%).
For the Motor TPL class, the claims/premiums ratio, net of the costs for the Guarantee Fund for Road Victims, was 83.5% for the current quarter and 72.8% at global level.
The speed of settlement of the current generation on the claims managed (No Card Claim + Managed Card Claims) was 50.3% for the claims in the first three months and 40.2% for the claims in previous years.
On the claims caused, the speed of settlement was 43.9% for the current quarter and 37.2% for the previous years.
In the first quarter of 2009, the claims reported and accepted from our policyholders (including late claims) within the new compensation regime (so-called CARD Managed claims system) amounted to 88,843, of which 49,899 were fully paid.
The reported claims from the clearing houses with CONSAP, in relation to the claims in which our policyholders were in full or in part responsible (so-called CARD Debtor) amounted to 82,287 - of which 41,916 gave rise to the full payment of the indemnity and 43,741 resulted in the recording of a reserve.
For accounting purposes, up to March 31, 2009 recharges were received for a value of Euro 136 million from the clearing house. The amount of the credits received was Euro 132 million.

There was a strong decrease in profitability in the Land Vehicle Class which was strongly impacted by the adverse atmospheric conditions in January and February.

With reference to the Non-Motor Classes of the Parent Company the direct Italian premiums written amounted to Euro 311 million, an increase of 4.0% compared to the first quarter of 2008. The number of claims reported increased by approx. 18%. Claims reported in the Fire Class increased largely due to the adverse atmospheric conditions in the first quarter of 2009 with coverage in numerous accessory guarantee packages within the above-mentioned Class (e.g. snow overloading).
The technical performance reports a strong deterioration compared to the first quarter of 2008, although the limited period does not permit the use of this data as a projection for the full year.

With reference to the **Milano Assicurazioni** Group, direct premiums written in the first quarter amounted to Euro 816.2 million, an increase of 24.6% on the first quarter of 2008 due to the corporate restructuring at the end of the previous year, which resulted in the incorporation of Sasa Assicurazioni into Milano Assicurazioni and the entry into the consolidation area of Liguria Assicurazioni, following the conferment, by Fondiaria-SAI of the investment.
On like-for-like terms, premiums decreased by 3% (-4.1% in the Motor Classes and -0.4% in the Other Classes). In particular:

- Premiums written in the Motor Classes amount to Euro 561.8 million, of which Euro 487.2 million refer to the Motor TPL Class (-3.9% compared to first quarter of 2008 on like-for-like basis) and Euro 74.6 million relating to the Land Vehicle Class (-5.3%).

  These performances are again impacted by the drop in new motor vehicle registrations, which in March began to report some improvements following the state scrapping incentives. Strong competition on prices has also affected premiums through increased personalisation of tariffs and the application of discounts.

- Premiums written in the Other Non-Life Classes amounted to Euro 254.4 million. The substantial stability compared to the first quarter of 2008 illustrates the already stated wish to implement an underwriting policy which ensures portfolio profitability through the application of correct technical parameters and selection of risks. The commercial initiatives will be primarily directed at the Retail sector, with adequate profitability while, in the Corporate sector greater caution will be applied in underwriting risk.

The Motor TPL class benefited from the good performance of claims reported and records a positive technical balance, however within a market which continues to be impacted by the contraction of new motor registrations, strong competition following increased price flexibility and the penalising effects of the so-called Bersani bis Law in terms of bonus-malus class application.
The technical balance in the Land Vehicles Class was also positive but was significantly impacted in the quarter by a large amount of claims relating to adverse atmospheric conditions.
The Other Non-Life Classes report a largely positive overall technical balance within an increase in claims reported, especially in the Fire, Other Property Damage and General TPL Classes.
The brevity of the period under examination however means the data is easily influenced by seasonal factors and it is therefore appropriate to await results over a longer time period to make more expansive considerations on the various trends.

In the telephone and Internet channels, the actions continued supporting **Dialogo Assicurazioni S.p.A.** (99.85% subsidiary of Milano Assicurazioni).
In particular, in the first quarter of 2009 the new advertising campaign contained in the industrial plan of the company began. The cost incurred in the quarter, amounting to Euro 1.8 million, was entirely expensed in the income statement.
The gross premiums recorded in the first quarter amounted to Euro 6.6 million and recorded an increase of 45.1% on the first quarter of 2008 (Euro 4.5 million).
The Motor TPL Class, which represents the largest part of the portfolio, reports an improvement in the claims to premiums ratio, decreasing to 93.3% compared to 96.5% in the first quarter of 2008.
The contribution of Dialogo Assicurazioni S.p.A. to the consolidated income statement of the period is a loss of Euro 3.2 million (Euro 2.1 million in the first quarter of 2008), due to the costs relating to the current advertising campaign and IT investments and greater structural costs necessary to support the growth of the company.

With reference to **Siat** the operational performance in the first quarter of 2009 compared to the same period of the previous year reports a contained deterioration in the overall technical balance, principally due to the deterioration in the non Transport Classes (in run-off phase) which continue to be affected by some revaluations of the claims reserves of previous years (prevalently delegated to third parties). The Transport Classes reported a positive performance although with a modest contraction (consequent of the economic crisis which resulted in a slowdown of international traffic).

In relation to the Hull sector, the situation improved moderately compared to the previous year. The reduction in the rates appears to have halted and the quotations have shown moderate signs of improvement. However, we report a significant reduction in the values insured and an increase in empty ships, both factors consequent of the lower commercial maritime traffic.

In relation to the Goods sector, the market reports the same difficulties which characterised the final part of 2008. Competition continues to be intense, traffic remains reduced and the prices of raw materials are still very low.

The premiums written amounted to approx. Euro 46 million, a marginal decrease compared to the same period of the previous year (approx. Euro 46.9 million). These values were positively affected by the appreciation in the United States Dollar compared to the Euro.
Relating to the claims, there were no serious events in the first quarter of 2009. At the same time, the claims reserve in the "Transport" sector did not see a significant change.

In relation to the outward reinsurance, there were no changes from the recent past, with the continued interest of the professional operators in the technical aspects of the policies underwritten.

With reference to **DDOR Novi Sad** the net loss of approx. Euro 928 thousand, recorded in the first quarter of 2009 and related to the drop in GDP in Serbia, and the deterioration in the general real economy, is principally due to a decrease of approx. 12% in the premiums written compared to the same period of 2008. The decrease is reported in almost all of the Non-Life Classes, such as Accidents (-4%), Motor TPL (-21%), Fire (-12%), Other Property Damage (-18%) and Other Motor Vehicle Classes (-11%). In particular, the decrease in the Motor TPL sector was also due to the increase in the tariffs in the autumn of 2008 and the prohibition of the issue of multi-year policies which entered into force in the summer of 2008, as well as the constant competitive pressures from other insurance companies operating in the sector. However, premiums in the Life Classes report strong growth of 34% compared to the same period of the previous year.
The amount of the total claims paid decreased by approx. 1.6% on the first quarter of 2008. There were particularly significant decreases for the Fire Classes (-43%), Other Property Damage (-22%) and Motor TPL Classes (-7.6%), while the other Motor Vehicle Classes reported an increase of approx. 18.5% principally due to the increase in non material expenses for claims sent to court.
The increase recorded in the claims reserve, amounting to approx. Euro 802 thousand, is due to the increase of 7.5% in insurance and coinsurance commissions for the claims open but not yet paid, while the IBNR claims increased marginally (+0.2%).
The general expenses recorded a decrease (-2.3%) compared to the first quarter of 2008.

Motor Repair Project

Direct compensation offers the insurance department both the possibility to reduce the cost of the claim, thanks to greater saving opportunities (through the channelisation of car repair workshops of one's choice for the repair of the vehicle) and the loyalty of the Client, through a high level of settlement service/repair of the vehicle.
The high level of management of the auto repair process therefore becomes a strategic objective in the relationship with the Client.

The Fondiaria-SAI Group decided to avail of these new opportunities on three fronts:

1. increasing the channels of the claims;
2. intervening in the Supply Chain, through agreements and partnerships with repairs and spare part suppliers;
3. ensuring control, thanks to the unification of the time/price calculator, statistical analysis of the experts and the level of service.

Fondiaria-SAI established a special purpose vehicle controlled 100%, called Auto Presto & Bene S.r.l. to be utilised for the realisation of a project to launch the new auto repair management system, which will permit the Company to avail of the opportunities deriving from the introduction of the new direct compensation regime.

The management channels of the claims cycle provided by the new regulation provides an opportunity for the creation of value, together with the possibility to control the level of service and to participate in the supply chain through agreements with suppliers and workshops. The objective is to pay the "correct price" and offer a high level of service. The project will permit the reduction of labour costs and of spare part costs. The first step to reduce the repair costs is to ensure an adequate control in order to identify the critical actions in the auto repair activities.

Given the complete diversity of the auto repair business to that of insurance, it was necessary - in line with that undertaken by other insurance Companies, to separate the two activities.

The new management model for car repairs generates value for all of the stakeholders involved in the process, creating advantages for:

- the agencies, through the possibility of greater flexibility in the tariffs (based on the revision of the auto repair network), thanks to the improvement in the Claims/Premiums ratio and loyalty of the clientele;
- the auto repair workshops, thanks to the increase in volumes and the possibility to work alongside qualified and certified personnel;
- for the automobile companies, through the increase in market share in the original spare parts segment, at the same time creating greater efficiency in the Supply Chain and with a single and reliable partner on large volumes;
- for Fondiaria-SAI which, thanks to the loyalty and satisfaction of the Clientele, achieves a sustainable competitive advantage, capable of generating a reduction in the average cost of repairs.

Both the vehicle company and the development of models with high local integration could benefit partnerships and/or acquisitions.
The business model is versatile. The range of auto claims is in fact varied throughout the territory and local factors would suggest a variable approach with strong integration limited to the areas of high density in the centre-north of Italy.

In particular the new structure will permit:

- aggregation of the demand and negotiation with suppliers;
- control of repair costs through specialist resources;
- control of IT infrastructure;
- control of the working capital and the equilibrium of the inventories.

We report that, at the present moment, there are approx. 500 Auto Presto & Bene workshops throughout Piedmont, Lombardy, Valle d'Aosta and Lazio, with an expected completion of the national network in the first half of 2009.
The provision of additional services not contained in the policies, such as vehicle replacement and breakdown assistance, are currently being evaluated.
Finally, as guaranteeing a service of excellence is fundamental for the success of the project, it was considered essential to commence the monitoring of the customer satisfaction of the policyholders which have had their motor vehicles repaired. The verification on the level of service of the policyholders reported a satisfaction rate of over 98%.

LIFE INSURANCE SECTOR

The premiums written in the Life Division amounted to Euro 747.5 million, a decrease of 35.2 % compared to the first three months of 2008.

The breakdown by category of activity is shown below:

(in Euro thousands)	Q1 2009	Q1 2008	Cge. %
LIFE DIVISION			
I – Insurance on human life expectancy	525,920	414,976	26.74
III - Insurance as per points I and II linked to investment funds	124,596	626,810	(80.12)
IV – Health insurance as per art. 1 letter d) EU Dir. 79/267	20	369	(94.58)
V – Securitisations as per art. 40, legislative decree 174/95	96,555	112,085	(13.86)
TOTAL	747,091	1,154,240	(35.27)
INDIRECT PREMIUMS	437	441	(0.91)
TOTAL	747,528	1,154,681	(35.26)

The total premiums, including the investment contracts of the Life Division, amounted to Euro 764.6 million, a decrease of 41.8%.

A breakdown by Class and type of the sums paid in the direct Life segment is shown below:

(in Euro millions)	Claims	Redemptions	Maturity	Total at 31/03/2009	Total at 31/03/2008
I – Insurance on human life expectancy	16.8	200.8	199.0	416.6	492.8
III - Insurance as per points I and II linked to investment funds	3.7	144.9	78.0	226.6	126.2
IV - Health insurance	-	-	-	-	6.9
V – Securitisations as per art. 40, legislative decree 174/95	0.8	120.1	8.6	129.5	201.4
Total	**21.3**	**465.8**	**285.6**	**772.7**	**827.3**

The gross Life sums paid, including inward reinsurance, amount to Euro 779.1 million (Euro 833.1 million in 2008), a decrease of 6.5%.

The direct premiums written by the Parent Company in the first quarter of 2009 amount to approx. Euro 263 million (-9%). The decrease of the premiums written by the Parent Company is a consequence of the reduction of premiums (prevalently in class V) from large Corporate clients, whose profit margins and remuneration are no longer attractive for the Company.

The new business, according to the “Annual Premium Equivalent” (“APE”) for the Fondiaria-SAI Group, relating to the products covered by the application of IFRS 4, excluding therefore the contracts treated under the “deposit accounting” method, recorded a decrease of 35.1%, amounting to Euro 65.2 million compared to Euro 100.4 million in the first three months of 2008. Bancassurance contributed Euro 41 million compared to Euro 75.8 million in the first three months of 2008 (-45.8%).
Relating to the basis of the calculation of the APE, consideration was taken of the amount of new annual premiums and 10% of the single premiums.
The total new business in the segment, which takes account of the investment contracts not included within the scope of IFRS 4 amounted to Euro 65.2 million compared to Euro 113.7 million in the first three months of 2008, a decrease of 42.6%.

In the first quarter of 2009, the individual Life business of the distribution networks were directed almost completely towards fixed return rate policies with coverage of the contractual commitments realised through a specific asset (the third edition of CERTAIN VALUE): with a yield decisively more contained compared to the versions in 2008, and towards products related to the Separated Management, as characterised by minimum guaranteed returns and investment protection, both in the single premium form, with particular attention to the Life policy capital maturing segment and securitisation, and in the constant annual premium form (the marketing of the OPEN PIU’ product launched in 2008 continues to report good results with very good results also from the launch of the product OPEN BRAVO to younger clients, available from the first quarter of 2009).

The good placement continues of the DEDICATA policies (Term Life) introduced in the previous year with differentiation for policyholders' smoking habits.

In relation to the complementary pension segment, implemented through the Individual Pension Plans, in the first three months of the year there was a slowdown in the new contracts on the previous year.

In the first quarter of 2009 – for the “corporate” segment – there was a reduction in the advanced redemptions of **securitisation products** by institutional Clients and at the same time, in spite of the continued evident financial and liquidity problems, signs were evident, although still sporadic, of a renewed interest in the insurance investment, which could be competitive again despite the continued drastic reduction in market rates.

This situation requires particular caution for any underwriting not only from a profitability viewpoint, but also to protect the future equilibrium of the Special Managements for which a recurring monitoring action is in place of significant outflows (advanced redemptions) and unusual inflows.

Good results continue in the insurance conventions agreed by the **Pre-existing Pension Funds** for employees with a view to maintaining the level of subscribers, providing incentives to remain in the fund, thanks to the possibility (contained in the legislation) to continue within the plan even after the termination of employment, and a greater inflow of voluntary contributions from individual subscribers, related to the fiscal benefit, for which updating of specific IT procedures are being implemented similar to those contained in the law on Open Pension Funds and on PIPs.

In the same sector, the implementation of the necessary tariff reforms to adjust the financial and demographic bases to the updated statistical recordings also continued, and, again in the pension sector, the conclusion of some conventions for the provision of annuities on maturity of financial type pension plans: this latter type is currently considered within future services.

In relation to the Open Pension Funds, in the first quarter of the year new subscriptions continued, although contained, with a small drop in contribution inflows.

For the products related to the leaving indemnities (**VALORE TFR** and **VALORE TFM**), distribution was substantially maintained, both for new and recurring annual premiums of the previous contracts, although in the presence of the noted restrictions (obligation to allocate to the Inps Treasury Fund for companies with at least 50 employees).

For the risk coverage segment, the market share of the insurance deriving from collective negotiations was maintained, with renewal for the year in course of the coverage and a substantial maintaining of the portfolio, while agreements for the coverage of loans improved, despite the current stagnation in the real estate sector and the relative bank lending; some possibilities exist in relation to accessory coverage of the pension funds.

Direct premiums written of the **Milano Assicurazioni Group** in the first quarter of 2009 amounted to Euro 246.1 million and recorded a decrease of 7.7% on the first quarter of the previous year on like-for-like terms and therefore taking into account the contributions deriving from SASA VITA (incorporated into Milano Assicurazioni at the end of the previous year) and of Liguria Vita which is consolidated from the current quarter following the conferment to Milano Assicurazioni, by the parent company Fondiaria-SAI, and of the investment in Liguria Assicurazioni, also at the end of 2008.

The decrease is also due to the subsidiary **Dialogo Vita** which recorded premiums written of Euro 0.7 million in the quarter compared to Euro 20 million in the first quarter of 2008 and derived from the bancassurance agreement with UBS Italia S.p.A. This agreement in fact, following the sale of the company in the quarter, is currently operated by the Group company Systema Vita and no longer by Dialogo Vita, which operates through telephone and Internet channels.

In relation to the subsidiary **Popolare Vita S.p.A.** the premiums written, in accordance with IAS/IFRS accounting principles, amounted to Euro 243 million (Euro 597 million in the first quarter 2008). The premiums, including the investment contracts, increased to Euro 243 million (Euro 738 million in the first quarter of 2008). The distribution of the premiums by product type is absorbed for approx. half (51%) by Unit and Index-Linked type structures, which are preferred by the banking channel.
The result for the quarter in accordance with Italian GAAP was Euro 4 million, although recording a negative technical result, due to extraordinary charges consequent of the restructuring operation of the index policies with underlying securities of the Lehman Brothers Group.
The distribution network of the Company consists of 1,766 bank branches belonging to the Banco Popolare Group and, in relation to the post-sales, 33 branches of Credito Emiliano.

In relation to the activities of **Bipiemme Vita** (51% subsidiary of Milano Assicurazioni) premiums written amounted to Euro 126.4 million, substantially in line with the first quarter of 2008 and the rationalisation of its product portfolio continued with a view to better satisfying the needs of the clientele, in this period of strong financial turbulence.

REAL ESTATE SECTOR

The results of the real estate sector include the **Immobiliare Lombarda Group**, the subsidiary **Nit S.r.l.** and other minor companies, as well as the **Tikal R.E.** Closed Real Estate Fund.

The key data of the real estate sector is summarised below:

(in Euro thousands)	**Q1 2009**	**Q1 2008**
Profits realised	946	40
Total revenues	33,298	38,190
Interest expense	4,843	5,695
Loss before taxes	(7,895)	(4,139)

(in Euro thousands)	**Q1 2009**	**Q1 2008**
Investment property	1,329,392	1,271,595
Financial liabilities	493,778	451,068

The pre-tax result of the sector was a loss of Euro 7.9 million compared to a loss of Euro 4.1 million in 2008. The result includes the depreciation and interest expense for the period, not offset by any income from sales.

No significant matters arose in the limited operations of the quarter: the activities were limited to the management of the existing assets.
The only exception was the purchase in January of an office building in Milan, via Crespi 57, by the subsidiary Meridiano Eur. The transaction amounted to Euro 55.8 million.

OTHER SECTORS

This sector includes the companies of the Group operating in the asset management sector, the financial services companies and the subsidiaries **BancaSai** and **Banca Gesfid**.
The pre-tax result of the sector was a loss of approx. Euro 4 million (profit of Euro 7 million in the first quarter of 2008).

The sector is affected by the current financial crisis which resulted in a lower contribution of net commissions of Euro 7.2 million (Euro 8.3 million in the first quarter of 2008) and lower contribution of net investment income (Euro 9.5 million compared to Euro 16.1 million in the first quarter of 2008).

In particular, the quarterly result of **BancaSai** recorded a loss of Euro 1.3 million (loss of Euro 0.6 million in the first quarter of 2008).
The sector result also includes the loss of the subsidiary Sainternational due to the further impairment on the RCS shares held in portfolio for Euro 3.1 million, against the profits recorded in Banca Gesfid (Euro 1.1 million) and Italiberia (Euro 0.8 million).

ASSET AND FINANCIAL MANAGEMENT

INVESTMENTS AND LIQUIDITY

At 31/3/2009, the volume of investments amounted to Euro 33,651 million, compared to Euro 33,438 thousand at 31/12/2008, an increase of 0.64%.

(in Euro thousands)	31/03/2009	31/12/2008	Cge. %	31/03/2008
INVESTMENTS				
Investment property	2,523,316	2,459,751	2.58	2,176,279
Investments in subsidiaries, associated and joint venture companies	295,876	292,879	1.02	287,876
Investments held to maturity	890,458	845,789	5.28	-
Loans and receivables	2,737,664	1,776,024	54.15	1,808,997
Financial assets available-for-sale	19,190,102	19,982,715	(3.97)	21,705,030
Financial assets at fair value through profit or loss	8,001,727	8,080,675	(0.98)	10,003,893
Total investments	**33,650,960**	**33,437,833**	**0.64**	**35,982,075**
Tangible fixed assets: Buildings and other fixed assets	1,251,921	1,244,217	0.62	1,260,896
Total non-current assets	**34,902,881**	**34,682,050**	**0.64**	**37,242,971**
Cash and cash equivalents	519,789	760,072	(31.61)	689,659
Total non-current assets and cash equivalents	**35,422,670**	**35,442,122**	**(0.05)**	**37,932,630**

The available-for-sale financial assets and the financial assets valued at fair value through profit or loss are as follows:

(in Euro thousands)	31/03/2009	31/12/2008	Cge. %
Financial assets available-for-sale	**19,201,919**	**19,982,715**	**(3.91)**
Equity securities	1,220,761	1,541,909	(20.83)
Fund units	895,153	859,797	4.11
Debt securities	17,083,152	17,578,144	(2.82)
Other financial investments	2,853	2,865	(0.42)
Financial assets at fair value through profit or loss	**8,001,727**	**8,080,675**	**(0.98)**
Equity securities	72,418	74,888	(3.30)
Fund units	846,486	954,632	(11.33)
Debt securities	6,718,087	6,600,853	1.78
Other financial investments	364,736	450,302	(19.00)

The account **Investment property** includes the buildings held by the Group for investment purposes, therefore held for rental to third parties or for capital appreciation. The gross carrying value was Euro 2,838 million, of which Euro 837 million related to the land component, while the depreciation provision amounted to Euro 315 million. The increase in the first quarter of Euro 63 million essentially relates to the building in Milan, via Crespi, purchased by the subsidiary Meridiano Eur.

The account **Investments in Subsidiaries, Associates and Joint Venture Companies** includes the investments in associated companies, which were valued under the equity method, in addition to the carrying value of some investments in subsidiaries which are not fully consolidated, either due to the insignificant value for the purposes of a true and fair presentation of the accounts or as the companies are under restructuring or are non operating.
The most significant investments are those held by the Parent Company in the subsidiary Fin. Priv. S.r.l. for Euro 26 million and by the subsidiary Saifin-Saifinanziaria in the associated company Finadin S.p.A. for Euro 41 million, as well as that held by Immobiliare Lombarda in Igli (Euro 111 million), City Life (Euro 55 million) and Progetto Alfiere (Euro 10 million).

The **Loans and Receivables** includes debt securities of Euro 941 million (Euro 115 million at 31/12/2008), time deposit operations for Euro 395 million (Euro 297 million at 31/12/2008) and loans on life policies of Euro 63 million (Euro 64 million at 31/12/2008). They also include the reinsurance deposits at the ceding companies for Euro 31 million (Euro 31 million at 31/12/2008) and receivables from sub-agents for the indemnities paid to the former agents for Euro 207 million (Euro 219 million at 31/12/2008).
The account also includes loans provided by Finitalia to its customers for Euro 201 million (Euro 195 million at 31/12/2008), as well as the receivables of the subsidiaries BancaSai and Banca Gesfid from other credit institutions for deposits and loans to the bank’s customers for Euro 634 million (Euro 540 million at 31/12/2008).

The account also includes a loan of approx. Euro 172 million (Euro 170 million at 31/12/2008) against the forward sale of Intesa Sanpaolo shares owned by the Parent Company through the mandatory convertible exclusively in Intesa Sanpaolo shares, issued by the subsidiary Sainternational in September 2004. This receivable was discounted, considering the time period of the maturity of the underlying forward sale of the mandatory issue. The positive effect on the income statement for the period was approx. Euro 1.3 million.

In relation to the increase in debt securities within the segment reference should be made to the paragraph below concerning the reclassification of financial instruments.

The **Investments held to maturity** amount to Euro 890 million (Euro 846 million at December 31, 2008) and include Euro 795 million of listed debt securities.

The **Available-for-sale financial assets** include bonds and equity securities not otherwise classified. Although a residual category, they represent the largest category of financial instruments, in line with the characteristics and purposes of the insurance activities.
In particular, the account includes debt securities of Euro 17,083 million (Euro 17,578 million at 31/12/2008), equity securities of Euro 1,221 million (Euro 1,542 million at 31/12/2008), as well as units in investment funds of Euro 895 million (Euro 860 million at 31/12/2008) and other financial investments of Euro 3 million (Euro 3 million at 31/12/2008).

The **Financial assets valued at fair value through profit or loss** includes the securities held for trading as well as those designated by the group in this category.
This account includes the investments and the financial instruments relating to insurance contracts or investments issued by insurance companies for which the investment risk is borne by the policyholder.
The account therefore includes debt securities of Euro 6,718 million (Euro 6,601 million at 31/12/2008), equity securities of Euro 72 million (Euro 75 million at 31/12/2008), units in investment funds of Euro 846 million (Euro 955 million at 31/12/2008) and other financial investments of Euro 365 million (Euro 450 million at 31/12/2008).
In relation to the composition of the financial instruments reference should be made to the table on the investment situation below.

The key results of the financial and real estate activities for the last year are shown below:

(in Euro thousands)	**31/03/2009**	**31/03/2008**	**31/12/2008**
Net income from financial instruments recorded at fair value through profit or loss	**18,690**	**(313,881)**	**(341,548)**
Income from investments in subsidiaries, associates and joint ventures	**-**	**30,304**	**38,062**
Income from other financial instruments and property investments of which:			
Interest income	217,071	217,191	924,990
Other income	43,207	44,392	262,623
Profits realised	53,068	54,446	225,710
Valuation gains	65	32	449
Total income	**332,101**	**32,484**	**1,110,286**
Charges from investments in subsidiaries, associates and joint ventures	**1,311**	**1,514**	**7,236**
Charges from other financial instruments and property investments of which:			
Interest expense	39,050	28,112	144,866
Other charges	29,432	16,650	71,354
Losses realised	41,059	32,071	193,203
Valuation losses	74,061	10,500	270,539
Total interest expense and charges	**184,913**	**88,847**	**687,198**
TOTAL NET INCOME	**147,188**	**(56,363)**	**423,088**

The net income from financial instruments recorded at fair value through the profit and loss includes net income relating to contracts in the Life sector whose risk is borne by the policyholders for Euro 30,262 thousand (net charges of Euro 267,239 thousand in the first quarter 2008).
This increase is compensated by the corresponding change in the technical reserves of the Life sector relating to this class of activity.

In relation to the **Tangible fixed assets**, they include also property inventories for which the criteria of IAS 2 were applied. In particular, this account includes over Euro 754 million (Euro 745 million at 31/12/2008) relating to the investment properties of the subsidiary Immobiliare Lombarda S.p.A..

Reclassification of financial instruments

We recall that in accordance with IAS 39, and as enacted in October through the approval of EU Regulation No. 1725/2003, a financial asset classified as available-for-sale may be reclassified in the category “loans and receivables" provided it complies with the requisites contained in the definition of loans and receivables, and the company has the intention and the capacity to hold the financial asset for the foreseeable future or until maturity.

Based on this option, it was decided to reclassify at January 1, 2009 some debt securities recorded in the accounts at December 31, 2008 for Euro 804,716 thousand from the category “Available-for-sale” to “Loans and Receivables”. These securities, principally containing subordination clauses and issued by corporate parties, were measured at fair value at December 31, 2008 through mark to model, with the objective to provide maximum transparency and clarification in the valuations in the accounts. This intention does not easily reconcile with the nature of the securities and with the difficulties to define and, therefore, provide the stakeholders an objective fair value, in consideration of the current economic-financial crisis which does not permit normal pricing, in particular for these types of securities.
In consideration of the nature of the securities and of the intention and of the capacity of the Group to hold these assets for the foreseeable future or until maturity, the allocation of these financial instruments to the category of “loans and receivables” is clearly more appropriate, which through the valuation at amortised cost, permits the recording of the income matured on the security in the income statement of the period.

The accounting value of the securities transferred at 31/3/2009 was Euro 806,177 thousand and the fair value at that date, determined on the basis of the above-mentioned mark to model method, substantially confirm the carrying value at the date of the present report. There was no permanent loss in value on any security and the effect of the amortised cost resulted in the recording of income of Euro 1,188 thousand. The negative AFS reserve recorded on these securities on January 1, 2009 amounts to Euro 74,578 thousand and is amortised in accordance with the provisions of IAS 39.

It should be noted also that this reclassification only has an effect in the first quarter of 2009 in that, as explicitly outlined in IAS 39 103G, it is not possible to retroactively apply this change in 2008; however, as illustrated by the figures, the effects are not material.

Net technical reserves

The net technical reserves are as follows:

(in Euro thousands)	31/03/2009	31/12/2008	Cge. %	31/03/2008
Non-Life technical reserves				
Unearned premium reserve	2,546,789	2,564,860	(0.70)	2,513,577
Claims reserve	7,914,383	8,065,652	(1.88)	8,258,153
Other reserves	14,157	14,444	(1.99)	16,326
Total Non-Life reserves	**10,475,329**	**10,644,956**	**(1.59)**	**10,788,056**
Life technical reserves				
Actuarial reserves	13,873,372	13,671,861	1.47	13,870,151
Reserve for sums to pay	181,949	232,107	(21.61)	244,117
Technical reserves where the investment risk is borne by policyholders	4,255,855	4,245,012	0.26	4,307,819
Other reserves	(247,192)	(305,948)	(19.20)	(140,005)
Total Life Reserves	**18,063,984**	**17,843,032**	**1.24**	**18,282,082**
Total	**28,539,313**	**28,487,988**	**0.18**	**29,070,138**

The technical reserves of the Non-Life Division at 31/3/2009 include the unearned premium reserve of Euro 2,547 million, calculated under the pro-rata basis, and the claims reserve of Euro 7,914 million.
The other technical reserves of the Non-Life Division include the ageing reserve of the health division, calculated in accordance with the national regulations: this is created against the greater insurance risk due to the ageing of the policyholders.

The technical reserves of the Life Division are those relating to insurance contracts and investment contracts with discretionary participation elements as per IFRS 4. This account does not include the liabilities relating to the policies (prevalently index and unit-linked) which, having an insignificant insurance risk, are governed by IAS 39 (Financial instruments) and are therefore recorded under financial liabilities.

In addition, the technical reserves of the Life Division decreased, compared to the value calculated in accordance with Italian GAAP, by Euro 375 million due to the accounting of the deferred liabilities towards policyholders, consequent of the application of the shadow accounting technique as per IFRS 4 (Euro 437 million at 31/12/2008).

Financial liabilities

Within the financial liabilities a separation was made between operating debt and financial debt. In particular, the operating debt relates to the financial liabilities where there is a correlation with a specific asset account.

The breakdown of the financial liabilities is shown below:

(in Euro thousands)	**31/03/2009**	**31/12/2008**	**Cge. %**	**31/03/2008**
Financial liabilities				
Sub-ordinated liabilities	1,047,769	1,050,497	(0.26)	815,459
Financial liabilities recorded at fair value through profit or loss	3,352,534	3,454,262	(2.94)	3,956,700
Other financial liabilities	1,833,178	1,758,449	4.25	1,706,234
Total financial liabilities	**6,233,481**	**6,263,208**	**(0.47)**	**6,478,393**

For the **Subordinated liabilities** account, reference should be made to the section below on debt.

The account **Financial liabilities recorded at fair value through profit or loss** includes at 31/3/2009 Euro 3,324 million (Euro 3,401 million at 31/12/2008) relating to liabilities from financial contracts issued by insurance companies, treated under the deposit accounting method which, substantially, requires the recognition in the income statement of only the profit margins and the recording under financial liabilities of the premiums written.

The **Other financial liabilities** include Euro 457 million (Euro 404 million at 31/12/2008) relating to customer deposits at the subsidiaries BancaSai and Banca Gesfid, In addition, Euro 184 million (Euro 182 million at 31/12/2008) relates to the payable for a nominal amount of Euro 180.4 million by the subsidiary Sainternational and repayable exclusively in Intesa Sanpaolo shares owned.

The account also includes Euro 16 million (Euro 16 million at 31/12/2008) relating to investment contracts signed by Life policyholders valued in accordance with the amortised cost method. It also includes Euro 115 million (Euro 118 million at 31/12/2008) relating to time deposit operations on loans agreed by the subsidiary SAI Mercati Mobiliari. The residual refers principally to deposits with reinsurers.

FONDIARIA-SAI GROUP DEBT

In order for a correct representation of the accounts under examination, information is provided below of the financial payables, which is the total amount of the financial liabilities for which it is not possible to establish a correlated specific asset account.

The situation is summarised in the table below:

(in Euro millions)	31/03/2009	31/12/2008	Changes
Subordinated loans	1,047.8	1,050.5	(2.7)
Mandatory SAInternational	184.4	181.6	2.8
Bank and other borrowings	674.8	644.2	30.6
Total debt	**1,907.0**	**1,876.3**	**30.7**

The account **Subordinated loans** include the following loans of the Parent Company with Mediobanca, with ISVAP authorisation:

- A subordianted loan of Euro 400 million, agreed and issued on July 23, 2003. Following some contractual modifications in December 2005, the interest rate is Euribor at 6 months +180 basis points and repayable in five equal annual instalments from the 16^{th} anniversary of the loan. This loan was obtained in order to increase the constituting elements of the solvency margin;
- A subordinated loan of Euro 100 million agreed on December 20, 2005 (received on December 31, 2005), with the same subordination characteristics of the previous loan. The interest rate is Euribor at 6 months +180 basis points and is repayable in five equal annual instalments from the 16^{th} anniversary of the loan.
- A subordinated loan of Euro 300 million agreed on June 22, 2006 (received on July 14, 2006), 50% subscribed by Fondiaria-SAI and the other 50% by Milano Assicurazioni. This loan provides for interest at Euribor at 6 months +180 basis points and is repayable in five equal annual instalments from the 16^{th} anniversary of the loan. In particular, this latter contract contributes to a further improvement in the solvency margin available to the Group for the part provided by the subsidiary Milano Assicurazioni. On July 14, 2008, Milano Assicurazioni made a partial advance repayment of this loan for Euro 100 million;
- A hybrid subordinated loan with a perpetual duration of Euro 250 million agreed and received on July 14, 2008 by Fondiaria-SAI. The interest rate is Euribor at 6 months +350 basis points for the first 10 years and thereafter 450 basis points. The repayment should be made in one repayment after 10 years. This loan was agreed to increase the constituting elements of the solvency margin;

- A hybrid subordinated loan with a perpetual duration of Euro 100 million agreed and received on July 14, 2008 by Milano Assicurazioni. The interest rate is Euribor at 6 months +350 basis points for the first 10 years and thereafter 450 basis points. The repayment should be made in one repayment after 10 years. This loan was agreed to increase the constituting elements of the solvency margin;
- Subordinated loans of BPM Vita received during 2003 for a nominal value of Euro 8 million divided 50% with Banco Popolare di Milano and 50% with Banca di Legnano. It is recalled that these loans have an indefinite expiry and interest rates of Euribor at 12 months increased by 2.50%.

With reference to the subordinated loan of Euro 400 million, it is recalled that the entire position is fully hedged by interest rate swap operations in order to neutralise the risk related to the above-mentioned loan, stabilising on an annual basis the interest streams to be paid to the counterparty. On December 4, 2008, two IRS contracts were signed, one by Fondiaria-SAI to hedge the subordinated loan of Euro 150 million and the other by Milano Assicurazioni to hedge the subordinated loan of Euro 50 million.
On April 30, 2009 an IRS agreement was signed hedging the subordinated loan of Euro 100 million.

On September 27, 2004, the Luxembourg subsidiary Sainternational S.A. issued a Convertible and Repayable Bond exclusively with Intesa Sanpaolo ordinary shares owned by Fondiaria-SAI, with maturity on September 29, 2010 and listed on the Luxembourg Stock Exchange. The bonds, of a total nominal value of Euro 180.4 million, will be repayable on maturity through the delivery of 44,000,000 Intesa Sanpaolo ordinary shares, formally owned by Fondiaria-SAI, at the exchange price of Euro 4.10 per share, and therefore with a premium of 35.13% compared to the prices of the Intesa Sanpaolo ordinary shares at the moment of the definition of the offer price. The annual coupon of the bonds and the return on maturity are 6.10%.

With reference to **Bank and other lenders**, amounting to Euro 674.8 million, the most significant amounts are reported below:

- Euro 251.2 million refers to a senior loan signed on January 11, 2008 between Fondiaria-SAI S.p.A. and Mediobanca for a nominal amount of Euro 250 million in order to temporarily support the financial needs of the Parent Company, and following amendments in the final quarter of 2008, interest is paid half-yearly rather than quarterly while the maturity remains at 25/1/2010, the date on which the nominal amount will be paid in one lump sum. The loan was received in one single amount on January 25, 2008;
- Euro 203.4 million refers entirely to the consolidated debt of the subsidiary Immobiliare Lombarda. This relates to the re-negotiation of the debt of Immobiliare Lombarda in 2005. The interest rate on the loan is Euribor plus a spread of 0.9%. The maturity dates are variable up to December 31, 2012. In the first quarter of 2007, Immobiliare Lombarda agreed a loan of approx. Euro 38 million with Efibanca, in order to acquire the investment in IGLI. The interest rate on the latter loan is at Euribor plus a spread of 0.83% and the expiry date is December 31, 2012;

- Euro 182.6 million refers to the loan of the Tikal R.E. Closed Real Estate Fund from Intesa SanPaolo, with this latter as Bank Organiser, Agent and Lender. The purpose of the loan is to improve the return on own capital and therefore the capital invested by the participants. The amount involves a total credit line of Euro 280 million, utilised for investments in new projects and to undertake improvements in view of future sales and incremental returns. The cost of the loan is Euribor plus a variable credit spread between 70 and 110 b.p.

  The Fund, since the previous year, has utilised two credit instruments, in application of a hedging policy on the potential risk of an increase in interest rates on the loan granted;
- Euro 4.6 million refers to the bonds issued in 2008 by BancaSai in part at a variable interest rate and in part at a fixed interest rate, with variable expiry from 2011 to 2014 and placed externally to the Group;
- Euro 32.7 million refers to short-term loans for fixed use (so-called “hot money”) obtained by the subsidiary Finitalia from various credit entities;
- The residual amounts relates to other insignificant payable positions.

INVESTMENT MANAGEMENT

The measures taken against the international crisis by the Monetary Authorities and Governments across the world greatly accelerated the policies in place to combat the economic crisis, which has entirely infiltrated the real economy, with a general increase in unemployment and a consequent halt in consumption and investments.

At a monetary level, the most important Central Banks, except the European Central Bank, undertook non traditional policies known as “Quantitative Easing” or rather non orthodox measures, through the direct purchase of Government Bonds, Corporate Bonds and/or any private debt instrument, in order to reduce the market rates when the nominal benchmark rates are close to zero.
These operations, undertaken by the American, UK, Japanese and Swiss monetary authorities also have the objective of avoiding a dangerous deflationary spiral of the international economic system i.e. a general and prolonged decrease in prices.
While the monetary authorities are concentrating their efforts on massive non conventional measures to stimulate final demand, alleviating as much as possible the consequences of the contraction of credit following the global financial crisis, the political authorities, overall, are implementing fiscal stimulus policies in order to stimulate economic growth.

The combination of these “extraordinary” monetary and fiscal actions should permit the global economy to halt the continual deceleration, with first signs of growth at the end of 2009 and the beginning of 2010, although largely under the relative potential growth.

In relation to the equity market, the first part of the quarter saw great turbulence on the markets, due to negative reports on the United States real economy and the strong deterioration also in the European economy, and lower volatility in March, when the principal stock markets reacted positively to the presentation by the US Government of a new plan to offload the “toxic assets” from the banks. Some positive indications on the microeconomic front are added to this, with better performances than expected in the first quarter of the year for important financial operators, signs which permitted an improvement in the market with very compressed valuations and for months dominated by pessimism. In particular the recovery of the financial securities drove the indices, but an excellent performance was also reported by the technological sector, illustrated by the recovery of the NASDAQ index.

On an operating level, the activities of the Company were developed in the first quarter on Fixed Income, which benefited, in the Non-Life segment, of discrete levels of trading favoured by the conviction at the beginning of the year and subsequently proved correct, that the European Central Bank would be forced to lower the European interest rates with significant performances for the short-term bond segment.

It was decided also to reduce a large part of the Covered Bonds component, which performed well in the face of higher illiquidity and financial tensions, in consideration that the new guaranteed bank issues on similar maturities are becoming a highly competitive product, in terms of rating, yield and liquidity.
Overall the duration of the portfolios, thanks also to the constant monitoring of the A.L.M. requirements and a fundamental macro vision, did not record significant changes in the Life segment, while in the Non-Life segment there was a small reduction in the duration.
The approach to the corporate bonds, increasingly more selective and concentrated on sectors less connected to the volatility of the financial world was aimed, residually, to the issue of conservative ratings and in anti cyclical and "cash" generating business areas such as Telecoms, Utilities and Energy.

At operating level, the activities undertaken by the Company on the equity front was characterised by maintaining Cyclicals and Industrial sectors underweight, in favour of more defensive sectors. Considering the continued uncertainties on the markets, it was decided to seek benefits from the high levels of volatility through a strategic management policy of investments, through the sale of call options on securities in portfolio, thus supporting ordinary yields of separated management. In relation to the strategic portfolio, the partial release from favourable hedges in previous years and the simultaneous reduction of underlying securities continued; these operations began in the second half of 2008.
At consolidated level the percentage of equity net of hedging was 5.8%, with an average yield of 2.6%. The Non-Life Division has an equity holding of around 9%, while the Life Division had 4.5%. At geographic level, the greatest exposure refers to the Eurozone with 60%, while the currency exposure amounts to 14%.

Currently, the overall view on equity remains prudent in the short-term period but with a view to the progressive increase of the investment in the medium-long term period.

Fondiaria-SAI
Excluding the assets covering contracts where the investment risk is borne by the policyholders as well as the non-listed shares, the bond sector at the end of the first quarter of 2009 represented 71.4% of the total portfolio, with a total duration of approx. 4.96 years.

The Non-Life Division is composed of 44% of fixed income bonds, with the remaining 52.6% at a variable rate (including the BOT securities). There is also a residual component of approx. 3.4% in time deposit monetary assets.

The total duration of the Non-Life portfolio is 1.8 years and the return is 3.15%.

The Life Division has an asset allocation based primarily on fixed rates (86%) while the variable portion includes the BOT securities (11.9%). There is also a residual component of approx. 2% in time deposit monetary assets.

The total duration of the Life portfolio is 5.83 years and the return is 5.01%.

The Corporate Securities are, largely, belonging to the "investment grade" category.

Milano Assicurazioni

Excluding the assets covering contracts where the investment risk is borne by the policyholders as well as the non-listed shares, the bond sector at the end of the first quarter of 2009 represented 81.8% of the total portfolio, with a total duration of approx. 3.56 years.

The Non-Life Division is composed of 58.6% of fixed income bonds, with the remaining 35.9% at a variable rate (including the BOT securities). There is also a residual component of approx. 5.5% in time deposit monetary assets.

The total duration of the Non-Life portfolio is 1.65 years and the return is 3.25%.

The Life Division has an asset allocation based primarily on fixed rates (81.8%) while the variable portion includes the BOT securities (17.5%). There is also a residual component of approx. 0.7% in time deposit monetary assets.

The total duration of the Life portfolio is 5.15 years and the return is 4.97%.

The Corporate Securities are, largely, belonging to the "investment grade" category.

TREASURY SHARES, SHARES OF THE HOLDING COMPANIES AND ITS SUBSIDIARIES

At 31/3/2009 and at 31/12/2008, the Parent Company holds treasury shares and shares in the parent company Premafin Finanziaria as shown in the table below:

(in Euro thousands)	31/03/2009		31/12/2008	
	Number	**Book value**	**Number**	**Book value**
Treasury shares held by:				
Fondiaria-SAI	3,200,000	64,366	3,200,000	64,366
Milano Assicurazioni	9,982,557	229,261	8,382,557	209,900
Sai Holding	1,200,000	28,306	1,200,000	28,306
Total	**14,382,557**	**321,933**	**12,782,557**	**302,572**
Saving treasury shares held by:				
Fondiaria–SAI	-	-	-	-
Total	**-**	**-**	**-**	**-**
Shares of the holding company held by:				
Fondiaria-SAI	18,340,027	18,349	18,340,027	22,741
Milano Assicurazioni	9,157,710	9,162	9,157,710	11,356
Saifin - Saifinanziaria	66,588	67	66,588	89
Total	**27,564,325**	**27,578**	**27,564,325**	**34,186**

OTHER INFORMATION

Sales organisation and personnel

The personnel of the Fondiaria-SAI Group at 31/03/2009 is as follows:

	31/03/2009	31/12/2008
Italian companies	5,706	5,696
of which Parent Company:	2,671	2,668
Foreign entities	2,213	2,236
Fondiaria-SAI S.p.A. Group	**7,919**	**7,932**

In addition, the employees of the foreign companies include 543 brokers.

With reference to the first quarter of 2009, the national distribution of the Fondiaria-SAI Agents was as follows:

	SAI Mandate	Fondiaria Mandate	Total at 31/03/2009	Total at 31/12/2008
North	407	250	657	662
Centre	141	164	305	312
South	218	142	360	361
TOTAL	766	556	1,322	1,335

With reference to the Group, it is noted that the sales agencies at the end of the first quarter of 2009 amounted to 3,336 agencies (3,515 at 31/12/2008), operating through 2,900 sales points (2,936 at 31/12/2008) representing the traditional distribution channel.

Stock options plans, information on warrants and dividends

On 14/7/2006, the Board of Directors of Fondiaria-SAI approved the assignment of options of the Fondiaria-SAI 2006-2011 stock option plan for executive directors and management of Fondiaria-SAI, of its subsidiaries and of the parent company for the purchase of Fondiaria-SAI saving shares.

Consequently, in accordance with IFRS 2 "Share-based payments", the implicit costs relating to the above stock option plan were determined. Through appropriate evaluation models, the fair value of the options were determined, consequently increasing personnel costs by Euro 0.8 million, and also recording this in a net equity reserve.

As the plan involves some executive directors and management of the subsidiaries Milano Assicurazioni and Immobiliare Lombarda, the economic effects of the stock option plan are also recorded in the financial statements of these companies for their share. On the other hand, the consolidated financial statements of Fondiaria-SAI do not include the cost of the options assigned to the executive directors and management of its parent company. The total cost of the plan is estimated, for the Fondiaria-SAI Group, at Euro 36 million, of which Euro 33 million was expensed in the three previous years.

(in Euro)	Number options granted	Residual life	Option value	Total cost	Cost at 31/03/2009
Tranche A	5,173,360	-	2.792	14,445,940	-
Tranche B	3,880,020	-	2.708	10,506,003	-
Tranche C	3,880,020	1	2.809	10,897,715	888,686
Total Fondiaria-SAI Group	**12,933,400**			**35,849,658**	**888,686**
Options granted to the holding company	2,066,600				
Total	**15,000,000**				

We recall, in addition, that on May 21, 2009, following the allocation of the 2008 net profit as approved by the Shareholders' Meeting on April 24, 2009, the dividend of Euro 0.70 per ordinary share and Euro 0.752 for each saving share will be paid.

SIGNIFICANT EVENTS AFTER THE END OF THE QUARTER

There were no significant events after the end of the quarter.

OUTLOOK

Within a weakened financial and economic environment, Fondiaria-SAI has set out the conditions and strategies to face the difficulties in 2009, based on the strengths which have always distinguished the operations of the Group.
During the past year the company favoured strong balance sheet values rather than an uncontrolled development of premiums. In particular, in relation to the Motor TPL Class, the maintaining of a certain type of expansion at all costs would have further penalised the average premium, although within a lowering trend due to the strong competition within the segment.
The real competition will be played out within “costs/services” as it is necessary to safeguard the equilibrium of industrial operations. “Auto Presto & Bene” was developed in this context, which has the objective of strengthening the level of service offered and reducing costs, rationalising the processes of the auto repairs and benefiting from the volumes of claims settled and from commercial agreements with a network of trusted operators. This strategy will also continue in the coming months, with the completion of the rollout plan, simultaneous to the changes in the portfolio mix in the Non-Motor Classes, to the protection and improvement of the technical balances and to the maintaining of the equilibrium threshold within the Life Classes. With reference to these latter, the objective is to favour more traditional products rather than products with high financial content.

The current financial crisis does not permit the Companies to reflect their fundamental values. The current market conditions are extraordinary in nature and, as sector leader, the Group is more affected than others. We are certain that all the measures undertaken and the actions implemented to protect the profitability will permit us to confront the difficulties in the current year, except for further effects from the current financial crisis which at the moment are unforeseen.

Milan, 13/5/2009

For the
Board of Directors
The Chairperson

Ms. Jonella LIGRESTI

DECLARATION IN ACCORDANCE WITH ART. 154 BIS, PARAGRAPH 2, OF LEGISLATIVE DECREE 24/02/1998, N. 58

The undersigned Mr. Pier Giorgio Bedogni, as Executive Responsible for the preparation of corporate financial documents of Fondiaria-SAI S.p.A.

affirms

pursuant to the provisions of article 154 bis of the "Finance Act for financial intermediaries" that the Interim Report as at March 31, 2009 corresponds to the underlying accounting documents, records and accounting entries.

Milan, 13/5/2009

The Executive Responsible
the preparation of the corporate accounting documents

Mr. Pier Giorgio BEDOGNI