

REPORT OF THE BOARD
OF DIRECTORS ON OPERATIONS





Shareholders,

The world economy performed well overall in 2005, confirming the indicators identified in the recent past.

The industrialised nations continued to grow, albeit at different rates, led once again by the United States. Robust economic expansion by the emerging nations was maintained, supported by the rise in prices for raw materials, strong exports and domestic consumption which, especially in Asia, is gathering pace.

Nevertheless, there were many reasons for concern. In addition to the overheating of oil prices, there were worries about the repeated hurricanes that hit the southern United States with usual violence.

The modest macroeconomic slowdown in the United States did not affect the robust economic growth experienced there over the past three years. Consumption, industrial production and the principal indicators for the manufacturing and service sectors all point to a continuation of the upward trend.

Public spending was also higher, partly due to the damage caused by the hurricanes.

There has also been a controlled but steady rise in inflation, which has induced the Central Bank to continue gradual manoeuvres to restrict the money supply.

The deficit in the balance of trade, together with the gap in the federal budget, remain obstacles to the continuation of growth and bear heavily on the exchange rate for the dollar which, indeed, is sustained by the interest-rate differential.

In Japan, the signs of an economic upturn have been confirmed and the awaited reforms have continued. The manufacturing and service sectors both reported growth during the year and consumer spending forecasts have increased. There was also further improvement in the level of non-performing loans experienced by the banking system.

The principal economic indicators reflect a marked increase in the climate of confidence, suggesting that the long period of recession, dating back to the early '90s, will soon be over.

Even deflation appears to be making way for more normal price trends, although the Central Bank still intends to maintain a very relaxed monetary policy.

Despite an easing of the pace, the Chinese economy has continued to grow strongly, such that

this nation has now moved into fourth place in the world rankings by gross domestic product. Inflation remains somewhat low, despite the high degree of liquidity in circulation. The appreciation of the yuan, guided by the Chinese authorities, has been well received by the more industrialised nations, although the actual rise is still deemed to be insufficient. In the meantime, there are rising fears about overcapacity associated with a growth model led by exports and heavy investment, while domestic demand is still insufficient for the achievement of economic equilibrium.

In Europe, after a difficult start to the year, the Euro-zone economies started down a modest growth path, essentially due to an upturn in exports. In particular, the stronger dollar helped the manufacturing sector, with an expansion in industrial production and in the orders for machinery. Unemployment has remained high, with an adverse effect on consumption although the climate of confidence has improved.

Inflation has stabilised at just over 2% and continues not to be a problem.

Within Europe, Italy experienced a year without growth in 2005 and GDP was virtually unchanged with respect to the prior year. These factors had an adverse effect on employment levels, with a marginal loss of jobs. Household spending and exports were also unexciting, with only small increases. Capital investment declined, but the public sector deficit was better than expected as a percentage of GDP, although its absolute size remains a serious concern.

As far as the insurance industry is concerned, 2005 was a very difficult year internationally for losses, given the massive damage caused by hurricane Katrina. This event was the worst disaster in insurance history, with serious consequences for major insurers worldwide, especially the reinsurers. The effects are likely to feed through to the entire insurance sector worldwide, in terms of both higher tariffs and greater risk aversion, especially if the risks are highly concentrated.

The Italian insurance market was not affected by this hurricane (since domestic insurers generally do not carry US risks or cover natural disasters) and remains optimistic about the final results for 2005. The technical component is expected to reflect an overall improvement in the combined ratio for both the Life and Loss sectors, due to the upturn, as well as to the productivity improvements and cost savings made by insurance companies in recent years.

On the other hand, the financial component has benefited from the prolonged rise of the international stockmarkets. In addition, the good results in this area will be emphasised by the application of the new IAS/IFRSs, which require securities to be stated at their market value. Even so, it is reasonable to expect the new standards to make financial statements more volatile than they were in the past.

As usual, premium inflows were led by the Life sector, where business was primarily generated by bank branches. The Loss sectors reported contained growth, being heavily dependent on premiums for third-party liability cover for motor vehicles. These policies are still primarily distributed by insurance agents.

However, companies are now tending to focus on the sale of Loss policies, due to the unsatisfactory economic conditions, persistently low interest rates and the ever narrower margins from standard Life products. Italy is still largely under insured in the Loss sector, with considerable room for growth in sectors other than Motor Vehicles, where the market is near to its peak.

International conditions in the "Hull" sector of the "Marine" insurance market were much the same as in the prior year. In particular, penalties continue to apply to the fleets with unsatisfactory insurance experience. However, there was greater flexibility with regard to renewals for larger vessels with favourable technical results over time.

Lastly, there were no particular changes in relation to the non-compulsory reinsurance market, which continues to be heavily concentrated in London. In particular, continental reinsurers continue to focus almost entirely on contract guarantees and excess cover.

Poor economic conditions have persisted in the "Cargo" sector where, in general, the market remains affected by the lack of new risks and demand from policyholders for the containment of costs. In the meantime, the strong competition between brokers and between insurance companies continues and there is no sign of the long-awaited, generalised rise in rates. With regard to war and strike risks, insurance conditions seem to have stabilised, not least because the prolonged conflict in Iraq is of negligible importance for the sector (due to both limited traffic and the high costs of reinsurance).

Against this background, the company has confirmed its leading role in the "Marine" insurance sector where, as a valid point of reference at all times, we work hard as always to provide our policyholders with the best possible service. Without forgetting of course to apply an underwriting policy that will generate a satisfactory level of productivity.

Taking all the above into account, the Company closed 2005 with a profit before taxation of € 2,086 thousand, which represents a decrease compared with € 2,311 thousand in 2004. However, as described further below, the prior year results benefited from extraordinary income of € 444 thousand. Net profit was € 1,013 thousand versus € 1,402 thousand in the previous year. The increase in the tax burden compared with last year reflects utilisation in 2004 of the last available domestic tax losses.

This profitability confirms the strength of the direct margin on insurance business, which has increased with respect to last year, and highlights an improvement in the financial element of earnings. Administrative expenses have decreased, following the specific action taken in this area. Net extraordinary items were not significant in 2005, but made a marked contribution to the results for 2004.

This result was achieved due to the usual professionalism shown by the Company's staff, whom we thank yet again.

The following table summarises the income statement for 2005, with comparative figures for 2004:

	(in thousands of €)	
	2005	2004
Direct margin on insurance business	1,974	1,533
Income from investments	4,683	4,261
Financial charges	(1,440)	(897)
Portion of income from investments transferred to direct insurance results	(2,151)	(2,214)
Other income (expenses), net	(940)	(816)
Net extraordinary income (expenses)	(40)	444
Profit before tax	2,086	2,311
Income taxes	(1,073)	(909)
Net profit for the year	1,013	1,402

The following is a brief commentary on these results:

- there has been a further improvement in the direct margin on insurance business. This benefited from the contraction in general expenses with respect to the prior year, as discussed in more detail later in this report;
- income from investments has increased, mainly due higher profits from disposals and the writeback of adjustments to the value of shares. Further information on this is provided below in the section on "Property and financial management";
- financial charges have increased considerably, largely due to the further writedown of bonds following a fall in prices towards year end, on expectations of higher interest rates;
- the portion of income from investments transferred to direct insurance results has been calculated on the basis of ISVAP instructions. This transfer was in line with that recorded in the prior year, since the changes in the overall financial component were only small;
- other income (expenses), net, were essentially stable compared with the prior year, despite the increased provisions for doubtful debtors (other than policyholders) recorded during the year. In particular, this caption reflects the usual prudent approach by including a significant provision for doubtful accounts of € 854 thousand (€ 533 thousand in the prior year), which does not include the provision for amounts due from policyholders, € 230 thousand, included in the technical account). The balance includes net exchange gains of € 223 thousand in 2005, compared with € 95 thousand in the prior year;
- net extraordinary income was not significant, unlike in 2004 when a net capital gain of € 317 thousand was realised on the sale of a residential property situated in Genoa;

- income taxes have increased as a percentage of profit before taxes, since all the Italian tax losses carried forward from prior years were used up during the prior year. The Company also recorded deferred tax assets of € 201 thousand (€ 395 thousand in 2004). The release of deferred taxes resulted in a credit of € 21 thousand (charge of € 100 thousand in 2004).

INSURANCE BUSINESS

PREMIUM INCOME FROM ITALIAN AND FOREIGN DIRECT AND INDIRECT BUSINESS

The following table gives details of premium revenues for 2005, with comparative figures for the previous year:

	(in thousands of €)	
	2005	2004
Italian direct business		
Hull	98,388	72,694
Cargo	28,002	27,166
	126,390	99,860
Motor third-party liability	16,871	16,390
Motor fire, theft, etc, insurance	3,116	3,243
	19,987	19,633
Other property damage	7,628	6,396
Personal accident	4,657	3,793
General third-party liability	3,761	3,525
Fire and natural calamities	2,185	2,021
Other minor business	910	831
	19,141	16,566
Total Italian direct business	165,518	136,059
Foreign direct business	0	1,083
Total direct business	165,518	137,142
Total indirect business	4,998	4,765
Grand total	170,516	141,907

In compliance with Art. 8 of Legislative Decree 175 of 17 March 1995, direct Italian business includes all policies issued by permanent establishments in EU member countries. These comprise the offices in Belgium, France, Germany, Malta (which joined the EU in May 2004) and the Netherlands.

Following Malta's membership of the EU in May 2004, the premiums written by the local permanent establishment have been classified as direct Italian business (previously classified as direct foreign business).

The key points regarding the above data are summarised below:

- in general, overall new business in 2005 reflects an appreciable increase (about 20%) in direct business compared with the previous year, mainly due to significant growth in the Hull segment. Indirect business, by contrast, remained both stable overall and not particularly significant. The overall outcome benefited from the appreciation of the US dollar during the year (with a rate of 1.1797 against the euro on 31 December 2005, compared with 1.3621 on 31 December 2004). In fact, much of the business written in the “Marine” sector is denominated in this currency, especially in the Hull segment;
- premiums in the Hull segment have risen strongly, mainly due to the acquisition of a major new customer and an increase in the level of risk accepted in relation to a leading international shipping line (with a fleet comprising both containerships and cruise liners), for which we now insure about half the fleet. In addition to this, further new business was acquired, with the application of increases to the existing portfolio as well. This growth was achieved by applying unchanged and rigorous underwriting policies to the business accepted and by continuing to retain a higher proportion of the business deemed to be particularly profitable;
- new business premiums in the Cargo segment were essentially stable, obtained as always in accordance with a long-established acquisition policy based on selective underwriting criteria. This stability was achieved, even though the year did not benefit from the “special risks” accepted in 2004. Overall results were enhanced by the increase in the prices for petroleum products which, especially in the second half of the year, offset the non-renewal of a major Italian policy. The sales network has been of great assistance, as ever, making a fundamental contribution to making up for the portfolio that was not renewed due to unsatisfactory underwriting experience. In the meantime, great care and attention has been paid to the project, now nearing completion, for the automated handling of negotiations and the time stamping of standard contracts;
- premium income from Motor third-party liability and Motor fire, theft, etc, insurance was in line with the prior year;
- premium income from the elementary sectors increased significantly overall, mainly due to the growth of the Other property damage segment, as discussed below. These segments continue to suffer from limitations on our ability to accept business, given the absence of adequate reinsurance capacity. The following comments apply to the individual segments:
 - Other property damage: the increase was entirely due to subscriptions to hail risk policies, which represent the large majority of this segment;
 - Personal accident: the increase was due to the acquisition of new business covering

professional football teams;

- General third-party liability: the marginal increase, despite action to trim the portfolio, was largely due to the contracts signed with a number of bank trade unions, the premiums for which represent the majority of the business written in this segment;
 - Fire and natural calamities: there have not been any changes worthy of note.
- analysis of the allocation of direct Italian business between the various sectors reflects a further shift towards the "Marine" sector. In fact, 76.4% of premium income is attributable to the "Marine" sector (73.3% in 2004), 12.1% to the Motor segment (14.4% in 2004) and the remaining 11.5% to Elementary business (12.2% in 2004);
- indirect business relates to the Italian portfolio for € 3,326 thousand (€ 3,650 thousand in 2004) and to the foreign portfolio for € 1,672 thousand (€ 1,115 thousand in 2004). It is also worth noting that 76.9% of Marine business is attributable to the Hull segment (63.0% in 2004), 18.9% to the Cargo segment (28.1% in 2004) and the remainder to minor segments.

Lastly, no new insurance product worthy of a specific mention here was launched during the year.

REINSURANCE

There were no significant changes in the Company's policy regarding reinsurance in 2005.

In general, a high percentage of "Marine" business, with special reference to the Hull segment, continues to be placed with reinsurers on a proportional basis in view of the substantial exposures and often large sums insured. Moreover, the exposure to retentions is usually reduced by excess-of-loss cover in the event of serious disasters.

Recourse to proportional reinsurance remains unchanged for the other segments, with protection for retentions via specific excess-of-loss cover.

As an exception to the above, certain policies in the Personal accident and General third-party liability segments are not protected by proportional reinsurance, but solely by excess-of-loss cover.







CLAIMS SETTLED

The following table analyses the main components of 2005 payouts, before recoveries from reinsurers:

	(in thousands of €)		
	Direct business	Indirect business	Total
Claims paid	118,715	3,656	122,371
Settlement costs	11,168	44	11,212
Contribution to fund for road-accident victims	320	-	320
Other	57	-	57
	130,260	3,700	133,960

With regard to direct business, the following breakdown by segment of claims settled in 2005 is compared with similar data for the previous year:

	(in thousands of €)	
	2005	2004
Hull	47,586	38,168
Cargo	35,546	19,691
	83,132	57,859
Motor third-party liability	15,899	14,650
Motor fire, theft, etc, insurance	2,764	2,481
	18,663	17,131
Other property damage	4,626	4,718
Personal accident	3,354	2,492
Fire and natural calamities	2,326	2,401
General third-party liability	5,727	5,199
Bond insurance	630	3,385
Other minor business	257	435
	16,920	18,630
Total direct business	118,715	93,620

Analysis of the above data indicates a major increase in direct business claims settled in 2005 compared with the previous year. This mainly relates to the "Marine" sector, where payments have been influenced by the appreciation of the dollar against the euro.

The principal aspects of business claims settled are discussed below:

- the increase in the Hull sector essentially reflects the dynamics of payment which, given their nature, are often substantial. Payouts in 2005 regarding losses incurred previously demonstrate the adequacy of the related claims payable reserve, with an associated benefit for the results for the year.
- the increase in payouts in the Cargo sector mainly relates to a large claim, heavily reinsured,

that was presented in prior years and settled during 2005. Here too, the settlement of claims against this segment that arose in prior years demonstrates the general adequacy of the claims payable reserve;

- with regard to the Auto sectors, the minor increase in the claims settled regarding Motor third-party liability reflects both the improvement in settlement times of recent claims and the settlement of certain large losses incurred in prior years;
- given the constant decline in premiums written in the elementary segments, the level of claims settled has fallen substantially, even though there is sometimes considerable volatility within individual segments. In particular, this effect was caused by certain individually large claims whose effect was accentuated by the low overall number of claims received.

In addition, again with regard to Italian direct business, the speed of settlement (number) is analysed between current and prior claims for the following sectors:

	(percentage)	
Speed of settlement	2005	2004 and previous
Personal accident	49.0	24.4
Motor fire, theft, etc, insurance	83.0	64.5
Fire and natural calamities	39.6	28.7
Other property damage	48.2	23.7
Motor third-party liability	61.7	50.3
General third-party liability	73.0	15.5

These are the principal sectors covered, excluding Hull and Cargo where the speed of settlement is not deemed to be a useful indicator.

In general, the speed of settlement was stable with respect to the prior year. There was however a significant improvement in both Auto sectors.

SALES ORGANISATION

The sales organisation did not undergo any major changes during the year either in Italy or abroad.

In Italy, the distribution network at 31 December 2005 consisted of 24 general agents and 160 brokers (31 and 144 respectively at the end of 2004).

Operations abroad were conducted, as in previous years, by permanent establishments located in Belgium, France, Germany, the Netherlands and Malta.

As in the past, intermediaries (in both Italy and abroad) are coordinated solely from the offices in Genoa.

Acquisition expenses totalled € 25,316 thousand (€ 21,992 thousand in 2004). Of these costs, € 24,291 thousand related to direct business (€ 20,804 thousand in 2004) and € 1,025 thousand to indirect business (€ 1,188 thousand in 2004).

The ratio of commissions paid to third parties for new direct business to the relevant premiums was 14.7% (15.2% in 2004). The decrease in percentage terms compared with the previous year is related to changes that have taken place in the premiums written by the various segments, as well as to a different proportion of very large contracts (with relatively low rates of commission).

PERSONNEL AND ADMINISTRATIVE EXPENSES

At 31 December 2005, the company had 105 employees (107 at 31 December 2004).

The average number of employees during the year was 106 (107 in 2004), including 5 senior managers, 19 middle managers and 82 office staff.

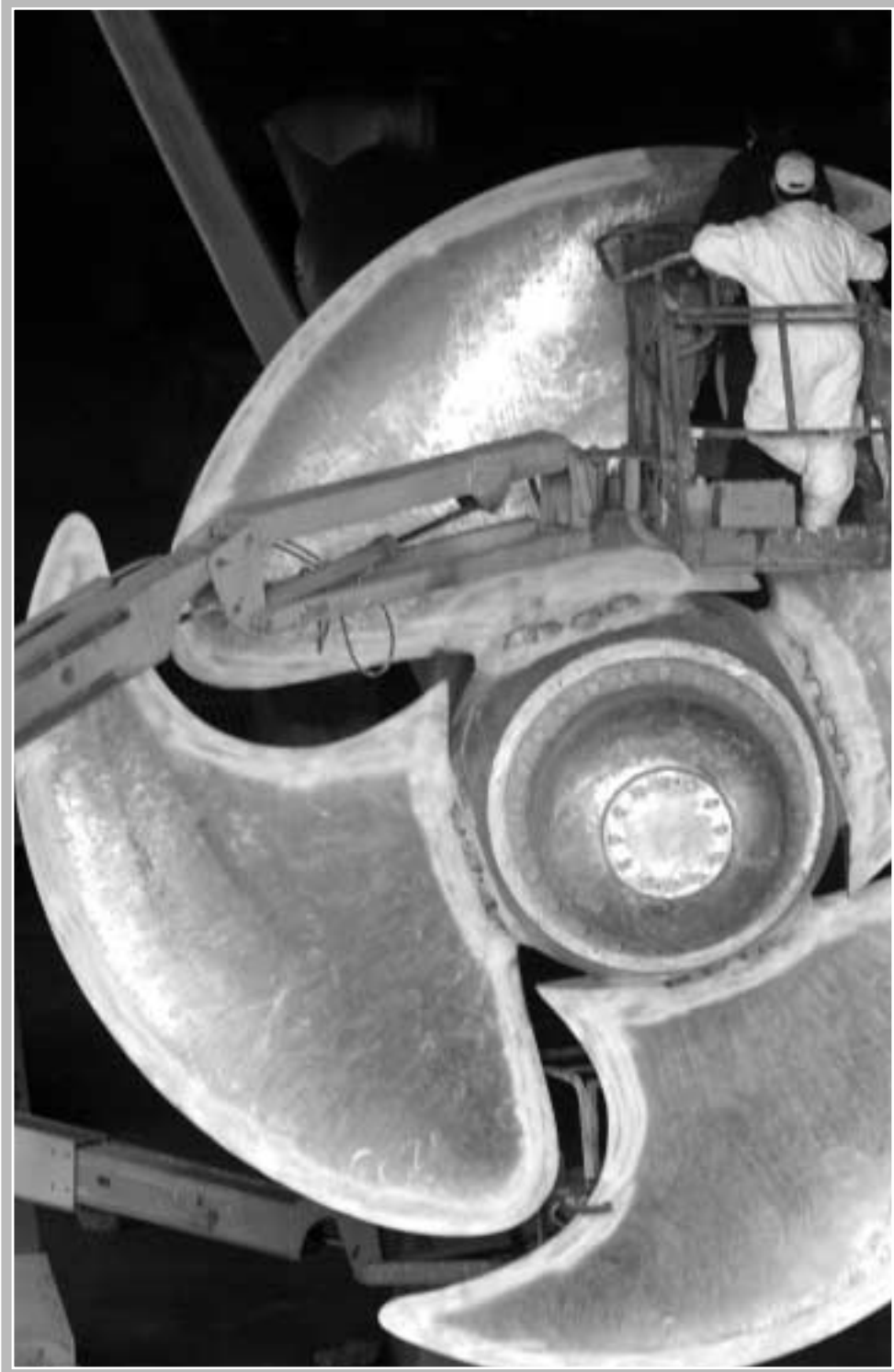
Administrative expenses totalled € 10,165 thousand in 2005 (before allocation to the technical account), including € 265 thousand for the depreciation of tangible assets. These costs were 4.5% lower than in 2004 (€ 10,640 thousand, of which € 275 thousand for the depreciation of tangible assets). After allocating a proportion of personnel expenses and the depreciation of tangible assets to policy acquisition and claims settlement, administrative expenses amounted to € 6,755 thousand (€ 7,135 thousand in 2004).

Personnel costs accounted for 69.6% of administrative expenses (67.2% in 2004). Administrative expenses absorbed 6.0% of premium income for the year (7.5% in 2004).

PROPERTY AND FINANCIAL MANAGEMENT

Total investments at 31 December 2005 came to € 102,155 thousand (€ 106,130 thousand at 31 December 2004), 3.7% lower than the previous year.

This decrease essentially reflect the repayment of the subordinated loan from Saifin – Saifinanziaria S.p.A., with a nominal value of € 5,423 thousand, which expired in October 2005. Further information is provided in Section 9 of the explanatory notes.



Details are provided below:

	(in thousands of €)	
	31.12.2005	31.12.2004
Buildings	19,486	19,691
Investments in group and related companies	122	88
Shares and quotas	5,220	4,051
Mutual fund units	1,714	1,170
Bonds and other fixed-income securities	71,199	74,710
Loans	126	140
Restricted deposits with banks	2,057	3,570
Deposits with ceding undertakings	2,231	2,710
Total investments	102,155	106,130

Bonds and other fixed-interest securities and buildings continue to represent the bulk of investments, being 88.8% of the total (89.3% at 31 December 2004).

Considering just investments in securities, on the other hand, shares and equity funds represent 9.0% of the total (6.5% at 31 December 2004) following increased interest in this sector.

The main comments on each type of investment are as follows:

- buildings are essentially unchanged, with a modest decrease due to the depreciation charged on the portion used directly in the business;
- investments in Group and related companies have increased slightly following the purchase of a minority interest in a services consortium;
- shares, quotas and mutual fund units (mainly invested in equities) have increased due to greater interest in this type of investment. These investments are managed on a trading basis, with a view to benefiting from the upward trend on the international stock exchanges;
- the decrease in bonds and other fixed-income securities was due to the repayment of the subordinated loan, as mentioned earlier. There was also considerable trading in this category during the year in order to realise part of the capital gains earned on the portfolio;
- restricted deposits with banks and deposits with ceding undertakings have decreased. Restricted deposits, with notice periods of at least fifteen days, are made in order to maximise the return on liquidity available for investment in the very short term;



Management of the securities portfolio was marked by the customary prudent approach, which seeks to maximise margins and exploit financial market opportunities that arise in the course of our trading activities.

No use was made of derivatives during the year. Activities only consisted of limited transactions in subordinated bonds.

There were no derivative contracts outstanding at 31 December 2005. The following subordinated bonds were held at year end:

Issuer: Cassa di Risparmio di Firenze

Isin code: XS0208011154

Par value 1,000,000 €

Issue date: 15 December 2004

Maturity: 15 December 2014

Structure: callable between 15 December 2009 and 15 December 2014 at par value

Issuer: Banca Intermobiliare

Isin code: IT003853014

Par value 28,350 €

Issue date: 29 July 2005

Maturity: 29 July 2015

Structure: convertible bond

At the end of the year, the book value of our investments in securities was € 1,047 thousand lower than their market value at the same date (€ 1,003 thousand lower at the end of 2004).

This unrealised capital gain related to bonds and other fixed-interest securities for € 499 thousand (€ 737 thousand at 31 December 2004), shares for € 450 thousand (€ 263 thousand) and mutual funds for € 98 thousand (€ 3 thousand).

Additional information can be found in the notes to the financial statements.

Summarised data regarding income from property and financial management is shown below for each type of investment, with comparative figures for the previous year:

	(in thousands of €)	
	1.1-31.12.2005	1.1-31.12.2004
Net profit from:		
- shares		
-- dividends paid	143	111
-- net gains (losses) on disposals	317	57
-- net write-backs (writedowns)	341	147
	801	315
- Bonds and other fixed-interest securities		
-- interest income	2,415	2,513
-- net gains (losses) on disposals	325	409
-- net write-backs (writedowns)	(498)	(81)
	2,242	2,841
- Other financial investments	288	121
- Buildings		
-- rental income	721	744
-- depreciation	(283)	(275)
	438	469
Total income, net	3,769	3,746
Expenses		
- operating expenses	440	322
- interest expense	86	85
Total expenses	526	407

The above figures reflect the stability of net income and higher charges with respect to 2004.

Further information is provided below on the individual types of investment:

- trading in shares made a significant contribution to the improvement in results. Significant liquidity in the financial markets and the absence of political-economic turmoil sustained the international stock exchanges during the year, with strong price increases that resulted in the beneficial writeback of prior-year adjustments. The increase in dividend income also confirms the increased interest in this type of investment;
- expectations of higher interest rates (especially during the last quarter of the year) depressed the prices for bonds and other fixed-income securities, especially those with medium – long-term maturities. Accordingly, although interest income and trading profits were in line with the prior year, this sector was affected by significant writedowns for the reasons just given;

- the improvement in other financial investments reflects the writeback of adjustments to the value of open-end mutual funds. In particular, these essentially consist of shares and have benefited from the progress described above. This caption also includes interest earned from the short-term deployment of liquid assets in repurchase agreements and restricted deposits (for periods of not less than 15 days) in order to maximise the financial yield;
- with regard to buildings, rentals have decreased slightly following the sale in June 2004 of the residential property situated in via Merello, Genoa.

Operating expenses concerned the property sector for € 303 thousand (€ 248 thousand in 2004) and the securities sector for € 137 thousand (€ 74 thousand in 2004).

The operating expenses relating to the property sector included € 91 thousand in respect of the municipal property tax (€ 97 thousand in 2004).

Interest expense related exclusively to the remuneration of reinsurance deposit accounts.

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

SIAT does not hold any own shares or shares in the parent company and/or its subsidiaries, and did not trade in any such stock during the year.

INTERCOMPANY TRANSACTIONS

The Company's main dealings with its indirect parent company, Fondiaria - SAI S.p.A., consist of insurance and reinsurance transactions.

Fondiaria - SAI S.p.A. also provides advice on technical, IT and administrative matters, together with services relating to management of the policy portfolio and claims in the non-Marine sectors.

Fondiaria - SAI S.p.A. also provides services that are not strictly related to the insurance business, in particular concerning investments in securities.

Lastly, Fondiaria - SAI S.p.A. has been assigned responsibility for organising internal audit activities.

Certain companies within the Fondiaria - SAI Group (respectively Pronto Assistance Servizi S.p.A. and Immobiliare Lombarda S.p.A.) provide support services in the form of help desks and the administration of buildings.

Another company in the Fondiaria - SAI Group (Uniservizi S.c.r.l.) provides IT services and purchases non-insurance goods and services.

A loan was obtained from another Fondiaria - SAI Group company (Saifin – Saifinanziaria S.p.A.) in 1996 and the outstanding principal was converted into a subordinated loan in 2000. This loan was repaid in full, under the contract terms, during October 2005.

Further information is provided in Section 9 of the explanatory notes.

Lastly, the French controlled company L.C.S. S.a. has provided support services for the insurance and reinsurance activities carried out in France.

For its part, SIAT provides EDP and non-technical services to Novara Vita S.p.A., a related company. SIAT also provides technical services relating to the "Marine" sector to both Fondiaria - SAI S.p.A. and to a company belonging to the Fondiaria - SAI Group (Milano Assicurazioni S.p.A., solely for the business relating to the former Nuova MAA S.p.A.).

The above transactions were carried out on the normal market terms prevailing at the time.

The amounts relating to these transactions and balances with companies belonging to the Fondiaria – SAI Group are also disclosed in the notes.

Management control and coordination by the indirect parent company, Fondiaria – SAI S.p.A., did not have any significant impact on the Company's operations or results.



The following table provides a summary of the more important dealings with Fondiaria – SAI S.p.A., the indirect parent company, and with the other companies subject to its management control and coordination, as required by art. 2497-bis, 5 of the Italian Civil Code:

(in thousands of €)

INSURANCE AND REINSURANCE TRANSACTIONS	Debtors		Reserve		Premiums	Claims	Commissions
	Debtors	Creditors	Premiums	Claims			
• Fondiaria – SAI S.p.A. (indirect parent company)							
- coinsurance transactions	98	(1,594)	-	-	-	-	-
- reinsurance transactions							
outward	-	(163)	1	752	(10)	152	2
inward	-	-	-	(265)	7	(144)	(2)
• Milano Assicurazioni S.p.A. (related company)							
- coinsurance transactions	-	(215)	-	-	-	-	-
- reinsurance transactions							
outward	-	(221)	-	-	-	-	-
inward	-	-	-	(378)	69	(123)	(19)
• The Lawrence Re. (related company)							
- reinsurance transactions							
outward	352	0	304	2,052	(5,110)	2,830	728
• Sasa S.p.A. (related company)							
- coinsurance transactions	74	-	-	-	-	-	-
- reinsurance transactions							
outward	-	(928)	935	2,878	(1,878)	3,214	281

(in thousands of €)

FINANCIAL TRANSACTIONS	Debtors	Creditors	Costs	Revenues
• Saifin – Saifinanziaria S.p.A. (related company)				
- subordinated loan			(124)	-

(in thousands of €)

COMMERCIAL TRANSACTIONS	Debtors	Creditors	Costs	Revenues
• Fondiaria – SAI S.p.A. (indirect parent company)				
- services	1,198	-	(1,160)	876
• Uniservizi S.c. r.l. (related company)				
- services	-	(98)	(459)	-
• Milano Assicurazioni S.p.A. (related company)				
- services	60	(141)	(217)	99
• LCS S.a. (controlled company)				
- services	-	-	(672)	-

Key: (...) Creditors / Costs

PROTECTION OF PERSONAL DATA, DECREE 196/2003

We have prepared the Data Security Plan for 2005 in accordance with art. 26 of the "Technical Regulations for Security Measures", Attachment B) of Decree 196/2003, as required by art. 34 of the said Decree and the Technical Regulations mentioned above.

SIGNIFICANT EVENTS SUBSEQUENT TO YEAR END

There have not been any significant events subsequent to year end, except for the matters discussed below.

Work to reorganise the Fondiaria – SAI Group includes ongoing efforts to rationalise the management of the insurance business, with the creation of a “Marine Hub” for the Group. This reorganisation envisages that SIAT will be responsible for activities relating to Marine risks.

Commencing from 2006, the main objective of the new “Hub” is to centralise the work on the Group's Marine sectors, as well as to centralise within SIAT and optimise the management of the related reinsurance contracts.

Accordingly, the creation of a sole “Hub” within the Group will ensure a uniform technical and commercial presence throughout Italy, thereby enhancing the value contributed by the company's resources, and enable the Group to benefit from administrative support and IT synergies with a view to increasing the profitability of the “Hub's” activities.

Once the Group's “Marine Hub” has been established, SIAT will steadily withdraw from the Auto and Elementary sectors in order to specialise in the Marine business area.

OUTLOOK FOR OPERATIONS

The general economic conditions experienced during 2005 were in line with those for the prior year (in other words, reasonably favourable conditions overall for the insurance and financial markets). At the same time, the Company was able to continue its policy of selectivity in risk acceptance and tight control over administrative expenses.

If this overall state of affairs does not suffer profound changes and no particularly unfavourable unforeseen events take place, we are of the opinion that it should be possible to make a profit again in 2006 having regard for the matters discussed in the “Significant events” section above.

PROPOSED RESOLUTIONS TO THE ORDINARY SHAREHOLDERS' MEETING

RESOLUTION CONCERNING THE FINANCIAL STATEMENTS AND OPERATING RESULT

Shareholders,

You are invited to approve the 2005 financial statements and this report on operations, together with the following proposal for allocation of the net profit of € 1,013,061:

Net profit for the year ended 31 December 2005	1,013,061 €
- to the legal reserve, 5%	(50,653) €
- to each of the 38,000,000 shares, a gross dividend of € 0.0250	(950,000) €
- to the extraordinary reserve, the remaining	(12,408) €
	-

Genoa, 17 March 2006

For the Board of Directors
The Chairman
(Fausto Marchionni)