

# **Unipol Gruppo Finanziario S.p.A.**

*Registered and Head Offices at Via Stalingrado 45, Bologna – Share capital €2,391,426,100.00 fully paid-up*

*Tax Code and Bologna Companies' Register 00284160371 – R.E.A. 160304*

## **Interim Group Management Report as at 31 March 2008**

*(in accordance with Article 154-ter of Legislative Decree 58/1998)*

Bologna, 8 May 2008



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## COMPANY'S BOARDS AND OFFICIALS

	<b>Honorary Chairman</b>	Enea Mazzoli
Board of Directors	<b>Chairman</b>	Pierluigi Stefanini
	<b>Vice Chairman</b>	Vanes Galanti
	<b>Chief Executive Officer</b>	Carlo Salvatori
	<b>Members of the Board</b>	
	Jean Dominique Antoni	Ivan Malavasi
	Sergio Betti	Massimo Masotti
	Fabio Borghi	Enrico Migliavacca
	Rocco Carannante	Pier Luigi Morara
	Gilberto Coffari	Sergio Nasi
	Piero Collina	Marco Pedroni
	Bruno Cordazzo	Giuseppe Politi
	Sergio Costalli	Francesco Vella
	Jacques Forest	Marco Giuseppe Venturi
	Fabrizio Gillone	Luca Zaccherini
	Claudio Levorato	Mario Zucchelli
	<b>Secretary of the Board of Directors</b>	Roberto Giay
General Manager		Carlo Cimbri
Board of Auditors	<b>Chairman</b>	Roberto Chiusoli
	<b>Members</b>	Domenico Livio Trombone Giorgio Picone
	<b>Alternates</b>	Cristiano Cerchiai Giovanni Battista Graziosi
External Auditors		K.P.M.G. spa

## GROUP HIGHLIGHTS

(amounts in €m)

	31/03/2008	31/03/2007	31/12/2007
<b>Insurance business - Direct income</b>	<b>1,677</b>	<b>2,118</b>	<b>7,851</b>
<i>% variation</i>	-20.8 (1)	0.6	-10.6
- Non-Life insurance premiums	1,039	1,000	4,289
<i>% variation</i>	3.8 (1)	3.0	5.6
- Life assurance premiums	633	1,115	3,545
<i>% variation</i>	-43.2 (1)	-1.2	-24.5
- investment products	5	3	17
<i>% variation</i>	63.8 (1)	-44.2	-39.0
<b>Banking business - Direct customer deposits</b>	<b>8,221</b>	<b>7,333</b>	<b>9,097</b>
<i>% variation</i>	-9.6 (2)	-7.4	14.9
<b>Loss ratio % - Non-Life business (net of reinsurance)</b>	<b>72.0%</b>	<b>71.5%</b>	<b>72.6%</b>
<b>Total net operating expenses</b>	<b>317</b>	<b>301</b>	<b>1,277</b>
<i>% variation</i>	5.3 (1)	9.6	10.5
<b>Net income from financial instruments</b>	<b>280</b>	<b>266</b>	<b>1,131</b>
<i>% variation</i>	5.0 (1)	-14.0	-2.8
<b>Net income from financial instruments designated at fair value</b>	<b>-109</b>	<b>-4</b>	
<i>% variation</i>		-140.7	
<b>Profit before taxation</b>	<b>172</b>	<b>182</b>	<b>607</b>
<i>% variation</i>	-5.4 (1)	14.4	2.7
<b>Consolidated profit</b>	<b>123</b>	<b>122</b>	<b>421</b>
<i>% variation</i>	0.2 (1)	4.1	16.5
<b>Net profit for the Group</b>	<b>116</b>	<b>100</b>	<b>389</b>
<i>% variation</i>	16.2 (1)	-3.7	38.4
<b>Investments and liquid assets</b>	<b>38,018</b>	<b>36,696</b>	<b>39,405</b>
<i>% variation</i>	-3.5 (2)	-1.8	5.5
<b>Technical provisions</b>	<b>25,788</b>	<b>23,757</b>	<b>26,074</b>
<i>% variation</i>	-1.1 (2)	-1.2	8.5
<b>Financial liabilities</b>	<b>10,629</b>	<b>10,561</b>	<b>11,810</b>
<i>% variation</i>	-10.0 (2)	1.8	13.8
<b>Shareholders' equity pertaining to the Group</b>	<b>4,911</b>	<b>5,365</b>	<b>4,988</b>
<i>% variation</i>	-1.5 (2)	0.1	-6.9
<b>Number of staff</b>	<b>6,617</b>	<b>6,658</b>	<b>6,633</b>

(1) Variation compared with the corresponding period of the previous financial year (%)

(2) Variation compared with 31/12 of the previous financial year (%)

## **INTRODUCTION**

### ***The macroeconomic background***

The problems that emerged during 2007 are still with us and common to all international economies: both highly industrialised and developing countries have been affected by the slowdown in the US economy and by price rises caused by substantial rises in the price of raw materials (not only oil and energy but also the cost of food).

In the financial markets the crisis affecting the subprime loans sector involving both lenders and savers has not yet blown over.

In the third quarter of 2007 Italian GDP recorded a year-on-year increase of 1.9% whilst with an annual increase of 2.6% rates of growth in the Eurozone as a whole continued to be higher than in Italy.

In March Italian inflation recorded an increase of 3.3% (an average of 1.8% at the end of 2007) compared with inflation in Europe as a whole that was above 3.5% because of the rise in the price of raw materials (2.1% at the end of 2007). The price of oil rose particularly fast, reaching new highs of more than 100 dollars per barrel in the first quarter of 2008.

### ***Financial markets***

International monetary policies were affected by the current business cycle, with both the Fed and the Bank of England reducing the cost of borrowing, to 2.25% and 5.0% respectively.

The ECB had kept the base rate unchanged at 4.0% since June 2007.

As at 31 March 2008 short-term rates had not changed much since the end of 2007, the three-month Euribor being 4.73% compared with 4.68%. On the other hand Italian medium- to long-term rates were down, the 10-year government rate to 4.34% from 4.65%.

Share prices were affected by the international turbulence and fell on the principal Stock Markets.

In New York S&P's 500 index lost 9.92% after the beginning of the year whilst in London the FTSE 100 lost 11.69%. In Tokyo the Nikkei 225 fell by 18.18%.

In Milan the Mibtel index lost 17.49% in line with the DJ 50 index which recorded a loss of 17.54%.

The Euro rose even further against the Dollar and set new records: on 31 March the exchange rate was 1.58 compared with 1.47 at the beginning of the year but reached a new maximum of 1.60 on 22 April.

### ***The insurance sector***

In 2007 the total premium income of Italian insurance companies amounted to €99.1bn, down 7% compared with 2006.

This result was due to the slowdown in Life business (-11.4%), which was only partially offset by the slight increase in Non-Life premium income (+1.3%).

In Life business a large proportion of premium income was earned in Italy by undertakings operating abroad under the free provision of services (FPS). ANIA estimates that premium income recorded by cross-border undertakings exceeded €10bn, approximately 75% more than in 2006. If this premium income were taken into account the decrease in total Life business would be 5% whilst total premium income would have fallen by 2.7%.

The incidence of premium income on GDP fell from 7.2% in 2006 to 6.5% in 2007 (from 7.6% to 7.1% if cross-border premium income is taken into account).

There was a considerable fall in income from traditional products (Class I and Class V) in 2007, mainly as a result of the return of the corporate phenomenon, whilst linked products and pension funds in Class VI were up by the end of the period. All the sales channels recorded reductions, especially the direct channel (mostly linked to corporate products) and banking (even though much of the cross-border income was attributed to this network).

According to ANIA the preliminary figures for new individual Life business in February

were still negative although they were the reverse of what they were in 2007: business in Class I was up, partly as a reaction to the market situation, whereas linked products were down.

Non-Life income totalled €37.7bn in 2007, an increase of 1.3% compared with 2006, less than the +2.4% recorded in 2006 owing to the fall in MV TPL premium income (-1%, whereas it grew by 1.2% in 2006).

ANIA has calculated that, taking into account the estimated increase in the number of vehicles on the road of approximately +1.7% in 2007, the average price per policy fell by 2.7% over the previous year.

Non-MV Non-Life premium income grew by 3.8% in 2007 (4.1% in 2006).

## THE GROUP

The 2008 financial year began with the Group showing the market its new company structure, which was completed during 2007 and sees the holding company **Unipol Gruppo Finanziario S.p.A. (UGF)**, a holding and service company listed on the stock exchange, in control of companies belonging to the three sectors in which the Group operates (insurance, bancassurance, banking and assets under management).

The project to rationalise the property and financial structure, which was launched on 13 December 2007, was almost complete. The recent Shareholders' Meeting held on 24 April approved the distribution of dividends (ordinary and extraordinary) of €1bn as from 22 May, and, subject to obtaining the authorisation of the Supervisory Authority, hybrid loans totalling €400m will be raised (€230m by Unipol Assicurazioni and €170m by Aurora Assicurazioni) in order to maintain a firm equity structure.

On 28 March 2008 the sale of the holding in Quadrifoglio Vita (15,750,000 shares, i.e. 50% of its share capital) to Banca Monte dei Paschi di Siena for a total of €92m was finalised and provided a capital gain of €27m. The sale took place in accordance with contractual agreements with the MPS Group, subject to the purchaser obtaining the required permits.

In line with expectations business performance in the first part of 2008 in **Non-Life insurance business** continued to be positive (direct income of €1,039m, +3.8% on the first quarter of 2007), once again exceeding market estimates.

The decrease recorded in Life premium income (direct income of €638m, -42.9% on the first quarter of 2007), which was also in line with expectations, was linked to the timing of the marketing campaigns for BNL Vita linked products, which in 2007 had been mainly concentrated in the first quarter (46% of the Company's total premium income for 2007). The absence of Quadrifoglio Vita's contribution (€7m consolidated in the first quarter of 2007) also had a negative effect, though to a lesser extent, whilst the substantial growth in premium income recorded in the pension funds sector had a positive effect (€89m compared with €23m in the first quarter of 2007), particularly in closed funds with guaranteed administration. This growth was linked to the increase in business that resulted from the coming into effect of the pensions reform, which led to amounts set aside for staff-leaving indemnity being paid into supplementary pension schemes.

However, the market was not favourable to growth in Life business, as shown by the fall of 11% recorded by the market in 2007, with the preliminary figures indicating a further fall in the first part of 2008.

In **Non-Life core business** the Group recorded a combined ratio, net of reinsurance, of 94.1%, an improvement compared with 94.6% in the first quarter of 2007.

The loss ratio (72.0%) showed a slight increase compared with the same period of the previous year (71.5%) which, as you know, had been affected by the introduction on 1 February 2007 of the Direct Indemnity scheme which, in view of the newness and complexity of the new claims-handling procedure, involves making more use of estimated figures.

It therefore seems sensible to wait a bit longer before drawing any conclusions about the trend in the loss ratio during 2008. During the quarter the Group continued to improve the system of dealing with claims in order to provide customers with an efficient and effective service by combining the need to cover the whole country with flexibility and specialisation.

In **banking business** Unipol Banca continued to increase the number of its sales outlets in accordance with the permits obtained from the Supervisory Body. As at the date in question authorisation had been obtained for a further 65, some of which will be opened in 2008 and

some in the first half of 2009.

During the first quarter of 2008 a pilot scheme was launched for a new type of banking outlet known as 'UGF Point', nine of which are already operating. These outlets, which are highly automated, are normally located in premises adjoining authorised agencies and enable customers to use cutting-edge technology to carry out, entirely automatically, most of the banking operations that can be carried out at a traditional banking outlet (paying money in, withdrawing cash, making payments, buying and selling securities etc.).

A radical overhaul of the sales network was launched in the first quarter of 2008. Two separate divisions were set up with specialist staff who would provide a better service to customers by having a better understanding of their requirements: the Corporate Division, with the aim of developing medium-large enterprises (Small Business and Corporate sections), and the Individual Division, the aim of which is to develop Retail Customers (Mass Market, Affluent) and small businesses (Microenterprises).

As at 31 March 2008 Unipol Banca's direct customer deposits amounted to €8,221m, a decrease (-9.5%) compared with 31 December 2007 owing to a reduction in deposits made by companies in the Group and the partial repayment of the securitisation notes.

Lending to customers amounted to €7,567m, an increase of 1.8% since 31 December 2007 thanks to the excellent results arising out of the placement of the loans.

Inward reinsurance (assets under administration and management) amounted to €22,320m, substantially unchanged since 31 December 2007.

In January 2008, authorisation having been obtained from the Supervisory Authority, a new company known as Unipol Private Equity SGR SpA was set up with share capital of €2m wholly owned by Unipol Banca. It will operate in the field of closed private equity unit trusts. While awaiting legal authorisation the company will operate in close cooperation with the other subsidiary Unipol Merchant, since it will complement its core business.

In February 2008 the pension fund of the Banche di Credito Cooperativo (BCC) voted to entrust management of its assets amounting to €120m to the subsidiary Unipol SGR.

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The **consolidated profit for the first quarter of 2008** reached **€123m** in line with the result for the first quarter of 2007 (+0.2%).



## **GENERAL DRAFTING CRITERIA AND BASIS OF CONSOLIDATION**

### **General drafting criteria**

Legislative Decree 195/2007, which implemented EC Directive 2004/109 (the Transparency Directive), amended Legislative Decree 58/1998 (the Finance Consolidation Act – TUF) by introducing, inter alia, a new article (Article 154-ter, para. 5) relating to the periodic financial reports that undertakings with securities listed on a regulated market must produce. This provision replaced Article 82 and Appendix 3D of CONSOB Regulation 11971/1999.

The UGF Group's Interim Management Report as at 31 March 2008 was therefore drawn up in accordance with Article 154-ter, para. 5, of the TUF.

The valuation criteria adopted for recording the figures for the period in question were the same as those used for drawing up the consolidated accounts for the year ended 31 December 2007. Particular mention should be made of the fact that the IAS/IFRS international accounting standards current on the date the period ended, issued by the IASB and validated by the European Union, were applied.

It should also be pointed out that, being interim reports drawn up more rapidly than the annual accounts, quarterly reports are more likely to contain items that have been estimated (based on the available management figures and company statistics).

### **Basis of consolidation**

The Group's consolidated accounts as at 31 March 2008 were drawn up by combining the figures for the Parent Company with those for the subsidiaries, both direct and indirect (IAS 27), excluding those that were deemed to be too small to be of relevance (valued using the net equity method). The affiliated companies were valued using the net equity method (IAS 28). As a result of the sale of the holding in Quadrifoglio Vita, there were no longer any joint shareholdings consolidated using the proportional method, in accordance with IAS 31.

### **Changes in the basis of consolidation compared with 31 December 2007**

On 10 January 2008 Unipol Private Equity Spa was set up. The share capital amounted to €2,000,000 and was fully paid up by the sole shareholder Unipol Banca SpA.

On 28 March 2008 Unipol Gruppo Finanziario S.p.A. sold its holding in Quadrifoglio Vita S.p.A., which represented 50% of the share capital, to Banca Monte dei Paschi di Siena S.p.A. Quadrifoglio Vita's income and charges up to the date of the sale were consolidated on a proportional basis.

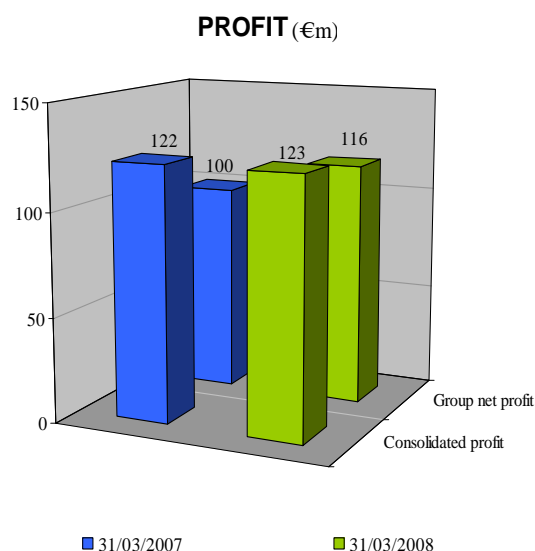
On 28 March 2008 the shareholders' meeting of Grecale S.r.l. (in liquidation) approved the final accounts drawn up on 31 December 2007 and immediately began the process of winding the company up.

As a result of the intended sale by the Group of its holdings in Cooperare Sviluppo Spa (the new name of Nuovi Investimenti Spa) and Promorest Srl (affiliated undertakings valued using the net equity method), the figures consolidated in this document are set out in accordance with the provisions of IFRS 5, and no changes have been made to the consolidated shareholders' equity nor to the consolidated profit. In particular, on the consolidated balance sheet these shareholdings to be sold are reclassified as 'Non-current assets or assets of a disposal group held for sale' (item 6.1 of the Assets).

Shareholdings consolidated on a line-by-line basis and shareholdings valued using the net equity method are listed in an appendix to this report.

## GROUP BUSINESS PERFORMANCE AS AT 31 MARCH 2008

The first quarter of 2008 ended with a **consolidated result of €123m** (€122m as at 31/3/2007, +0.2%), €6m of which pertained to minority interests (€2m as at 31/3/2007). Group net profit was **€116m**(€100m as at 31/3/2007, +16.2%).



It should be mentioned that the variations in the principal financial items compared with the same quarter of the previous year, on the same basis of consolidation, are based on all the figures for BNL Vita as at 31 March 2007. It will be remembered that on that date BNL Vita was 50% consolidated using the proportional method.

The salient features of business as at 31 March 2008 are as follows:

- **direct income from insurance business**, gross of reinsurance cessions, reached **€1,677m** (-20.8% compared with the situation as at 31/3/2007, -38.4% on the same basis of consolidation), €5m of which related to Life investment products (€3m as at 31/3/2007);
- **earned premiums**, net of reinsurance cessions, amounted to €1,614m, €988m of which was from Non-Life business (€941m as at 31/3/2007) and €626m from Life business (€1,113m as at 31/3/2007, €1,717m on the same basis of consolidation);
- in **banking business customer deposits** amounted to **€8,221m** (-9.6% compared with 31/12/2007);
- **net charges relating to claims**, net of reinsurance cessions, amounted to €1,313m, €712m of which was from Non-Life business (€673m as at 31/3/2007) and €603m from Life business (€1,185m as at 31/3/2007, €1,797m on the same basis of consolidation);
- the **net loss ratio** in Non-Life business was 72% (71.5% as at 31/3/2007);
- **operating expenses**, net of commission received from reinsurers, amounted to €317m (€301m as at 31/3/2007); the incidence of operating expenses on net premium income in Non-Life business was 22.1% (23.4% as at 31/3/2007) whilst in Life business it was 6.4% (3.3% as at 31/3/2007 and 2.8% on the same basis of consolidation);

- the level of **investments and available cash** was €38,018m, a decrease of €1,387m compared with 31 December 2007;
- **technical provisions and financial liabilities** amounted to €36,417m, the corresponding value as at 31 December 2007 having been €37,885m;
- **net capital gains and investment income** from financial assets and liabilities for the period amounted to €280m (€266m as at 31/3/2007);
- **net capital gains and investment income** from financial assets and liabilities recorded at fair value through profit or loss were negative to the tune of €109m (-€4m as at 31/3/2007);
- the total **gross profit** amounted to €172m. Net of tax for the period of €9m and of the net profit pertaining to minority interests of €6m, **Group net profit** as at 31 March 2008 was €116m (€100m as at 31/3/2007);
- the **incidence of taxation** on the gross result for the period was 28.7% compared with 32.7% as at 31 March 2007. The first quarter of 2008 benefited from the reduction in the tax rates and from the participation exemption on the capital gain relating to the sale of the holding in Quadrifoglio Vita.

Below is a summary of the consolidated profit and loss account as at 31 March 2008 subdivided according to business activity: insurance (Non-Life and Life), banking and holding and service company compared with the figures as at 31 March 2007.

Subdividing the profit and loss account according to class of business shows, as in the consolidated accounts as at 31 December 2007, the activities of the Parent Company UGF (managing shareholdings and providing services), though only those carried out in favour of the companies in the Group, in line with the in-house reporting system.

It should be mentioned that in view of the particular complexity of the work of reorganising the services provided within the Group, which was completed at the end of last year, it was not possible to present reliable comparative figures for the first quarter of 2007 for this sector.

**SUMMARY OF CONSOLIDATED INCOME STATEMENT BROKEN DOWN  
BY BUSINESS SECTOR (amounts in €m)**

	<b>NON-LIFE BUSINESS</b>		<i>var.</i>	<b>LIFE BUSINESS</b>		<i>var.</i>	<b>INSURANCE TOTAL</b>		<i>var.</i>
	31/3/08	31/3/07	%	31/3/08	31/3/07	%	31/3/08	31/3/07	%
Net earned premiums	988	941	5.0	626	1,113	-43.8	1,614	2,054	-21.4
Net income from commissions & fees	0	(0)		0	2		0	2	
Financial income/charges from financial assets/liabilities	86	96	-10.6	125	125	0.3	211	221	-4.5
Financial income/charges from assets/liabilities designated at fair value				(109)	(4)		(109)	(4)	
Net charges relating to claims	(712)	(673)	5.7	(603)	(1,185)	-49.1	(1,315)	(1,858)	-29.2
Operating expenses	(218)	(220)	-1.1	(40)	(37)	9.0	(258)	(257)	0.3
Other income/charges	(9)	(1)		5	4	38.7	(4)	2	
<b>Pre-tax profit (loss)</b>	<b>135</b>	<b>142</b>	<b>-4.9</b>	<b>4</b>	<b>18</b>	<b>-79.1</b>	<b>139</b>	<b>161</b>	<b>-13.3</b>

	<b>BANKING BUSINESS</b>		<i>var.</i>	<b>HOLDING &amp; SERVICES BUSINESS</b>		<i>var.</i>	<b>Intersector eliminations</b>	
	31/3/08	31/3/07	%	31/3/08	31/3/07	%	31/3/08	31/3/07
Net earned premiums								
Net income from commissions & fees	23	20	12.5				(3)	(2)
Financial income/charges from financial assets/liabilities	50	46	8.9	25			(7)	(1)
Financial income/charges from assets/liabilities designated at fair value								
Net charges relating to claims							2	
Operating expenses	(55)	(47)	15.7	(72)			68	3
Other income/charges	2	2	-24.5	60			(59)	(0)
<b>Pre-tax profit (loss)</b>	<b>20</b>	<b>21</b>	<b>-6.1</b>	<b>13</b>			<b>(0)</b>	<b>0</b>

	<b>CONSOLIDATED TOTAL</b>		<i>var.</i>
	31/3/08	31/3/07	%
Net earned premiums	1,614	2,054	-21.4
Net income from commissions & fees	19	20	-4.2
Financial income/charges from financial assets/liabilities	280	266	5.0
Financial income/charges from assets/liabilities designated at fair value	(109)	(4)	
Net charges relating to claims	(1,313)	(1,858)	-29.3
Operating expenses	(317)	(301)	5.3
Other income/charges	(1)	4	
<b>Pre-tax profit (loss)</b>	<b>172</b>	<b>182</b>	<b>-5.4</b>
Taxation	(49)	(59)	-16.8
<b>Consolidated profit (loss)</b>	<b>123</b>	<b>122</b>	<b>0.2</b>
Profit (loss) - minority interests	6	22	
<b>Profit (loss) - Group</b>	<b>116</b>	<b>100</b>	<b>16.2</b>

## INSURANCE BUSINESS

### Premium income and investment products

**Total income** (premium income and investment products) as at 31 March 2008 amounted to €1,692m, a decrease of 20.7% compared with 31 March 2007 (38.2% on the same basis of consolidation). Non-Life income recorded an increase of 3.8% during the period whilst Life business fell by 42.8% (-62.8% on the same basis of consolidation).

<b>CONSOLIDATED INCOME</b>							
<i>(amounts in €m)</i>							
	<b>31/3/2008</b>	<i>comp.</i>	<b>31/3/2007</b>	<i>comp.</i>	<b>Var.</b>	<b>31/12/07</b>	<i>comp.</i>
		<b>%</b>		<b>%</b>	<b>%</b>		<b>%</b>
Non-Life direct premium income	1,039		1,000		3.8	4,289	
Non-Life inward reinsurance	11		11		-0.3	24	
<b>Total Non-Life premium income</b>	<b>1,050</b>	<b>62.1</b>	<b>1,012</b>	<b>47.4</b>	<b>3.8</b>	<b>4,313</b>	<b>54.7</b>
Life direct premium income	633		1,115		-43.2	3,545	
Life inward reinsurance	3		3		10.0	4	
<b>Total Life premium income</b>	<b>637</b>	<b>37.6</b>	<b>1,118</b>	<b>52.4</b>	<b>-43.0</b>	<b>3,549</b>	<b>45.0</b>
Total Life investment products	5	0.3	3	0.1	63.8	17	0.2
<b>Total income from Life business</b>	<b>642</b>	<b>37.9</b>	<b>1,121</b>	<b>52.6</b>	<b>-42.8</b>	<b>3,566</b>	<b>45.3</b>
<b>OVERALL INCOME</b>	<b>1,692</b>	<b>100.0</b>	<b>2,133</b>	<b>100.0</b>	<b>-20.7</b>	<b>7,879</b>	<b>100.0</b>

Policy income as at 31 March 2008 was made up as follows:

- Non-Life premium income 62.1% (47.4% as at 31/3/2007)
- Life premium income 37.6% (52.4% as at 31/3/2007)
- Life investment products 0.3% (0.1% as at 31/3/2007).

Direct income amounted to €1,677m (-20.8% compared with 31/3/2007, -38.4% on the same basis of consolidation), €1,672m of which was premium income and €5m investment products.

In compliance with the requirements of IFRS 4 (presence of a significant insurance risk) all the Non-Life income of the companies in the Group was classified as insurance premiums. Investment products as at 31 March 2008 related to Class III (unit- and index-linked policies) and Class VI (pension funds).

Almost all the policies issued were subscribed in Italy.

The income breakdown according to class (Non-Life premium income, Life premium income and investment products) and the breakdown indices are set out in the table below:

## BREAKDOWN OF CONSOLIDATED INCOME PER CLASS OF BUSINESS

(amounts in €m)

	31/3/2008	comp.	31/3/2007	comp.	Var.	31/12/2007	comp.
		%		%	%		%
<b>DIRECT ITALIAN BUSINESS</b>							
<b>Non-Life premium income</b>							
Accident and Health (classes 1 and 2)	176	10.5	159	7.5	10.1	645	8.2
Land vehicles - TPL (class 10)	542	32.4	525	24.8	3.4	2,252	28.7
Land vehicles - Own damage or loss (class 3)	88	5.3	84	4.0	4.6	359	4.6
Marine, Aviation and Goods in transit (classes 4, 5, 6, 7, 11 and 12)	8	0.5	7	0.3	9.5	32	0.4
Fire and Other damage to property (classes 8 & 9)	89	5.3	90	4.3	-1.7	436	5.6
General TPL (class 13)	91	5.4	93	4.4	-2.6	391	5.0
Credit and Bond (classes 14 and 15)	12	0.7	11	0.5	8.7	42	0.5
Miscellaneous pecuniary losses (class 16)	13	0.8	12	0.6	8.5	51	0.7
Legal protection (class 17)	7	0.4	7	0.3	0.8	31	0.4
Assistance (class 18)	13	0.8	12	0.5	14.3	49	0.6
<b>Total Non-Life business</b>	<b>1,039</b>	<b>61.9</b>	<b>1,000</b>	<b>47.2</b>	<b>3.8</b>	<b>4,289</b>	<b>54.6</b>
<b>Life premium income</b>							
I - Life assurance, annuities	399	23.8	270	12.7	47.7	1,070	13.6
III - Unit-linked/Index-linked products	86	5.1	716	33.8	-88.1	1,894	24.1
V - Capitalisation operations	64	3.8	106	5.0	-39.9	382	4.9
VI - Pension funds	85	5.1	23	1.1	277.6	200	2.5
<b>Total Life business</b>	<b>633</b>	<b>37.8</b>	<b>1,115</b>	<b>52.6</b>	<b>-43.2</b>	<b>3,545</b>	<b>45.2</b>
<b>Total Life and Non-Life direct premium income</b>	<b>1,672</b>	<b>99.7</b>	<b>2,115</b>	<b>99.9</b>	<b>-21.0</b>	<b>7,834</b>	<b>99.8</b>
<b>Total Life investment products</b>	<b>5</b>	<b>0.3</b>	<b>3</b>	<b>0.1</b>	<b>63.8</b>	<b>17</b>	<b>0.2</b>
<b>Total direct income</b>	<b>1,677</b>	<b>100.0</b>	<b>2,118</b>	<b>100.0</b>	<b>-20.8</b>	<b>7,851</b>	<b>100.0</b>
<b>INWARD REINSURANCE</b>							
Non-Life premium income	11	76.9	11	78.6	-0.3	24	85.4
Life premium income	3	23.1	3	21.4	10.0	4	14.6
<b>Total inward reinsurance</b>	<b>15</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>	<b>1.9</b>	<b>28</b>	<b>100.0</b>
<b>OVERALL CONSOLIDATED INCOME</b>	<b>1,692</b>		<b>2,133</b>		<b>-20.7</b>	<b>7,879</b>	

The classification of premium income according to class set out above complies with the provisions of Article 2 (para. 1 in the case of Life business and para. 3 in the case of Non- Life business) of Legislative Decree 209 of 7 September 2005 – ‘Insurance Code’.

The following table shows direct income as at 31 March 2008 for Unipol Assicurazioni, Aurora Assicurazioni and the other subsidiaries, broken down according to sector and split into Non-Life premium income, Life premium income and investment products (in €m):

Direct income	Non-Life Premiums	Life Premiums	Total	comp. %	Invest. products	Total income	comp. %
Unipol Assicurazioni	375	284	660	39.5	4	664	39.6
Aurora Assicurazioni	514	189	703	42.1	0	704	42.0
Other subsidiaries	149	160	309	18.5	0	309	18.4
<b>Total direct income</b>	<b>1,039</b>	<b>633</b>	<b>1,672</b>	<b>100.0</b>	<b>5</b>	<b>1,677</b>	<b>100.0</b>
Traditional companies	890	473	1,363	81.5	5	1,368	81.6
Non-Life specialist companies	149	0	149	8.9	0	149	8.9
Bancassurance companies	0	160	160	9.6	0	160	9.5
<b>Total direct income</b>	<b>1,039</b>	<b>633</b>	<b>1,672</b>	<b>100.0</b>	<b>5</b>	<b>1,677</b>	<b>100.0</b>

## **Life Business**

Life income as at 31 March 2008 totalled €642m, down 42.8% compared with 31 March 2007 (-62.8% on the same basis of consolidation).

Direct income amounted to €638m (-42.9% compared with 31/3/2007). A good level of growth was recorded in Class I – traditional policies (+47.7%) and in Class VI – pension funds (+294%) whilst Class III – index- and unit-linked policies (-88%) and Class V – capital redemption policies (-39.9%) were down.

Direct Life premium income amounted to €633m as at 31 March 2008 whilst investment products amounted to €5m. As at 31 March 2007 Life premium income had been €1,115m and investment products €3m.

### ***Pension Funds***

2008 is a year in which to take stock and represents a new point of departure following the supplementary pensions reform, which produced its greatest effects last year. It is a year in which it will be possible to assess Italian employees' attitudes towards supplementary pensions.

The legislative framework has now stabilised and the reform has decidedly raised the level of attention paid to supplementary pension schemes. Putting occupational funds and open-end funds on an equal footing, that is the process of liberalising both supply and transferability among the various types of pension, may have more direct and measurable effects over time.

Turning to regulations, mention should be made of the COVIP resolution passed on 31 January 2008 with which the Commissione di Vigilanza sui Fondi Pensione (Pension Funds Supervisory Board) issued instructions for drawing up the illustrative Project, i.e. an assessment of the change in peoples' attitudes and in the amount of pension they expect. Under these instructions, in order to develop the illustrative Project the pension fund must make a calculation table available to the public by June 2008 and, as from next year, all members must receive a personalised plan.

As regards legislation, reform of Decree 703/1996, i.e. the ministerial decree that lays down the criteria for pension funds to manage their assets, is under discussion. Following consultation between COVIP and the Council of State, the draft decree will be submitted to the Council of Ministers for approval.

The work carried out by the subsidiary Unipol Assicurazioni in occupational pension funds since the end of 2007 includes the launch of the mandate to manage the LABORFONDS pension fund (pension fund for the region of Trentino Alto Adige) and submitting bids for managing the PREVIPROF pension fund (for people employed in the offices of professionals) and the ESPERO pension fund (schools sector) and for the renewal of the mandate to manage the EUROFER pension fund.

Asset management continued as normal and as at 31 March 2008 there was a total of 25 occupational pension funds mandates (16 of which were for 'with guaranteed capital sum and/or minimum return'). At the end of the quarter resources under management totalled €950m.

In open-end pension funds business the assets of Unipol Futuro, Unipol Previdenza, Unipol Insieme, Aurora Previdenza and BNL Pensione Sicura had reached totals of €142m and 18,802 members by the end of March.

The overall trend in income from new members was broadly in line with the budget.

\* \* \*

The **traditional composite companies** (Unipol Assicurazioni and Aurora Assicurazioni) achieved Life direct income of €478m, an increase of 9.1% compared with 31 March 2007. Life premium income amounted to €473m (€436m as at 31/3/2007) whilst investment products amounted to €5m (€2m as at 31/3/2007).

As at 31 March 2008 the subsidiary **Unipol Assicurazioni** had achieved Life direct income of €289m (+37.4%). There was a particularly large increase in Class I – traditional policies (+99.4%) and in Class VI – pension funds (+303%), whilst Class III – unit- and index-linked policies fell by 71.5% and Class V – capital redemption policies by 40.6%.

Income from Life policies achieved via Unipol Banca banking outlets was €29m as at 31 March 2008. (€35m in the first quarter of 2007).

Unipol Assicurazioni's Life direct income was made up of €284m in insurance premiums (€208m as at 31/3/2007) and €4m in investment products (€2m as at 31/3/2007).

The subsidiary **Aurora Assicurazioni** had Life direct income of €189m (-17% compared with 31/3/2007), made up almost exclusively of insurance premiums.

In particular there was an increase in Class V – capital redemption policies (+17.5%), whilst Class I – traditional policies (-6.7%) and Class III – unit- and index-linked policies (-35.5%) were down.

Income received via the banking channel (Banco Popolare) amounted to €64m (€78m as at 31/3/2007).

\* \* \*

The **bancassurance company BNL Vita** achieved total premium income of €155m, a decrease of 87.2% compared with 31 March 2007.

There was a huge increase in Class I – traditional policies (+57.5%), which accounted for almost all of the income. Mention should be made of the lack of income in Class V (€35m as at 31/3/2007) and in Class III – unit- and index-linked policies, which as at 31 March 2007 had recorded income of €1,076m.

Income from Quadrifoglio Vita (the company sold at the end of March 2008) amounted to €11m as at 31 March 2008, €5.5m of it pertaining to the Group.

### **Non-Life Business**

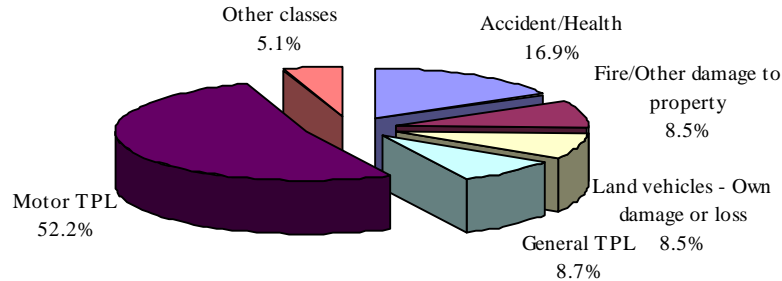
Total premium income in the Non-Life portfolio as at 31 March 2008 amounted to €1,050m (+3.8% compared with 31/3/2007).

Direct premium income alone amounted to €1,039m (+38% compared with 31/3/2007). Premium income from inward reinsurance amounted to €11m (unchanged compared with 31/3/2007).

The various classes of business performed differently: MV TPL recorded growth of 3.4% compared with 31 March 2007, Accident and Health 10.1% and the classes linked to additional MV cover 4.6%. General TPL was down 2.6% and Fire 1.7%.



### % breakdown of Non-Life direct premium income



The traditional sector of the **composite companies** (Unipol Assicurazioni and Aurora Assicurazioni) achieved direct premium income of €90m (+2% compared with 31/3/2007).

The direct premium income of **Unipol Assicurazioni** as at 31 March 2008 amounted to €375m (+5.7%). MV TPL recorded growth of 6.1%, owing to the increase in both the level of premium income and the number of customers in the portfolio. Also worthy of mention was the acquisition of major company 'fleets'.

Income in the other classes recorded growth of 5.3%, with all sectors of business, both individual and corporate, continuing to expand.

**Aurora Assicurazioni** had achieved direct premium income of €514m as at 31 March 2008 (-0.5% compared with 31/3/2007). MV classes, which accounted for 64.5% of the Non-Life portfolio, recorded an increase (+1.2%), whilst almost all the basic classes were down (-3.5%).

\* \* \*

The **single-purpose companies** (Linear, Unisalute and Navale Assicurazioni) wrote direct premiums of €149m (+16%).

**Linear** achieved direct premium income of €42m, in line with the figure as at 31 March 2007. 60% of the premium income for the period was obtained over the telephone and the remaining 40% via the Internet (49% in the first quarter of 2007).

**Unisalute** achieved direct premium income of €49m, 43.6% up on the figure for 31 March 2007, a performance that was way ahead of the market as a whole. This growth was to a large extent attributable to health assistance policies taken out by several funds covering specific categories of worker, in particular Commerce, which did not exist in the first quarter of 2007.

The Non-Life company **Navale Assicurazioni** achieved direct premium income of €57m as at 31 March 2008, 10.5% up on 31 March 2007. This increase was due to the expansion of the network of multifirm agents, in line with the company's mission statement. It will be recalled that Law 40/2007 came into effect on 1 January 2008, allowing insurance agents to

obtain new mandates from other companies for Non-Life business and making the sole agency clause in current mandates null and void.

The subsidiary Navale Assicurazioni was quick to take maximum advantage of this opportunity and between the beginning of the year and the end of April there was a further significant increase in the network of agencies in line with the extremely ambitious objectives that Navale Assicurazioni has set itself for the whole of 2008.

## **Reinsurance**

### **Inward reinsurance**

Total Non-Life and Life inward reinsurance premium income amounted to €15m as at 31 March 2008, not much different from the same time last year, and was made up of €11m of Non-Life premium income and €3m of Life premium income.

### **Outward reinsurance**

Reinsurance providing cover for the risks underwritten by Group undertakings has also continued this year. In the case of almost all the classes subject to reinsurance the principal types of cession in Non-Life business were largely based on proportional types of cover.

In order to carry out and supplement reinsurance strategy, non-proportional types have also been maintained to cover exposures arising out of portfolios and retentions in MV and General Third-Party Liability, Land vehicles – Own damage or loss, Fire, Accidents, Goods in Transit and Other damage to property relating to Hail.

The risks underwritten in Life business are covered by adopting excess of loss types of reinsurance where sums assured exceed the retention levels of the individual companies in the Group.

Reinsurance for Group undertakings has been placed with leading professional reinsurers reckoned by the top rating agencies to have a sound financial and capital basis.

Group direct premium income ceded totalled €69m at the end of the quarter compared with €71m as at 31 March 2007.

In line with the excellent technical performance of the deals entered into by the Group, the result during the quarter for reinsurers was positive in the case of both proportional types of cession and non-proportional types that were not affected by anomalous peaks in the loss ratio nor by events attributable to it.

The Group's Non-Life retention index was 93.9% as at 31 March 2008 compared with 93.4% as at 31 March 2007.

The Group's Life retention index was 99.2% as at 31 March 2008 compared with 99.6% as at 31 March 2007 whilst the overall retention index (Non-Life and Life) amounted to 95.9% compared with 96.7% as at 31 March 2007.

## Financial performance in insurance business

The Group's insurance business contributed a total of €139m to pre-tax profits, €4m of which pertained to Life business (€18m as at 31/3/2007, €5m on the same basis of consolidation) and €135m to Non-Life business (€142m as at 31/3/2007).

Total operating expenses incurred as at 31 March 2008 (acquisition and renewal commissions and other acquisition, asset-management and administrative expenses), net of commissions received from reinsurers, totalled €258m (in line with the figure as at 31/3/2007).

The relative incidence on net premium income for the period was 16%, an increase compared with 12.5% on 31 March 2007. The incidence of net operating expenses on net premium income in Non-Life business as at 31 March 2008 was 22.1% (23.4% as at 31/3/2007) and that in Life business was 6.4% (3.3% as at 31/3/2007 and 2.8% on the same basis of consolidation).

The Non-Life loss ratio, including claims-handling expenses and net of reinsurance items, was 72% (71.5% as at 31/3/2007).

The total number of direct claims, excluding MV TPL, was 331,494, an increase of 20.2%, mainly in the Health class (+30.6%) where Unisalute had considerably expanded its portfolio of policies.

### Direct Indemnity

The companies in the Group had recorded 121,170 'passive' claims (total non-CARD and debtor CARD claims) by 31 March 2008, an increase of 16.6% compared with the 'passive' claims reported during the same period of 2007.

It must be pointed out that the figures for the first quarter of 2008 are not completely comparable with those for the same period of 2007 since the new procedure was launched in February of last year and the significant changes in the procedures for dealing with claims that it involved inevitably required a period of adjustment.

90,460 of the passive claims came under the Direct Indemnity Agreement (debtor CARD claims) and accounted for approximately 75% of the total (debtor CARD + no CARD).

There were 89,300 handler CARD claims (88,500 of which were followed up). There continued to be a substantial incidence of claims reported on a claim form signed by both drivers ('two signatures'): in the case of handler CARD claims approximately 65% of claims for material damage and 44% of claims for injuries had two signatures.

38,340 handler CARD claims had been settled by 31 March, a settlement rate of 43.3%.

The **combined ratio**, based on direct business and inward reinsurance and net of outward reinsurance, was 94.1% as at 31 March 2008 (94.6% as at 31/3/2007).

This indicator is derived from the sum of two indices, the first being the loss ratio net of outward reinsurance (72%) derived from the incidence of the net charges for the period relating to claims on net premium income and the second (22.1%) being derived from the ratio between total operating expenses net of investment management expenses and net premium income.

## BANKING BUSINESS

The banking sector was made up of the Unipol Banca Group and Unipol SGR.

Direct customer deposits reached €8,221m as at 31 March 2008, a decrease of 9.6% since 31 December 2007 owing to a reduction in deposits from companies in the Group and the partial repayment of securitisation notes.

Lending to customers was up and amounted to €8,164m as at 31 March 2008 (+2.1%). In particular the marketing of loans continued and, as a result of the continuous updating of the product catalogue, attracted a lot of business and interest from customers.

**Net pre-tax profits of €20m** were recorded during the first three months of the year (€21m as at 31/3/2007, -6.5%).

The following table shows the principal items in the profit and loss account for banking business, set out in accordance with the layout specified for banks.

<b>BANKING BUSINESS</b> <i>(amounts in €m)</i>	<b>31/03/2008</b>	<b>31/03/2007</b>	<b>Var.</b> <b>%</b>
Net interest income	61	49	25.0
Net income from fees and commissions	23	20	13.0
Other net financial income	-3	2	
<b>Gross operating income</b>	<b>81</b>	<b>72</b>	<b>12.8</b>
Value adjustments/readjustments due to impairment of financial assets	(7)	(5)	
<b>Financial management - net profit</b>	<b>73</b>	<b>67</b>	<b>10.1</b>
Operating expenses	(53)	(45)	17.7
	<i>Cost/income</i> 66.0%	63.2%	
<b>Pre-tax profit (loss)</b>	<b>20</b>	<b>21</b>	<b>-6.5</b>

Net interest income amounted to €61m as at 31 March 2008, a significant increase of 25% owing to the increase in managed funds together with the continuing substantial spread between rates received and rates paid.

Gross operating income reached €81m, an increase of 12.8% compared with same period of 2007.

Operating costs amounted to €53m, an increase of 17.7% owing to expansion, which is still underway and requires constant investment in resources and technology. The cost/income ratio (the incidence of operating expenses on gross operating income) rose by 2.8 percentage points. Net value adjustments on financial assets amounted to €7m compared with €5m as at 31 March 2007. These amounts were set aside as a precaution in order to keep cover for doubtful debts aligned with the best practice in the market.

## STAFFING

As at 31 March 2008 the insurance companies in the Group had 4,605 employees, 67 of whom were on fixed-term contracts. This was 65 fewer than as at 31 December 2007. The number of full-time equivalent (FTE) employees was 4,343.

On the same date the Unipol Banca Group had 2,012 employees (+49 since 31/12/2007), 31 of whom were on fixed-term contracts. The number of full-time equivalent employees was 1,955.

The Group had a total of 6,617 employees as at 31 March 2008 (-16 since 31/12/2007).

	31/03/2008	31/12/2007	var.
Unipol Gruppo Finanziario	2,620	2,609	11
Unipol Assicurazioni	369	384	-15
Aurora Assicurazioni	709	714	-5
Other companies	907	963	-56
<b>Total insurance sector</b>	<b>4,605</b>	<b>4,670</b>	<b>-65</b>
Unipol Banca	1,947	1,898	49
Unipol Merchant	49	49	0
Other finance companies	16	16	0
<b>Total banking sector</b>	<b>2,012</b>	<b>1,963</b>	<b>49</b>
<b>Total Unipol Group</b>	<b>6,617</b>	<b>6,633</b>	<b>-16</b>

### Training

The main project launched in the first quarter of 2008 was running the first UGF Executive Master course, on which 16 staff were enrolled. To all intents and purposes it is an MBA awarded by the LUISS (Libera Università Internazionale degli Studi Sociali – International Free University for Social Studies) in Rome and will run throughout 2008 with 44 days in the classroom and 8 days of distance learning. A second course is planned for the Autumn.

The following training initiatives were planned:

- the UNISONO project, a course to enable all Group employees (except senior executives) to identify and evaluate social responsibility;
- the UNIRETE project, a special training course for Unipol Banca branch managers covering topics related to marketing.

Training courses for Senior Executives and for Managers and Junior Executives continued in 2008, as did those for the Call Centre and the claims-handling network, focusing on the direct indemnity scheme.

## UNIPOL GROUP'S SALES NETWORK

The Unipol Group offers a full range of insurance, banking and managed savings products through a composite sales network covering the whole of Italy.

In particular the **composite companies** in the Group had the benefit of a network which as at 31 March 2008 consisted of 1,687 agencies (8 fewer than as at 31/12/2007), 587 of which belonged to Unipol Assicurazioni (unchanged from 31/12/2007) and 1,100 to Aurora Assicurazioni (1,108 as at 31/12/2007). In addition, both Unipol Assicurazioni and Aurora Assicurazioni placed Life products direct through networks of banking outlets (Unipol Banca and Banco Popolare respectively).

As regards the Non-Life **single-purpose companies**, Unisalute operated in Health and Assistance by selling 'managed care' group policies direct to businesses, associations and various other bodies. The Company sold its individual policies through the agency channel (92 agencies, 89 of which were Unipol agencies that had a Unisalute mandate, the same as on 31/12/2007), and via the Internet and telemarketing. In addition Unisalute products were sold through the sales outlets of Unipol Banca and four other credit bodies.

In MV business Linear operated via the call centre and the Internet.

Navale operated through 382 mainly multifirm agencies and 292 brokers (302 agencies and 261 brokers as at 31/12/2007) as well as two credit bodies. Intensive work on expanding the network of multifirm agencies continued during the first quarter of 2008 with the opening of 85 new agencies.

Turning to **bancassurance**, BNL Vita marketed its products through 703 sales outlets belonging to the BNL Group.

As regards **banking business**, Unipol Banca had 283 points of sale as at 31 March 2008 (282 as at 31/12/2007), 168 of which were combined with insurance agencies (167 as at 31/12/2007), 35 finance shops and 401 financial advisers. The Company also made use of direct sales channels (telephone and Internet banking) and the principal Unipol Assicurazioni agencies (which were gradually being joined by the Aurora Assicurazioni agencies) for the sale of traditional banking products. Nine UGF Points (highly automated sales outlets) were also set up during the first quarter of 2008.

Unipol Merchant – Banca per le Imprese, a subsidiary of Unipol Banca, is the bank in the Unipol Banca banking group that specialises in medium-term corporate business and also operates in merchant banking and investment banking. The principal sales channel for Unipol Merchant's products and services was Unipol Banca's network of branches.

## **GROUP PROPERTY AND FINANCIAL MANAGEMENT**

### **Investments and liquid assets**

The level of the Group's investments and available cash reached a total of €38,018m as at 31 March 2008, a decrease of €1,387m compared with the position as at 31 December 2007 (-3.5%).

Investments and liquid assets in the insurance sector amounted to €29,155m (€29,555m as at 31/12/2007) and accounted for 76.7% of total investments (75% as at 31/12/2007), whilst those in the banking sector amounted to €9,538m (€0,238m as at 31/12/2007), 99.7% of which were loans and receivables from customers and banks.

Investments in the Holding and Services sector amounted to €6,068m (€6,033m as at 31/12/2007).

The first few months of 2008 were characterised by considerable turbulence in the financial markets, a legacy of the subprime loans crisis which subsequently spread to the entire credit market.

In the insurance sector, in the first few months of 2008 investment policies in the bond sector were based on 'defensive' strategies aimed at both rationalising the composition of the portfolio in order to make its yield profile more linear and easier to forecast and bringing it into line with the trend in liabilities to policyholders.

In view of the advantageous spreads on banking securities senior debt securities were acquired from leading issuers mainly rated AA and in any case not less than A, preference being given to variable-rate securities and to fixed-rate securities with maturities of between 1 and 6 years.

However, at the end of the quarter the duration of the portfolios was slightly down compared with the end of 2007.

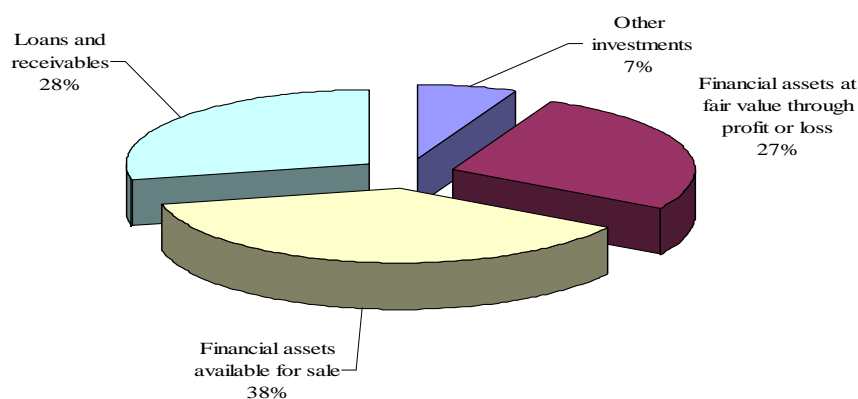
Overall a good level of liquidity was maintained in the Group portfolio (approximately €3bn) which generated excellent returns because of the tensions on the interbank market.

Management of the share portfolios was based on defensive strategies carried out by selling options, to take advantage of the high level of volatility in the markets, and by continuing to hedge some of the market risk. This made it possible to limit the negative effects of the substantial fall in share prices in the first quarter.

The share portfolio was mainly made up of securities belonging to the Eurostoxx50 or to the main European indices, which were characterised by a high level of liquidity and a good profile in terms of profitability represented by the dividends expected.

The exposure in markets other than those in the Eurozone was marginal, with the exchange rate risk being fully hedged.

**Breakdown of investments and liquid assets  
31/03/2008**



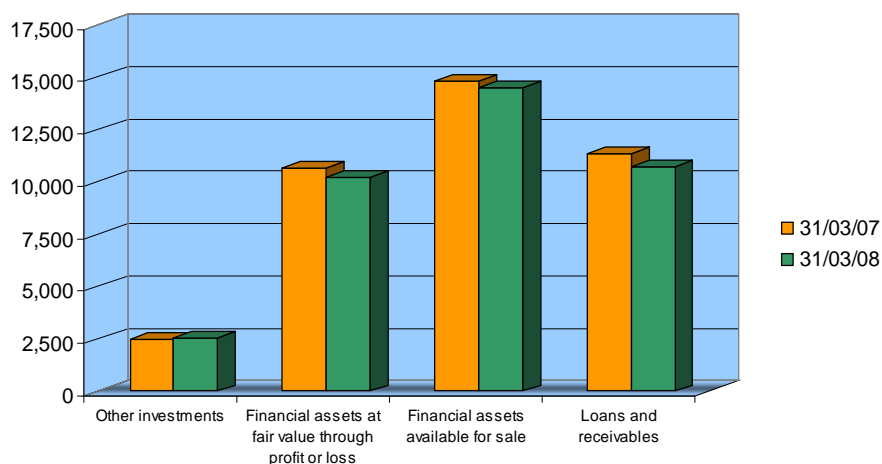
Group investments subdivided according to type and comparisons with the position as at 31 December 2007 are set out in the following table:

<b>INVESTMENTS AND LIQUID ASSETS</b>					
<i>(amounts in €m)</i>					
	31/03/2008	<i>comp.</i>	31/12/2007	<i>comp.</i>	<i>var.</i>
		%		%	%
Buildings	296	0.8	315	0.8	-6.0
Shareholdings in subsidiaries, associates and joint ventures	25	0.1	28	0.1	-12.0
Investments held to maturity	1,842	4.8	1,796	4.6	2.6
Loans and receivables	10,748	28.3	11,375	28.9	-5.5
-Loans and receivables i.r.o. banking customers	8,146	21.4	7,980	20.3	2.1
-Interbanking loans and receivables	584	1.5	1,388	3.5	-57.9
-Deposits with ceding undertakings	22	0.1	22	0.1	1.6
-Other loans and receivables	1,996	5.3	1,985	5.0	0.6
Financial assets available for sale	14,491	38.1	14,837	37.7	-2.3
Financial assets at fair value through profit or loss	10,236	26.9	10,689	27.1	-4.2
- held for trading	2,726	7.2	2,837	7.2	-3.9
- designated at fair value through profit or loss	7,510	19.8	7,852	19.9	-4.4
Cash and cash equivalents	379	1.0	364	0.9	3.9
<b>TOTAL INVESTMENTS AND LIQUID ASSETS</b>	<b>38,018</b>	<b>100.0</b>	<b>39,405</b>	<b>100.0</b>	<b>-3.5</b>



## Investments and liquid assets

(in €m)



### Investments in property

Investments in land and buildings amounted to €296m as at 31 March 2008, a decrease of €19m compared with 31 December 2007, as a result of the reclassification of several properties as Property for own use.

The Group's property assets, including property for own use, amounted to €698m, an increase of €2m since 31 December 2007 as a result of the capitalisation of extraordinary maintenance expenses.

### Holdings in subsidiaries, affiliated companies and joint ventures

Investments in subsidiaries, affiliated companies and joint ventures totalled €25m as at 31 March 2008 and were almost exclusively in affiliated undertakings (€28m as at 31/12/2007). The variation was mainly due to the reclassification, in accordance with IFRS 5, of the holding in Cooperare Sviluppo Spa (formerly Nuovi Investimenti Spa) as 'Non-current assets or assets of a disposal group held for sale'.

### Investments held to maturity

Investments held to maturity amounted to €1,842m as at 31 March 2008 (+2.6% compared with 31/12/2007).

### Loans and receivables

Loans and receivables amounted to €10,748m as at 31 March 2008 compared with €11,375m as at 31 December 2007 (-5.5%).

The main contribution to this item was from banking business, with €8,146m of loans to customers (+2.1% compared with 31/12/2007) and €584m of receivables from banks (-57.9% compared with 31/12/2007).

Other loans and receivables rose from €1,985m as at 31 December 2007 to €1,996m as at 31 March 2008, an increase of 0.6%.

### Financial assets available for sale

Financial assets available for sale amounted to €14,491m as at 31 March 2008 (-2.3% compared with 31/12/2007). The compulsory provision for profits or losses on assets available for sale was negative to the tune of €873m as at 31 March 2008 (-€680m as at 31/12/2007). The variation was due to the poor performance of the financial markets.

### Financial assets recorded at fair value through profit or loss

Financial assets in this category were divided into assets held for trading and assets recorded at fair value through profit or loss. They amounted to €10,236m as at 31 March 2008 (-4.2% compared with 31/12/2007).

They were made up of €2,726m of assets held for trading (-3.9%) and €7,510m of assets designated at fair value, where the investment risk is borne by the policyholder (-4.4%).

### Cash and cash equivalents

Available cash and equivalent resources amounted to €379m (€364m as at 31/12/2007, +3.9%).

### Net capital gains and investment income

As at 31 March 2008 total net investment income, including net income from financial assets and liabilities recorded at fair value, amounted to €170m (-35.2% compared with 31/3/2007, -40.3% on the same basis of consolidation).

Net income from financial assets and liabilities amounted to €280m (€266m as at 31/3/2007) whilst net capital gains and investment income from financial assets and liabilities recorded at fair value through profit or loss were negative to the tune of €109m (-€4m as at 31/3/2007).

It should be mentioned that as at 31 March 2008 Income from shareholdings in subsidiaries, affiliated companies and joint ventures included €27m of capital gain on the sale of Quadrifoglio Vita. As at 31 March 2007 net income from financial assets available for sale had included the capital gain of €19m following termination of the total return equity swap contract on the BPI shares.

Taking into account net income and charges arising from financial liabilities of -€28m (-€83m as at 31/3/2007), total net investment income amounted to €170m (-35.2% compared with 31/3/2007, -40.3% on the same basis of consolidation).

Details of net capital gains and investment income are set out in the table below:

<b>NET INVESTMENT INCOME</b>					
<i>(amounts in €m)</i>					
	<b>31/03/2008</b>	<i>comp.</i>	<b>31/03/2007</b>	<i>comp.</i>	<i>var.</i>
		<i>%</i>		<i>%</i>	<i>%</i>
Investments in property	1	0.7	2	0.6	-41.9
Income from shareholdings in subsidiaries, associates and joint ventures	27	13.5	0	0.0	
Net income from investments held to maturity	23	11.6	13	3.6	83.5
Net income from loans and receivables	155	78.2	115	33.4	34.4
Net income from financial assets available for sale	131	66.2	161	46.7	-18.5
Net income from financial assets from trading	8	4.1	10	2.8	-17.1
Net income from financial assets designated at fair value	-151	-76.1	28	8.1	-640.2
Balance on cash and cash equivalents	4	1.9	16	4.7	-77.1
<b>Total net income from financial investments and liquid assets</b>	<b>198</b>	<b>100.0</b>	<b>345</b>	<b>100.0</b>	<b>-42.5</b>
Net income/charges from financial liabilities from trading	1		3		-75.4
Net income/charges from financial liabilities designated at fair value	41		(32)		-230.5
Net income/charges from other financial liabilities	(70)		(54)		30.8
<b>Total net income/charges from financial liabilities</b>	<b>(28)</b>		<b>(83)</b>		<b>-65.9</b>
<b>Total net income/charges from financial assets and liabilities</b>	<b>170</b>		<b>262</b>		<b>-35.2</b>

## SHAREHOLDERS' EQUITY

Group capital and reserves, including the profit for the period, amounted to €4,911m as at 31 March 2008 (€4,988m as at 31/12/2007). Capital and reserves pertaining to minority interests amounted to €282m (€287m as at 31/12/2007).

The Parent Company's share capital was €2,391,426,100 on 31 March 2008 and was made up of 1,479,885,786 ordinary shares and 911,540,314 preference shares.

## TECHNICAL PROVISIONS AND FINANCIAL LIABILITIES

<b>TECHNICAL PROVISIONS AND FINANCIAL LIABILITIES</b>			
<i>(amounts in €m)</i>			
	<b>31/03/2008</b>	<b>31/12/2007</b>	<i>var.</i>
			<i>%</i>
Non-Life technical provisions	7,470	7,499	-0.4
Life technical provisions	18,318	18,575	-1.4
<b>TOTAL TECHNICAL PROVISIONS</b>	<b>25,788</b>	<b>26,074</b>	<b>-1.1</b>
Financial liabilities at fair value	<b>3,257</b>	<b>3,454</b>	<b>-5.7</b>
- <i>Investment contracts - insurance companies</i>	2,750	2,983	-7.8
- <i>Other</i>	507	470	7.8
Other financial liabilities	<b>7,372</b>	<b>8,357</b>	<b>-11.8</b>
- <i>Investment contracts - insurance companies</i>	184	199	-7.5
- <i>Subordinate liabilities</i>	920	912	0.9
- <i>Payables to banking customers</i>	5,330	6,456	-17.4
- <i>Interbanking payables</i>	234	103	127.8
- <i>Other</i>	704	687	2.5
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>10,629</b>	<b>11,810</b>	<b>-10.0</b>

Technical provisions amounted to €25,788m as at 31 March 2008, a decrease of 1.1% since 31 December 2007, and were made up of €7,470m of Non-Life technical provisions (€7,499m as at 31/12/2007, -0.4%) and €18,318m of life technical provisions (€18,575m as at 31/12/2007, -1.4%).

Total financial liabilities amounted to €10,629m (40% compared with 31/12/2007), €2,934m of this amount being financial liabilities relating to investment policies issued by the insurance companies (€3,182m as at 31/12/2007).

Financial liabilities recorded at fair value through profit or loss amounted to €3,257m (-5.7%) and mainly consisted of investment policies issued by insurance companies where the investment risk was borne by the policyholders (€2,750m).

Other financial liabilities amounted to €7,372m (-11.8%) and consisted of payables to banking clients of €5,330m (-17.4%), investment policies issued by insurance companies totalling €184m (-7.5%), subordinated debenture loans of €920m (+0.9%) and other liabilities amounting to €938m (+18.8%).

## NET GROUP RESULT AS AT 31 MARCH 2008

Net Group profit amounted to €116m and was made up as follows:

<b>NET GROUP RESULT</b> <i>(amounts in €m)</i>			
	<b>31/3/2008</b>	<b>31/3/2007</b>	<b>var. %</b>
<b>Total profits Parent Company and other consolidated companies</b>	<b>145</b>	<b>123</b>	<b>18.5%</b>
Consolidation adjustments	(23)	(0)	
<b>Consolidated profit</b>	<b>123</b>	<b>122</b>	<b>0.2%</b>
Minority interests	(6)	(22)	
<b>Net profit - Unipol Group</b>	<b>116</b>	<b>100</b>	<b>16.2%</b>

## BUSINESS OUTLOOK FOR THE CURRENT FINANCIAL YEAR

Provided there are no extraordinary or anomalous events the Group's income is expected to be in line with the forecasts.

Bologna, 8 May 2008

**The Board of Directors**



## CONSOLIDATED BALANCE SHEET

### ASSETS

€m		31/03/2008	31/12/2007
<b>1</b>	<b>INTANGIBLE ASSETS</b>	<b>1,811</b>	<b>1,812</b>
1.1	Goodwill	1,773	1,775
1.2	Other intangible assets	38	36
<b>2</b>	<b>TANGIBLE ASSETS</b>	<b>455</b>	<b>435</b>
2.1	Property	402	380
2.2	Other tangible assets	53	55
<b>3</b>	<b>TECHNICAL PROVISIONS - REINSURERS' SHARE</b>	<b>593</b>	<b>593</b>
<b>4</b>	<b>INVESTMENTS</b>	<b>37,639</b>	<b>39,040</b>
4.1	Investments in property	296	315
4.2	Shareholdings in subsidiaries, associates and joint ventures	25	28
4.3	Investments held to maturity	1,842	1,796
4.4	Loans and receivables	10,748	11,375
4.5	Financial assets available for sale	14,491	14,837
4.6	Financial assets recorded at fair value through profit or loss	10,236	10,689
<b>5</b>	<b>SUNDRY RECEIVABLES</b>	<b>1,326</b>	<b>1,430</b>
5.1	Receivables arising out of direct insurance operations	728	941
5.2	Receivables arising out of reinsurance operations	191	141
5.3	Other receivables	408	348
<b>6</b>	<b>OTHER ASSETS</b>	<b>966</b>	<b>2,524</b>
6.1	Non-current assets or assets of a disposal group held for sale	5	1,689
6.2	Deferred acquisition costs	59	61
6.3	Deferred tax assets	561	431
6.4	Current tax assets	48	46
6.5	Other assets	293	298
<b>7</b>	<b>CASH AND CASH EQUIVALENTS</b>	<b>379</b>	<b>364</b>
	<b>TOTAL ASSETS</b>	<b>43,169</b>	<b>46,199</b>

### LIABILITIES AND SHAREHOLDERS' EQUITY

€m		31/03/2008	31/12/2007
<b>1</b>	<b>SHAREHOLDERS' EQUITY</b>	<b>5,193</b>	<b>5,274</b>
<b>1.1</b>	<b>pertaining to the Group</b>	<b>4,911</b>	<b>4,988</b>
1.1.1	Capital	2,391	2,391
1.1.2	Other equity	0	0
1.1.3	Capital reserves	2,235	2,235
1.1.4	Accumulated earnings and other reserves	1,018	630
1.1.5	(Own shares)	0	0
1.1.6	Reserve for net exchange rate differences	0	0
1.1.7	Profits or losses on financial assets available for sale	-873	-680
1.1.8	Other profits or losses recorded in the equity direct	23	21
1.1.9	Profits (loss) for the year pertaining to the Group	116	389
<b>1.2</b>	<b>pertaining to minority interests</b>	<b>282</b>	<b>287</b>
1.2.1	Capital and reserves pertaining to minority interests	334	302
1.2.2	Profits or losses recorded in the equity direct	-58	-48
1.2.3	Profits (loss) for the year pertaining to minority interests	6	32
<b>2</b>	<b>AMOUNTS SET ASIDE</b>	<b>52</b>	<b>56</b>
<b>3</b>	<b>TECHNICAL PROVISIONS</b>	<b>25,788</b>	<b>26,074</b>
<b>4</b>	<b>FINANCIAL LIABILITIES</b>	<b>10,629</b>	<b>11,810</b>
4.1	Financial liabilities recorded at fair value through profit or loss	3,257	3,454
4.2	Other financial liabilities	7,372	8,357
<b>5</b>	<b>PAYABLES</b>	<b>498</b>	<b>424</b>
5.1	Payables arising out of direct insurance operations	74	78
5.2	Payables arising out of reinsurance operations	28	10
5.3	Other payables	396	336
<b>6</b>	<b>OTHER LIABILITIES</b>	<b>1,009</b>	<b>2,561</b>
6.1	Liabilities of a disposal group held for sale	0	1,652
6.2	Deferred tax liabilities	328	220
6.3	Current tax liabilities	109	98
6.4	Other liabilities	572	591
	<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>43,169</b>	<b>46,199</b>

## CONSOLIDATED INCOME STATEMENT

€m		31/03/2008	31/03/2007
1.1	Net earned premiums	1,614	2,054
1.1.1	<i>Gross earned premiums</i>	1,690	2,128
1.1.2	<i>Earned premiums ceded</i>	-76	-74
1.2	Commissions and fees receivable	28	29
1.3	Income and charges arising out of financial instruments recorded at fair value through profit or loss	-101	9
1.4	Income arising out of shareholdings in subsidiaries, associates and joint ventures	27	0
1.5	Income arising out of other financial instruments and investments in property	346	338
1.5.1	<i>Interest receivable</i>	328	276
1.5.2	<i>Other income</i>	6	8
1.5.3	<i>Profits realised</i>	10	53
1.5.4	<i>Unrealised profits</i>	2	0
1.6	Other income	51	43
<b>1</b>	<b>TOTAL INCOME AND PROCEEDS</b>	<b>1,965</b>	<b>2,473</b>
2.1	Net charges relating to claims	1,313	1,858
2.1.2	<i>Amounts paid and changes in technical provisions</i>	1,358	1,902
2.1.3	<i>Reinsurers' share</i>	-45	-43
2.2	Commissions and fees payable	8	9
2.3	Charges arising out of shareholdings in subsidiaries, associates and joint ventures	0	0
2.4	Charges arising out of other financial instruments and investments in property	102	84
2.4.1	<i>Interest payable</i>	74	53
2.4.2	<i>Other charges</i>	1	1
2.4.3	<i>Losses realised</i>	17	24
2.4.4	<i>Unrealised losses</i>	10	6
2.5	Operating expenses	317	301
2.5.1	<i>Commissions and other acquisition expenses</i>	210	199
2.5.2	<i>Investment management expenses</i>	3	5
2.5.3	<i>Other administrative expenses</i>	104	97
2.6	Other costs	52	39
<b>2</b>	<b>TOTAL COSTS AND CHARGES</b>	<b>1,793</b>	<b>2,291</b>
	<b>PROFIT (LOSS) FOR THE PERIOD BEFORE TAXATION</b>	<b>172</b>	<b>182</b>
3	Taxation	49	59
	<b>PROFIT (LOSS) FOR THE PERIOD NET OF TAX</b>	<b>123</b>	<b>122</b>
4	PROFIT (LOSS) PERTAINING TO DISCONTINUED OPERATIONS		
	<b>CONSOLIDATED PROFIT (LOSS)</b>	<b>123</b>	<b>122</b>
	<b>pertaining to the Group</b>	<b>116</b>	<b>100</b>
	pertaining to minority interests	6	22

## Basis of consolidation

Name	State	Registered office	Method (1)	Type of business (2)	% direct holding	% indirect holding	% total participating interest (3)	% votes available at Ordinary Gen. Meetings (4)	% consolidation	
Unipol Gruppo Finanziario Spa	086	Italy	Bologna	G	4				100.00	
Compagnia Assicuratrice Unipol Spa	086	Italy	Bologna	G	1	100.00	100.00		100.00	
Aurora Assicurazioni Spa	086	Italy	S.Donato M. (Mi)	G	1	100.00	100.00		100.00	
Compagnia Assicuratrice Linear Spa	086	Italy	Bologna	G	1	100.00	100.00		100.00	
Navale Assicurazioni Spa	086	Italy	Milan	G	1	99.83	99.83		100.00	
Navale Vita Spa	086	Italy	Rome	G	1	100.00	Navale Assicurazioni Spa	99.83	100.00	
Unisalute Spa	086	Italy	Bologna	G	1	98.48	98.48		100.00	
BNL Vita Spa	086	Italy	Milan	G	1	31.00	20.00	Unipol Assicurazioni Spa	51.00	100.00
Unipol SGR Spa	086	Italy	Bologna	G	8	100.00	100.00		100.00	
Unipol Banca Spa	086	Italy	Bologna	G	7	67.75	16.78	Unipol Assicurazioni Spa	84.53	100.00
Unipol Merchant - Banca per le Imprese Spa	086	Italy	Bologna	G	7		86.18	Unipol Banca Spa	72.84	100.00
Unipol Fondi Ltd	040	Ireland	Dublin	G	11	100.00	100.00	Unipol Banca Spa	84.53	100.00
Unipol Private Equity Spa	086	Italy	Bologna	G	11	100.00	100.00	Unipol Banca Spa	84.53	100.00
Cooperleasing Spa	086	Italy	Bologna	G	11	100.00	100.00	Unipol Banca Spa	84.53	100.00
Nettuno Fiduciaria Srl	086	Italy	Bologna	G	11	100.00	100.00	Unipol Banca Spa	84.53	100.00
Grecale Abs Srl	086	Italy	Bologna	G	11	10.00	10.00	Smallpart Spa	10.00	100.00
								Unipol Banca Spa (*)		
Castoro Rmbs Srl	086	Italy	Milan	G	11			Unipol Banca Spa (*)		100.00
Atlante Finance Srl	086	Italy	Milan	G	11			Unipol Banca Spa (*)		100.00
Midi Srl	086	Italy	Bologna	G	10	100.00	100.00	Unipol Assicurazioni Spa	100.00	100.00
Unifimm Srl	086	Italy	Bologna	G	10	100.00	100.00	Unipol Assicurazioni Spa	100.00	100.00
Smallpart Spa	086	Italy	Bologna	G	9	100.00	100.00	Unipol Assicurazioni Spa	100.00	100.00
SRS Spa	086	Italy	Bologna	G	9		75.21	Unipol Assicurazioni Spa	100.00	100.00
							24.79	Aurora Assicurazioni Spa		

(1) Consolidation method: G=on a line-by-line basis, P=proportional, U=on a line-by-line basis as per coordinated management

(2) 1=Italian insurers; 2=EU insurers; 3=non-EU insurers; 4=insurance holdings; 5=EU reinsurers; 6=non-EU reinsurers; 7=banks; 8=asset management companies; 9=sundry holdings; 10=property companies; 11=other

(3) is the product of the percentage holdings relating to all the companies that may come somewhere along the chain between the company that draws up the consolidated accounts and the company in question. If the latter is a direct participating interest of several subsidiaries the individual products must be added up

(4) Total percentage of votes available at Ordinary General Meetings if different from the direct or indirect holding

(\*) Special purpose vehicles used for securitisation transactions. They are not subsidiaries but they are consolidated as they substantially retain all risks and benefits



## Details of unconsolidated shareholdings

Name	State	Registered office	Method (1)	Type (2)	% direct holding	% Indirect holding	% Total participating interest (3)	% Votes available at Ordinary Gen. Meetings (4)	Book value (€m)	Share capital (€)
Unieuropa Srl	086	Italy	Bologna	11	a	98.00	Smallpart Spa	98.00	0.5	510,000
Unisalute Servizi Srl	086	Italy	Bologna	11	a	100.00	Unisalute Spa	98.48	0.2	52,000
BNL Servizi Assicurativi Srl	086	Italy	Milan	11	a	100.00	Bnl Vita Spa	51.00	0.2	10,400
Hotel Villaggio Città del Mare Spa	086	Italy	Terrasini (Pa)	11	b	49.00	Unipol Assicurazioni Spa	49.00	2.8	7,000,000
A.P.A. Spa	086	Italy	Parma	11	b	46.50	Smallpart Spa	46.50	0.7	1,000,000
Assicoop Ferrara Spa	086	Italy	Ferrara	11	b	47.40	Smallpart Spa	47.40	0.6	376,635
Assicoop Firenze Spa	086	Italy	Florence	11	b	44.00	Smallpart Spa	44.00	0.5	1,000,000
Assicoop Imola Spa	086	Italy	Imola (Bo)	11	b	47.33	Smallpart Spa	47.33	1.4	1,000,000
Assicoop Modena Spa	086	Italy	Modena	11	b	43.32	Smallpart Spa	43.32	3.0	2,256,800
Assicoop Ravenna Spa	086	Italy	Ravenna	11	b	49.00	Smallpart Spa	49.00	2.3	3,640,000
Assicoop Romagna Spa	086	Italy	Forlì	11	b	49.00	Smallpart Spa	49.00	0.8	774,700
Assicoop Sicura Spa	086	Italy	Bologna	11	b	40.00	Smallpart Spa	40.00	2.7	202,800
Assicoop Siena Spa	086	Italy	Siena	11	b	49.00	Smallpart Spa	49.00	0.3	510,000
Assicura Spa	086	Italy	Reggio Emilia	11	b	35.00	Smallpart Spa	35.00	1.2	1,040,000
ZIS Fiera 2 - Consorzio	086	Italy	Bologna	11	b	31.72	Midi Srl	31.72	0.3	789,185
Euresa Holding SA	092	Luxembourg		4	b	25.00	Unipol Assicurazioni Spa	25.00	3.1	9,620,200
Pegaso Finanziaria Spa	086	Italy	Bologna	9	b	45.00	Smallpart Spa	45.00	3.0	7,000,000
SCS Azioninnova Spa	086	Italy	Bologna	11	b	40.00	Unipol Merchant Spa	29.13	1.1	2,501,250

(1) 1=Italian insurers; 2=EU insurers; 3=non-EU insurers; 4=insurance holdings; 5=EU reinsurers; 6=non-EU reinsurers; 7=banks; 8=asset management companies; 9=sundry holdings; 10=property companies 11=other

(2) a=subsidiaries (IAS27) ; b=associates (IAS28); c=joint ventures (IAS 31); please mark with (\*) the companies available for sale in accordance with IFRS 5 and write the legend at the foot of the statement

(3) is the product of the percentage holdings relating to all the companies that may come somewhere along the chain between the company that draws up the consolidated accounts and the company in question

If the latter is a direct participating interest of several subsidiaries the individual products must be added up

(4) Total percentage of votes available at the Ordinary General Meeting if different from the direct or indirect holding



**DECLARATION OF THE SENIOR EXECUTIVE RESPONSIBLE  
FOR DRAWING UP THE COMPANY ACCOUNTS**

**RE: Interim Management Report of Unipol Gruppo Finanziario S.p.A. as at  
31 March 2008**

The undersigned Maurizio Castellina, the Senior Executive responsible for drawing up Unipol Gruppo Finanziario S.p.A's accounts

DECLARES

in accordance with Article 154-bis, para. 2, of the 'Single Text of the Provisions relating to Financial Brokerage' that as far as he is aware the Interim Management Report as at 31 March 2008 corresponds to the documentary results, the books and the accounting records.

Bologna, 8 May 2008

The Senior Executive responsible for  
drawing up the company accounts  
*Maurizio Castellina*