CONSOLIDATED HALF-YEAR REPORT AT JUNE 30, 2012

FONDIARIA-SAI S.p.A.

FONDIARIA-SAI S.P.A. - TURIN HEADQUARTERS - CORSO G. GALILEI 12 - FLORENCE HEADQUARTERS - VIA LORENZO IL MAGNIFICO 1 - SHARE CAPITAL EURO 494,731,136 FULLY PAID-IN - TAX, VAT AND TURIN COMPANY REGISTRATION NO. 00818570012 - COMPANY AUTHORISED TO UNDERTAKE INSURANCE ACTIVITIES PURSUANT TO ARTICLE 65 OF R.D.L. NO. 966 OF APRIL 29, 1923, ENACTED INTO LAW 473 OF APRIL 17, 1925

FONDIARIA-SAI S.p.A. CORPORATE BOARDS

BOARD OF DIRECTORS

Salvatore Ligresti	*Honorary Chairman*
Cosimo Rucellai*	*Chairman*
Jonella Ligresti*	*Vice Chairman*
Massimo Pini*	*Vice Chairman*
Emanuele Erbetta*	*Chief Executive Officer – General Manager*
Salvatore Bragantini	
Nicolò Dubini	
Vincenzo La Russa*	
Gioacchino Paolo Ligresti*	
Valentina Marocco	
Enzo Mei	
Giorgio Oldoini	
Salvatore Spiniello	
Antonio Talarico	
Fausto Rapisarda	*Secretary of the Board and the Executive Committee*

BOARD OF STATUTORY AUDITORS

Giuseppe Angiolini	*Chairman*
Antonino D'Ambrosio	*Statutory Auditor*
Giorgio Loli	*Statutory Auditor*
Sergio Lamonica	*Alternate Auditor*
Maria Luisa Mosconi	*Alternate Auditor*
Giovanni Rizzardi	*Alternate Auditor*

INDEPENDENT AUDITOR
RECONTA ERNST & YOUNG S.P.A.

GENERAL REPRESENTATIVE OF THE SAVINGS SHAREHOLDERS
Dario Trevisan

GENERAL MANAGERS
Emanuele Erbetta
Piergiorgio Peluso

CHIEF FINANCIAL OFFICER
Massimo Dalfelli

** Members of the Executive Committee*

The Board of Directors and the Board of Statutory Auditors were appointed by the Shareholders' Meeting on April 24, 2012 and will remain in office until the Shareholders' Meeting called to approve the 2014 financial statements.
At its meeting on April 26, 2012, the Board of Directors of Fondiaria-SAI S.p.A. appointed corporate officers and elected members to its committees, as listed below.
The Board appointed, for the entire term of its office:
- Cosimo Rucellai as Chairman of the Board of Directors;
- Jonella Ligresti and Massimo Pini as Vice Chairmen;
- Emanuele Erbetta as Chief Executive Officer, retaining the position of General Manager.

Piergiorgio Peluso remains as General Manager.
On May 3, 2012 Marco Reboa tendered his resignation from the Board. On May 10, 2012, the Board of Directors appointed Nicolò Dubini, the first unelected candidate on the majority list submitted by Premafin HP S.p.A. and UniCredit S.p.A., pursuant to Article 2386 of the Italian Civil Code.
On June 13, June 25 and June 30 respectively, Maurizio Comoli, Graziano Visentin and Andrea Broggini resigned from the Board.
Effective from July 19, 2012, Roberto Cappelli, Ranieri de Marchis and Salvatore Militello resigned from the Board. Mr de Marchis and Mr Militello were also members of the Executive Committee.
Under the terms of the agreement signed on January 29, 2012 between Unipol Gruppo Finanziario S.p.A. (UGF) and Premafin Finanziaria S.p.A., and after UGF exercised its options on the Premafin capital increase, on July 23, 2012 Chairman Cosimo Rucellai, Chief Executive Officer Emanuele Erbetta and Directors Nicolò Dubini, Vincenzo La Russa, Valentina Marocco, Enzo Mei, Giorgio Oldoini and Antonio Talarico all tendered their resignation from Fondiaria-SAI.
Taking into account the earlier resignations of Andrea Broggini, Maurizio Comoli, Graziano Visentin, Roberto Cappelli, Ranieri de Marchis and Salvatore Militello, these resignations meant that the majority of directors appointed by the Shareholders' Meeting were no longer in office. The entire Board of Directors was therefore dissolved in accordance with the Articles of Association.
The directors who resigned on July 23, 2012 – together with those who did not tender their resignation – therefore remain in office *in prorogatio* until the next Shareholders' Meeting.
The Board of Directors appointed for its full term of office an Executive Committee, currently composed of six members. In addition to the Chairman, Vice Chairmen and Chief Executive Officer, who are automatically members, the following also sit on the Committee:
- Vincenzo La Russa;
- Gioacchino Paolo Ligresti.

At present, following the aforementioned resignations, the members of the committees formed under the aegis of the Board of Directors are as follows:
Internal Audit Committee:
- Nicolò Dubini
- Giorgio Oldoini

Independent Directors' Committee, set up in accordance with the Fondiaria-SAI Group procedure for related-party transactions in view of the proposed merger with the Unipol Group to examine issues raised by the Board of Statutory Auditors' report pursuant to Article 2408 of the Italian Civil Code:
- Salvatore Bragantini
- Nicolò Dubini
- Giorgio Oldoini

Remuneration Committee:
- Valentina Marocco
- Giorgio Oldoini
- Salvatore Spiniello

Appointments Committee:
- Cosimo Rucellai
- Emanuele Erbetta
- Salvatore Bragantini
- Valentina Marocco.

The Board of Directors named Massimo Dalfelli as Chief Financial Officer for its entire term of office.
The Chief Executive Officer, Emanuele Erbetta, as well as being the legal representative pursuant to the Articles of Association, is responsible for day-to-day management, as well as for matters of an extraordinary nature, having every power in this regard, to be exercised based on a single-signing authority and with the option of granting mandates and delegating responsibility, except for the following powers:
- acquisition and/or disposal of immovable property worth more than Euro 15 million per transaction;
- signing of works contracts in the real estate sector entailing a commitment for the Company of more than Euro 15 million per contract;
- acquisition and/or disposal of equity investments, companies, business units or fixed assets (other than the aforementioned immovable property) worth more than Euro 30 million per transaction;
- acquisition and/or disposal of controlling interests;
- arrangement of finance for an amount in excess of Euro 50 million per transaction;
- issue of sureties of a non-insurance nature to third parties;
- signing of any other contract and/or agreement, other than those mentioned above, entailing a commitment for the Company of more than Euro 15 million per transaction.

The Executive Committee retains all powers not previously assigned to the Chief Executive Officer, except for those which by law or in accordance with the Articles of Association are within the exclusive remit of the Board of Directors and save for that hereinafter specified.
The Board of Directors has an exclusive remit over any resolution concerning sureties of a non-insurance nature issued to third parties, related-party transactions as identified by the Board of Directors, and the matters listed below, excluding in each case all ordinary business conducted as part of the Company's insurance operations:
a) approval of the business plan and budget and any amendments and/or updates thereto (including at a consolidated level);
b) any acquisition or disposal of companies, business units or fixed assets, including equity investments, the value of which, for each individual transaction or for a series of related transactions (i.e. essential for the completion of the same transaction), is more than Euro 30 million;
c) any acquisition or disposal of immovable property the value of which, for each individual transaction or for a series of related transactions (i.e. essential for the completion of the same transaction), is more than Euro 15 million;
d) the signing of works contracts in the real estate sector entailing a commitment for the Company of more than Euro 15 million for each contract or for a series of related contracts (i.e. essential for the completion of the same transaction);
e) arrangement of finance for an amount in excess of Euro 50 million per transaction;
f) the signing of any other contract and/or agreement (including the issue of guarantees) entailing a commitment for the Company, per transaction or over the course of a year, of more than Euro 35 million;
g) any transaction relating to Group companies that results in the thresholds referred to above being exceeded.

Therefore, provided their value is less than the stated threshold, the transactions referred to in subparagraphs b), c), d) and e) fall within the remit of the Chief Executive Officer. However, if their value is higher than the stated threshold, they fall within the remit of the Board of Directors.
Conversely, with regard to the transactions referred to in subparagraph f), the following are responsible:
- if the value is not more than Euro 15 million: Chief Executive Officer;
- if the value is higher than Euro 15 million but less than Euro 35 million: Executive Committee;
- if the value is higher than Euro 35 million: Board of Directors.

The aforementioned limits also apply if the individual transaction is completed in a single context by several Group companies, i.e. for the purpose of said thresholds, the amounts of the individual transactions must be considered on aggregate.
Under the terms of the shareholder agreement signed between Premafin and UniCredit, the following matters also remain within the exclusive remit of the Board of Directors:
(a) proposals to the Shareholders' Meeting (or decisions that are the responsibility of the Board of Directors) pertaining to transactions that have the effect of diluting the equity investment of the Company's shareholders;
(b) proposals to the Shareholders' Meeting (or decisions that are the responsibility of the Board of Directors) pertaining to mergers, transformations, spin-offs and liquidation, as well as any other extraordinary transaction (including acquisitions, disposals and other transactions that entail significant changes to the scope of operations of the Group) relating to the Company and the Group to which it belongs, with a value of more than Euro 150 million for each individual transaction or series of related transactions.

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MAIN EVENTS DURING THE FIRST HALF OF 2012

- 29/01/2012: the Board of Directors of Fondiaria-SAI S.p.A. resolved to convene an Extraordinary Shareholders' Meeting of the Company, with the first session scheduled for March 16, 2012 and the second for March 19, 2012 if necessary, in order to submit a proposal to the shareholders for options on a capital increase totalling Euro 1,100 million.
  The Board also resolved to renew the appointment previously conferred on the advisers Goldman Sachs and Studio Legale Carbonetti e Associati, to involve them in the examination and execution of the proposed merger;

- 19/03/2012: the Extraordinary Shareholders' Meeting of Fondiaria-SAI S.p.A. passed a resolution on the matters raised in the directors' report of January 29, 2012 for the Shareholders' Meeting, to which we refer. The documents relating to the Shareholders' Meeting are available to shareholders on the Parent Company website, in the section "Ordinary and Extraordinary Shareholders' Meeting, March 16-19, 2012".
  The capital increase was primarily aimed at strengthening the statement of financial position of the Fondiaria-SAI Group, to restore the solvency margin required by law and in general to ensure the Group's structural solvency for the future. This proposal is therefore part of the contingency plan within the meaning of Articles 227 and 228 of Legislative Decree 209/05, as required by the Italian insurance regulator ISVAP in its notice of January 10, 2012, which identified a significant shortfall in the solvency margin required for the Company. Therefore, the funds raised from the capital increase will be used to provide the Company with stable and lasting solvency, now and in the future;

- 19/03/2012: the Board of Statutory Auditors of Fondiaria-SAI S.p.A. reported on a complaint filed by Amber Capital Investment on October 17, 2011 pursuant to Article 2408, paragraph 2 of the Italian Civil Code concerning alleged reprehensible facts. The complainant requests clarification regarding the Atahotels operation, certain real estate transactions with related parties, real estate consulting services provided over a period of time by Salvatore Ligresti, fee paid for services provided by companies linked to the Ligresti family and, finally, the compensation paid to members of the Board of Directors during the period 2008-2010.
  At the Shareholders' Meeting on March 19, 2012, the Board of Statutory Auditors published the report, which contains a detailed response to the questions raised by the complainant, on the Company's website;

- 13/04/2012: a Special Meeting of Savings Shareholders of Fondiaria-SAI S.p.A., convened at the request of a shareholder, met under the chairmanship of the General Representative of Savings Shareholders;

- 16/04/2012: CONSOB asked the Board of Statutory Auditors of Fondiaria-SAI S.p.A., pursuant to Article 114, paragraph 5 of the Italian Consolidated Finance Law (TUF), to make public certain information. For further details, please see the section of the Company's website on the Ordinary Shareholders' Meeting of April 23/24, 2012;

- 19/04/2012: following a request from CONSOB dated April 16, 2012 pursuant to Article 114, paragraph 5 of Legislative Decree 58/98 (TUF), the Board of Directors of Fondiaria-SAI S.p.A. approved certain additions to the directors' report of December 31, 2011 published on March 31, 2012 pursuant to Article 154-*ter* of the TUF and the compensation report published on March 31, 2012 pursuant to Article 123-*ter* of the TUF.
  Said additions and the related requests made by CONSOB in its communication of April 16, 2012 have been made public. The documentation is available on the Company's website (www.gruppofondiariasai.it), from the Company's head office (Corso Galileo Galilei 12, Turin) and from Borsa Italiana S.p.A.;

- 19/04/2012: the Board of Directors of Fondiaria-SAI examined the appraisals and estimates hitherto made, with the support of the advisers, in relation to:
  (i) the guidelines of the combined business plan and possible synergies resulting from the merger with the Unipol Group, and
  (ii) the current and future pro-forma solvency margin of the company resulting from the proposed merger;

- 24/04/2012: the Shareholders' Meeting of Fondiaria-SAI S.p.A. approved the financial statements for 2011. During the presentation, the Chief Executive Officer provided updates on the examination of the facts outlined in the report by the Board of Statutory Auditors pursuant to Article 2408 of the Italian Civil Code, submitted in response to the complaint by the shareholder Amber Capital LP, referring to that disclosed to the market on April 19, 2012. It also indicated that a bankruptcy petition had been filed by the public prosecutor in Milan against Sinergia Holding di Partecipazioni S.p.A. and Imco Immobiliare Costruzioni S.p.A. The Fondiaria-SAI Group has real estate contracts with these companies, as described in the aforementioned report pursuant to Article 2408 of the Italian Civil Code.
  The Shareholders' Meeting also appointed the Board of Directors and the Board of Statutory Auditors for the three financial years 2012, 2013 and 2014, i.e. until the Shareholders' Meeting called to approve the financial statements for 2014;

- 26/04/2012: the Board of Directors of Fondiaria-SAI S.p.A. appointed corporate officers and elected members to its committees, as described in more detail in the section on "Appointment of corporate officers and board committees";

- 03/05/2012: the Board of Directors of Fondiaria-SAI named the private equity operator 21 Investimenti as its exclusive partner for the ongoing analysis of the disposal of the hotel business forming part of the corporate holdings of Atahotels;

- 14/06/2012: the Board of Directors of Fondiaria-SAI acknowledged the bankruptcy order issued by the second civil chamber against Imco S.p.A. in liquidation and Sinergia Holding di Partecipazioni S.p.A. in liquidation. For further details on the subject, see the chapter "Other Information";

- 27/06/2012: the Extraordinary Shareholders' Meeting of Fondiaria-SAI S.p.A. confirmed – partly as a precaution pursuant to Article 2377, paragraph 8 of the Italian Civil Code – the resolutions adopted by the Extraordinary Shareholders' Meeting of March 19, 2012. The meeting also resolved to appoint as director, until the expiry of the term of office of the entire Board of Directors, Nicolò Dubini, co-opted by the Board of Directors on May 10, 2012. Note that Nicolò Dubini was a candidate at the Shareholders' Meeting on April 24, 2012 – which re-elected the Board – in the majority list submitted by the shareholders Premafin and UniCredit and was the first of the candidates not to be elected. At that meeting, Mr Dubini was declared independent within the meaning of both Article 148 of the TUF and the Code of Corporate Governance for Listed Companies. The Board of Directors successfully verified the existence of these independence criteria following the co-opting which took place, as previously mentioned, on May 10, 2012.

Key financial information

(in Euro millions)	**H1 2012**	**H1 2011**
Net result *	25	(62)
Total gross premiums written	4,994	6,217
of which:		
Gross Non-Life premiums written	3,403	3,657
Gross Life premiums written	1,591	2,560
Investment policies written	23	27
APE	138	239
Non-Life combined ratio	98.1	101.9
Non-Life expense ratio	21.9	22.5
Life expense ratio	5.8	4.7

(in Euro millions)	**30/06/2012**	**31/12/2011**
Investments	32,330	33,789
Cash and cash equivalents	954	977
Net technical provisions – Non-Life	11,652	12,001
Net technical provisions – Life	21,124	22,404
Shareholders' equity *	1,850	1,557
Adjusted solvency ratio **	88.5%	78.2%

(*) Includes Non controlling interests.
(**) Calculated with reference to the future margin required at year-end. If measured with reference to the margin required at the end of the previous financial year, it would be 84.3%.

DEVELOPMENT STRATEGY OF THE FONDIARIA-SAI GROUP

2012-2014 Guidelines

The Board of Directors which met in March 2012 discussed and approved the Guidelines for the period 2012-2014, identifying the following four key strands:

- focus on profitability;
- selective investment in distribution;
- operational simplification;
- optimisation of asset allocation.

Focus on profitability

Work will focus on consolidating the current levels of profitability of the Motor and Non-Life Retail sectors, with careful selection of the portfolio and the risks assumed.
Regarding Corporate Non-Life, the portfolio mix will be restructured through cancellations, reforms and careful choice of underwriting criteria.
More generally, the withdrawal from structurally unprofitable sectors is proposed.

Selective investment in distribution

The implementation of this guideline will take place through general reorganisation of distribution platforms, aimed at consolidating points of sale in terms of both volumes and profitability.
In support of this initiative, which will be accompanied by the review and rationalisation of the Life and Non-Life product range, branches will be given structured marketing support, together with the expansion of branch sales teams in the Life Sector.
Finally, in future, brands will be streamlined and differentiated service models implemented.

Operational simplification

This will involve, through a reduction in operating costs, a review of operating models and the streamlining (at a corporate level if necessary) of the Group.

Optimisation of asset allocation

This will entail a root-and-branch review of the Group's asset allocation, with a view to reducing exposure to the real estate sector.
In addition, operating procedures and the portfolio mix will be modified in order to optimise the absorption of capital ahead of Solvency II.
Finally, the Group's non-strategic assets will be valued and divested, including, where feasible, subsidiaries in non-core sectors.

OPERATIONAL PERFORMANCE

The consolidated half-year report at June 30, 2012 includes the recommendations of ISVAP Regulation 7/07 and was prepared in accordance with Article 154 of Legislative Decree 58/98, as amended, and based on the regulations for the preparation of financial statements applying the same measurement criteria and consolidation principles utilised for the preparation of the consolidated financial statements at December 31, 2011. In particular, the statement of financial position and income statement data and the Explanatory notes were prepared as per accounting standard IAS 34 relating to interim accounts. In the preparation of the interim data, the application of the accounting principles and measurement criteria for the financial statements require, as also recalled in the notes, a greater recourse to estimates and projections.

The data therefore have the function of representing in a reasonably reliable manner the financial position of the Group at June 30 and of providing information on the principal risks and uncertainties for the remaining six months of the year.

Consolidated Income Statement

The following table contains a summary of the results for the first half of 2012 compared with the same period in the previous financial year and compared with December 31, 2011.

(in Euro thousands)	**30/06/2012**	**30/06/2011**	**Change**	**31/12/2011**
Net premiums	4,925,687	6,035,870	(1,110,183)	10,527,344
Net benefits and claims paid	4,447,543	5,340,703	(893,160)	10,240,770
Net fee and commissions income	569	4,640	(4,071)	8,578
Net investment income	402,749	341,804	60,945	172,706
Net income from financial instruments measured at fair value through profit and loss	325,515	84,064	241,451	321,699
Operating expenses	858,607	976,881	(118,274)	1,875,313
Other expenses, net	(263,518)	(188,087)	(75,431)	(371,879)
Profit/(loss) before taxes	**84,852**	**(39,293)**	**124,145**	**(1,457,635)**
Income taxes	48,765	22,256	26,509	(392,147)
Profit/(loss) after taxes	**36,087**	**(61,549)**	**97,636**	**(1,065,488)**
Profit/(loss) from discontinued operations	**(11,144)**	**-**	**(11,144)**	**30,850**
Profit/(loss) for the period	**24,943**	**(61,549)**	**86,492**	**(1,034,638)**
Attributable to:				
Non controlling interests	**17,378**	**362**	**17,016**	**(181,919)**
Equity shareholders of the parent	**7,565**	**(61,911)**	**69,476**	**(852,719)**

The consolidated profit for the first half of 2012 totalled Euro 24.9 million, compared with a loss of Euro 61.5 million at 30/06/2011. The Comprehensive Income Statement indicates a profit of Euro 293.7 million, compared with a loss of Euro 6.6 million at 30/06/2011.

The main factors are analysed below:

- A continuation of the positive technical performance in current generation operations of the Motor Class, accompanied by significant retention of the claims reserves set aside at the end of 2011, confirming the sufficiency levels expected following payouts.
  The dramatic reduction in claims in the Motor Class continues.
  The performance of the Non-motor Classes bucked the trend, suffering both from the effects of the recent earthquake in Emilia-Romagna, contributing around Euro 42 million to current claims net of reinsurance, and from the adverse weather last winter.

- A sharp drop in Life premiums due to the difficult economic climate, accompanied by an increase in redemptions, albeit within financial operations that were satisfactory on the whole.

- Positive financial management during the first part of the year, with a slight reversal of the trend in May due to renewed tensions over the sovereign debt of some eurozone countries. This had the effect of limiting the positive results reported by the trading business during the first quarter of 2012.

- The absorption – already recorded during the amendment to the first-quarter report – of the effects of the bankruptcy of Imco S.p.A. and Sinergia Holding di Partecipazioni S.p.A., in relation to receivables due from the two companies and their subsidiaries. Following the bankruptcy declaration, Fondiaria-SAI proceeded to write down its receivables by a further Euro 73 million, in addition to the write-down made at December 31, 2011.
  The Fondiaria-SAI Group's total receivables with Imco-Sinergia were measured based on the estimated realisable value by simulating the liquidation of the companies and the realisation of their assets, net of the recoverable amount of any tangible security.
  For the company Avvenimenti e Sviluppo Alberghiero, responsible for the Via Fiorentini project in Rome, solvent liquidation is expected.
  In particular, the land and buildings owned by the Imco-Sinergia Group have been independently valued: the estimated realisable value was calculated based on the assumption of two competitive auctions with a reduction of around 36% in the appraisal value (for Avvenimenti e Sviluppo Alberghiero, in the case of a solvent liquidation, a discount of 20% on the appraisal value was estimated).
  For the purpose of distributing the amount recovered between the creditors, consideration was given to the grounds for seniority, in addition to the statutory privileges (employees and tax authorities) and procedural costs.
  The estimated recovery times, which vary according to the debtor's situation, indicate a timeframe consistent with the duration of the proceedings. The receivables were subsequently discounted at a rate equal to the yield on Italian 10-year government bonds, which excludes the assessment of the debtor's credit risk, already incorporated into the discount applied to the realisable value.
  The receivable with Europrogetti S.r.l. has been written off since, in the event of an interruption to the project, it cannot be contractually recovered.
  Finally, in terms of relations with companies in the Imco-Sinergia Group, it is noted that at June 30, 2012, Euro 11.8 million (net of reinsurance) related to exposure for surety policies guaranteeing commitments assumed by companies in the group itself, of which Euro 11.5 million related to Fondiaria-SAI and Euro 0.3 million to Milano Assicurazioni. Therefore, against a total exposure of Euro 11.8 million at June 30, 2012, the net impact on the technical balance of the Non-Life Sector was negative for around Euro 3.5 million, also taking into account the guarantees received.

- An indication of a tax expense for the period, as proof of the recoverability (together with that recorded in shareholders' equity reserves) of deferred tax assets recognised in the financial statements for the previous year.

- At June 30, 2012, the adjusted solvency ratio was around 88.5%, compared with 78.2% at December 31, 2011. The ratio was calculated with reference to the prospective margin required at year-end. If measured with reference to the margin required at the end of the previous year, it would be 84.3%.
  The individual solvency margins of Group insurance companies were largely positive, confirming the continuing presence of business continuity and thus the assumption of the business as a going concern, as seen during the approval of the 2011 financial statements. Please also refer to the paragraph on important events after the end of the half-year, which explains the outcome of the recapitalisation initiatives.

In this context:

- the **profit for the period** totalled Euro 24.9 million (compared with a loss of Euro 61.5 million at 30/06/2011). Non controlling interest profit totalled Euro 17 million due to the positive contributions from Popolare Vita and Lawrence Life.
- The **Non-Life sector** reported a profit before taxes of Euro 80.0 million, a significant improvement on the loss before taxes of Euro 91.3 million at 30/06/2011. This was boosted by the technical result for the

sector, which swung back to positive (Euro 62.4 million) versus a loss of Euro 81.4 million at 30/06/2011.

This result, which can be seen as a turning point, is due both to the effects of portfolio selection and improvement in portfolio quality, and to external factors in the Motor Class, such as the reduction in insured vehicles and claims filed, and thus in the number of claims paid.

The ongoing tough economic climate has a significant impact on this latter aspect: the continuing rise in the cost of fuel is making people use their cars less. The contraction in premiums written is in line with forecasts and is partly due to the renewal of several major contracts.

The result for the sector is also affected by impairment of Euro 47.4 million relating to available-for-sale financial instruments (Euro 33.2 million at 30/06/2011).

- The **Life sector** recorded a profit before taxes of Euro 44.4 million against Euro 73.8 million at 30/06/2011.

  Despite a decrease of around 38% in premiums written, technical profitability indicators were positive, albeit in a context that saw new premiums written (predominantly in Class I) characterised by smaller margins (such as single premiums rather than recurring premiums).

  The reduction in premiums written reflects not only the difficulty of the macroeconomic environment, but also the negative image portrayed by the media of the overall situation at the Fondiaria-SAI Group. In the traditional sector, the decrease in premiums was less prominent in the second half of the period, while the bancassurance channel confirmed the sharp contraction witnessed at the end of the first quarter.

  The Group has also dealt effortlessly with redemption requests and policies maturing during the period, limiting the related liquidity risk following the realisation of the underlying financial assets. It should be noted though that the negative trend in redemptions, with a sharp acceleration in the first four months of the year (peaking in March and April), showed the first signs of reversing at the end of the period. Conversely, the redemption rate in the bancassurance sector remains high.

  The results for the sector also reflect, on the Income Statement, not passing on to Life policyholders capital losses on Greek government bonds. The share of the capital losses recorded at the end of 2011 attributable to Life policyholders was partially passed on, in accordance with the guaranteed minimums. As a result of the Greek government bond swap and the resulting allocation of the same outside segregated funds (in accordance with the regulator’s guidance), it was no longer possible to pass on these losses.

  The net result from financial management is in line with, and represents a slight improvement on, the first half of 2011, due partly to the slowdown in trading activity in the last two months of the period.

  The impairment losses on AFS financial instruments are around Euro 23.6 million (Euro 44.2 million at 30/06/2011).
- The **Real Estate sector** recorded a loss before taxes of Euro 25.8 million (compared with a profit of Euro 8.4 million at 30/06/2011), adversely affected by impairment losses on investment property of Euro 2.4 million (Euro 5.1 million at 30/06/2011) and depreciation and amortisation of Euro 13.9 million (Euro 12.6 million at 30/06/2011). During the first half, no significant transactions were made. Operations focused on rationalisation and cost control. The sector also suffered from the write-down of the receivable with Imco (for Euro 3.8 million), following the bankruptcy on June 14 relating to the real estate development in S. Pancrazio Parmense and advances paid, for Euro 7.2 million, by the parent company NIT to Europrogetti on activities linked to the Castello development in Florence.

  Note that the net result for the sector includes the capital gain from the disposal of the equity investment in IGLI for around Euro 2.3 million, which was recognised in profit/(loss) from discontinued operations.

- The **Other Activities sector**, which includes companies active in the financial and asset management sector, recorded a loss before taxes of Euro 13.7 million (Euro -30.2 million at 30/06/2011).
  The result does not include the negative contribution from Atahotels, which, as of the current interim period, has been reclassified as assets held for sale following the outcome of attempts to dispose of Atahotels and thus withdraw the Group from the sector.
  The negative results are due to ongoing structural losses at the Centro Oncologico Fiorentino and the impact on the accounts of BancaSai of the write-down of receivables with the Imco-Sinergia Group (around Euro 3.8 million in the half year).
- **Operating expenses** totalled Euro 858.6 million (Euro 976.9 million at 30/06/2011), a decrease of 12.1% due mainly to lower commissions following a fall in revenue.
- Excluding the contribution of financial instruments measured at fair value through profit and loss, **total net investment income** was Euro 410.6 million (Euro 334.5 million at 30/06/2011). This amount includes Euro 407.7 million of interest income, Euro 58.1 of other net income and Euro 84.0 million of net gains on movable and immovable property.
  The net valuation loss totalled around Euro 107.3 million. **Interest expense** of Euro 31.9 million (Euro 37.1 million at 30/06/2011) is due almost entirely to financial debt.
  The balance of valuation items includes Euro 75.2 million in value adjustments on available-for-sale financial assets and Euro 2.4 million in impairment losses on investment property.
- The contribution of **financial instruments measured at fair value through profit and loss** was positive at Euro 325.5 million (Euro 84.1 million at 30/06/2011). This item includes net income from financial activities where the risk is borne by the policyholders (Euro 308.1 million, although offset by the related increase in net benefits and claims paid in the Life sector), and fair value adjustments of financial instruments belonging to the sector.
- **Net income from investments in subsidiaries, associates and joint ventures** totalled Euro -7.9 million and derives mainly from the contribution of associates Garibaldi S.C.A. and Isola S.C.A. Note that these development projects expect to make a profit only after the construction and subsequent sale of the property. The negative impact is therefore temporary and is due to be reabsorbed once the marketing phase has ended.
- The balance of **other revenues and expenses** is negative at Euro 263.5 million (Euro 188.0 million at 30/06/2011). The balance includes technical and non-technical income and expenses not classified elsewhere, in addition to depreciation and amortisation other than on investment property, contingent assets and liabilities, and the net change in provisions for risks and charges. This item does not include the depreciation and amortisation of property, plant and equipment and intangible assets for Euro 20.8 million. It also includes Euro 73.0 million of write-downs for receivables with the Imco-Sinergia Group.
- The **income tax expense** totals Euro 49 million and includes the repayment of deferred tax assets following the significant absorption of some of the tax losses realised in prior periods in accordance with tax legislation.
  The tax rate for the period is high due to the positive pre-tax result, but the amount is modest and as such is neither significant nor comparable with the same six-month period in the previous year.
- The **result from discontinued operations** (Euro -11.1 million) includes Euro -13.4 million pertaining to the result for the period of the Atahotels Group and Euro 2.3 million pertaining to the sale of the equity investment in IGLI S.p.A.

Note finally that the net result was not influenced by significant non-recurring events or transactions outside the normal course of business.

Comprehensive Income Statement

The results in the Comprehensive Income Statement, shown in the relevant tables and expanded upon in the notes, were significantly affected by the performance of share prices of available-for-sale financial instruments.

(in Euro thousands)	30/06/2012	30/06/2011	Change	31/12/2011
Profit/(loss) for the period	24,943	(61,549)	86,492	(1,034,638)
Other Comprehensive Income Statement items	268,749	54,971	213,778	(645,038)
Comprehensive Income Statement Total	**293,692**	**(6,578)**	**300,270**	**(1,679,676)**
of which:				
Equity shareholders of the parent	188,765	(5,752)	194,517	(1,318,642)
Non controlling interests	104,927	(826)	105,753	(361,034)

For a detailed breakdown of the Comprehensive Income Statement, please see the full version.

Premiums written

During the first half of 2012, premiums written totalled Euro 4,993.8 million (-19.67%), consisting of the following items:

(in Euro thousands)	H1 2012	H1 2011	% change
DIRECT PREMIUMS			
Non-Life segment	3,401,390	3,655,002	(6.94)
Life segment	1,590,594	2,559,919	(37.87)
Total direct premiums	4,991,984	6,214,921	(19.68)
INDIRECT PREMIUMS			
Non-Life segment	1,490	1,487	0.20
Life segment	281	358	(21.51)
Total indirect premiums	1,771	1,845	(4.01)
TOTAL	**4,993,755**	**6,216,766**	**(19.67)**
of which:			
Non-Life segment	3,402,880	3,656,489	(6.94)
Life segment	1,590,875	2,560,277	(37.86)

CONSOLIDATED INCOME STATEMENT BY SECTOR

(in Euro thousands)

		Non-Life Insurance Sector		Life Insurance Sector		Real Estate Sector		Other Sectors		Inter-sector eliminations		Total	
		30/06/2012	**30/06/2011**	**30/06/2012**	**30/06/2011**	**30/06/2012**	**30/06/2011**	**30/06/2012**	**30/06/2011**	**30/06/2012**	**30/06/2011**	**30/06/2012**	**30/06/2011**
1.1	Net premiums	3,339,781	3,486,625	1,585,906	2,549,245	0	0	0	0	0	0	4,925,687	6,035,870
1.1.1	*Gross premiums*	*3,496,347*	*3,628,126*	*1,590,875*	*2,560,277*							5,087,222	6,188,403
1.1.2	*Premiums ceded to re-insurers*	*-156,566*	*-141,501*	*-4,969*	*-11,032*							-161,535	-152,533
1.2	Fee and Commission income			1,963	5,557			11,591	11,668	-8,567	-3,480	4,987	13,745
1.3	Income and charges from financial instruments at fair value through profit or loss	16,009	-10,612	309,351	94,696	-319	-86	474	81		-15	325,515	84,064
1.4	Income from investments in subsidiaries, associates and joint ventures	*652*	*122*			*15*	*14,899*				*0*	667	15,021
1.5	Income from other financial instruments and investment properties	228,319	163,550	367,331	404,213	25,754	23,331	29,476	31,164	-14,362	-24,340	636,518	597,918
1.6	Other income	237,716	268,406	32,149	30,954	10,852	42,330	272,019	312,982	-377,012	-337,693	175,724	316,979
1	**TOTAL INCOME**	**3,822,477**	**3,908,091**	**2,296,700**	**3,084,665**	**36,302**	**80,474**	**313,560**	**355,895**	**-399,941**	**-365,528**	**6,069,098**	**7,063,597**
2.1	Net insurance benefit and claims	-2,396,075	-2,626,016	-2,051,468	-2,714,687	0	0	0	0	0	0	-4,447,543	-5,340,703
2.1.2	*Claims paid and changes in insurance contract liabilities*	*-2,550,169*	*-2,700,188*	*-2,052,597*	*-2,730,079*							-4,602,766	-5,430,267
2.1.3	*Reinsurers' share*	*154,094*	*74,172*	*1,129*	*15,392*							155,223	89,564
2.2	Fee and commission expenses			-1,411	-4,800			-3,007	-4,305			-4,418	-9,105
2.3	Expenses from investments in subsidiaries, associates and joint ventures	-8,001	-48			-198	-56	-368	-7,597			-8,567	-7,701
2.4	Expenses from other financial instruments and investment properties	-134,301	-126,926	-51,969	-99,565	-33,856	-35,412	-14,119	-12,898	8,376	11,367	-225,869	-263,434
2.5	Operating expenses	-736,178	-799,651	-93,315	-128,213	-100	-98	-151,926	-159,285	122,912	110,366	-858,607	-976,881
2.6	Other expenses	-467,918	-446,766	-54,152	-63,580	-27,954	-36,502	-157,871	-202,013	268,653	243,795	-439,242	-505,066
2	**TOTAL EXPENSES**	**-3,742,473**	**-3,999,407**	**-2,252,315**	**-3,010,845**	**-62,108**	**-72,068**	**-327,291**	**-386,098**	**399,941**	**365,528**	**-5,984,246**	**-7,102,890**
	PROFIT (LOSS) BEFORE TAXES	**80,004**	**-91,316**	**44,385**	**73,820**	**-25,806**	**8,406**	**-13,731**	**-30,203**	**0**	**0**	**84,852**	**-39,293**

Interim Directors' Report

MACROECONOMIC OVERVIEW AND THE INSURANCE MARKET

The global economic context

Economic activity in the first quarter of 2012 was varied among the world's developed countries. In the US, GDP grew at a slower annual rate of around 2% in the first three months of the year, due to a slowdown in investment, despite sustained consumption levels.
Japan, on the other hand, recorded a sharp rise in productivity (+4.7%), due in particular to an acceleration in consumption and a strong upturn in state investment in connection with the reconstruction works carried out following the March 2011 earthquake.
In the UK, GDP fell once again (-1.3%), due to a fall in private-sector demand.

Weak demand in developed countries in turn caused a slowdown in the first quarter of 2012 in the major emerging markets, which have also been affected by the restrictive economic policies adopted over the past year.
China's growth was reduced considerably (to around 8% over the corresponding quarter of 2011, from an average of 9.2% in 2011) by the slowdown in both domestic and overseas demand.
In India and Brazil, economic activity declined significantly (to 5.6% and 0.8%, respectively), particularly in the industrial sector, while Russia continued to enjoy strong growth (4.9%).

Tab. 1 – Macroeconomic context (% change over the previous year)

		IMF		Consensus Economics	
	2011	**2012**	**2013**	**2012**	**2013**
GDP					
World	3.9	3.5	3.9	-	-
Developed countries	1.6	1.4	1.9	-	-
Eurozone	1.5	(0.3)	0.7	(0.5)	(0.5)
Japan	(0.7)	2.4	1.5	2.5	1.4
UK	0.7	0.2	1.4	0.1	1.6
US	1.7	2.0	2.3	2.1	2.3
Emerging markets	6.2	5.6	5.9	-	-
Brazil	2.7	2.5	4.6	3.0	4.3
China	9.2	8.0	8.5	8.1	8.4
India (1)	7.1	6.1	6.5	6.6	7.3
Russia	4.3	4.0	3.9	3.8	3.8
Global trade (2)	**5.9**	**3.8**	**5.1**	**-**	**-**

Source: Bank of Italy Economic Bulletin no. 69, July 2012; IMF World Economic Outlook Update, July 2012; Consensus Economics, July 2012 (for Brazil and Russia: June 2012); national statistics.

1) *The Consensus Economics forecasts relate to the fiscal year, beginning in April of the year indicated.*
2) *Goods and services*

The latest indicators suggest that the economic outlook continued to worsen from March onwards. According to the most recent International Monetary Fund (IMF) projections available at the time of writing, the global economy will contract by 3.5% in 2012 (compared with a fall of 3.9% in 2011) as a result of the decline in economic activity in the eurozone and the slowdown in emerging markets. The US is expected to see an increase of around 2% in GDP, with Japan posting only slightly higher growth.
In a context in which both public and private debt levels are slowly being brought down in developed countries, the main risks to global economic growth will come from the uncertainty surrounding the timely implementation of the measures outlined at the last European Council meeting and the decisions taken during the EU summit of June 28-29 to ease tensions on the financial markets and restore investors' confidence, as well as the possibility of a sharp fiscal tightening in the US (estimated at over 4% of GDP). This risk could materialise as of next January, when, unless a medium-term fiscal-consolidation plan is agreed, a number of tax breaks will expire at the same time as the public-spending cuts agreed in August 2011 are triggered automatically.

The European and Italian markets

In Italy, the dip in economic activity continued in the last few months, reflecting weak domestic demand in particular, in terms of both consumption and investment. Other factors that affected GDP include a reduction in households' disposable income, unfavourable short-term prospects for businesses, and a drop in consumer confidence.
In the first quarter of 2012, Italy's GDP fell by 0.8% over the previous period. This decline was reflected in particular in household consumption and investment, with imports falling more sharply than exports. Strictly speaking, the reduction in value added was concentrated mainly in the industrial sector (-1.6%) and in construction in particular (-3.2%), with the services sector remaining more or less stable.

Tab. 2 – Italy's GDP and its main components

ITEMS	2011			2012	2011
	Q2	Q3	Q4	Q1	(1)
GDP	0.3	(0.2)	(0.7)	(0.8)	0.4
Total imports	(1.6)	(1.3)	(2.8)	(3.6)	0.4
Domestic demand (2)	(0.3)	(1.1)	(1.4)	(1.8)	(0.9)
Domestic consumption	(0.3)	(0.5)	(0.8)	(0.6)	-
household expenditure	*(0.2)*	*(0.4)*	*(0.9)*	*(1.0)*	*0.2*
other expenditure (3)	*(0.4)*	*(0.6)*	*(0.5)*	*0.4*	*(0.9)*
Gross fixed investment	(0.4)	(1.2)	(2.6)	(3.6)	(1.9)
construction	*(1.2)*	*(1.2)*	*(0.8)*	*(3.3)*	*(2.8)*
other investment goods	*0.4*	*(1.1)*	*(4.3)*	*(3.9)*	*(0.9)*
Changes in inventories and valuables(4)	-	(0.5)	(0.3)	(0.5)	(0.5)
Total exports	0.6	1.8	(0.1)	(0.6)	5.6

Source: Istat data.
(1) Annual figures not correct for the number of working days.
(2) Includes the change in inventories and valuables.
(3) Expenditure by public bodies and family-oriented not-for-profit organisations.
(4) Contribution to GDP growth in the previous period.

The insurance sector

In June 2012, the European car market fell by 2.8%, with 1,201,578 new vehicles registered. This confirmed the negative trend that began in October last year and contributed to the decline of -6.8% in sales for the entire first half of 2012, compared with a year earlier. The June figures from Germany (+2.9%) and the UK (+3.5%) were positive, however. France's market remained more or less unchanged (-0.6%), while Spain (-12.1%) and Italy (-24.4%) suffered sharp falls. The German (+0.7%) and UK (+2.7%) markets posted growth for the first half of the year, while Spain (-8.2%), France (-14.4%) and particularly Italy (-19.7%) continued to suffer.
The Italian market suffered a steep decline in sales of premium and luxury (E- and F-sector) cars, which, as a result of ever higher taxes and the introduction of a "supertax" on vehicles with a power output of over 185 kW, dropped by 28.6% and 38% respectively in the first six months of the year. This contrasts with a 1.2% increase in new registrations of D-sector vehicles, which were boosted by a partial replacement of the long-term-rental fleet. The used-car market also struggled in the first half of 2012, contracting by 11.7%, with 2,121,377 vehicles changing hands (including temporary transfers to dealers), compared with 2,403,479 in the first half of 2011.

Premiums written in the Non-Life and Life Sectors by Italian insurers in the first quarter of 2012 totalled Euro 25.9 billion, down by 15.2% year on year. Non-Life policies, which totalled Euro 8.7 billion, contracted by 1.2%, accounting for 33.5% of the total portfolio (against 28.8% in the corresponding period of 2011), while Life premiums, at Euro 17.2 billion, decreased by 20.8%, representing 66.5% of the total Life and Non-Life portfolio (compared with 71.2% a year earlier).

Social spending accounts for about 30% of Italy's GDP, in line with the European average, although the demand for financial resources in areas such as health, welfare, family support and unemployment benefit is growing rapidly.

It is therefore clear that the old welfare model, based largely on government intervention, has become unsustainable.

In every country, the insurance sector plays a crucial role in building an efficient, functional social-security system by making a significant contribution to reducing government spending, keeping costs down and encouraging individuals to take preventive action and assess risks.

Changes to the regulatory framework

The principal regulatory changes that affected the Italian insurance market in the first half of 2012 are described below.

Direct compensation
With effect from January 1, 2012, the flat rates for direct compensation, as established by the Ministry for Economic Development's Technical Committee based on the differentiation criteria identified by the Ministerial Decree of December 11, 2009, were amended.

The structure of these flat rates, which remains unchanged from 2011, is as follows:

- a **single flat rate pursuant to the CID (*convenzione per l'indennizzo diretto*, or direct-compensation agreement)** for damage to property and damage to the driver, broken down into three geographical areas and by type of vehicle (motor vehicles other than motorcycles and mopeds);
- a **single CID flat rate** for damage to property and damage to the driver, broken down into three geographical areas and by type of vehicle (motorcycles and mopeds);
- a **single flat rate pursuant to the CTT (*convenzione terzi trasportati*, or agreement on passengers transported)** for passengers transported in motor vehicles other than motorcycles and mopeds;
- a **single CTT flat rate** for passengers transported on motorcycles and mopeds.

For claims made as of January 1, 2012, compensation between companies will be subject to the following rates:

1. **CID flat rate for motor vehicles:**
   - Geographical area 1: Euro 2,187
   - Geographical area 2: Euro 1,900
   - Geographical area 3: Euro 1,659

2. **CID flat rate for motorcycles and mopeds:**
   - Geographical area 1: Euro 4,115
   - Geographical area 2: Euro 3,800
   - Geographical area 3: Euro 3,430

3. **CTT flat rate for passengers transported** in motor vehicles: damage in the amount of Euro 5,000 or less to passengers transported in motor vehicles other than motorcycles and mopeds will be subject to a flat rate of Euro 3,120, with a fixed excess of Euro 500.
   In cases where the damage to passengers transported in motor vehicles other than motorcycles and mopeds is greater than Euro 5,000, the payout will comprise the flat rate of Euro 3,120, plus the difference between the damage actually compensated and the Euro 5,000 threshold, minus an excess of 10%, up to a maximum of Euro 20,000, to be calculated on the amount of the compensation.

4. **CTT flat rate for passengers transported** on motorcycles and mopeds: damage in the amount of Euro 5,000 or less to passengers transported on motorcycles and mopeds will be subject to a flat rate of Euro 3,730, with a fixed excess of Euro 500. In cases where the damage to passengers transported on motorcycles and mopeds is greater than Euro 5,000, the payout will comprise the flat rate of Euro 3,730, plus the difference between the damage actually compensated and the Euro 5,000 threshold, minus an excess of 10%, up to a maximum of Euro 20,000, to be calculated on the amount of the compensation.
   Claims made prior to 2011 are still subject to the flat rates established by the Technical Committee for each of the years taken into consideration by the applicable resolutions.

Rules governing mortgage-linked policies

ISVAP (the Italian insurance regulator) issued new rules on mortgage-linked insurance policies. Under the new regulations, introduced by ISVAP Provision 2946, insurance brokers, including banks and other financial intermediaries, may not act simultaneously as both distributors and beneficiaries (or lien holders) of policies.
The new rules, which came into force in April in order to give brokers sufficient time to adjust, were adopted following a public consultation process involving both market operators and the major consumer associations involved in drafting the provision.

New rules on gender discrimination

By the end of 2012, all European insurance companies will have to apply the principle of equal treatment of men and women in terms of premiums and insurance benefits. The Court of Justice of the European Union declared the derogation from EU legislation on equal treatment which authorises member states to retain differences in the individual premiums and benefits offered to men and women to be invalid (with effect from December 21, 2012, and only with regard to new policies issued). It will also be prohibited to transfer a portfolio from one insurer to another.

Solvency II: recent regulatory changes

As we know, Directive 2009/138/EC ("Solvency II") currently provides for the new European supervisory regime to come into effect on November 1, 2012. However, recent difficulties in the process of defining and approving the details of the new regulations have seen this date put back via the issuance of the draft "Omnibus II" Directive, which includes provisions to make significant amendments to Solvency II, including a series of transitional measures, with a view to considering the possibility of a "soft launch" of the new European supervisory framework. The draft, which was released on January 19, 2011, also defines the areas in which the European Insurance and Occupational Pensions Authority (EIOPA) will be able to propose technical standards aimed at enhancing convergence between controls, as well as procedures for resolving cross-border disputes between competent authorities, with a view to developing a single Europe-wide rule book.

On March 21, 2012, the European Parliament's Economic and Monetary Affairs Committee (ECON) approved a report written by Burkhard Balz on a further amendment to the draft Omnibus II Directive, which introduces a number of measures supported by the European insurance industry to tackle the problems of the volatility of companies' capital levels and the pro-cyclicality of the new regime, though according to the report the application of such measures would be subject to a series of binding conditions. Specifically, the Balz report provides for the transposition of the Solvency II Directive to be postponed from October 31, 2012 to December 31, 2012, with the implementation date being put back until January 1, 2014. Following approval by ECON, the trialogue between the European Parliament, Commission and Council began with a view to reaching an agreement to be submitted to the Parliament for approval in plenary session, which is currently expected to take place in October 2012. However, due to unforeseeable technical and procedural problems, the European Commission decided on May 16, 2012 to propose, as a matter of urgency, the approval by just the European Parliament and Council of a "targeted" directive limited to the amendment of the implementation date for the regulations (January 1, 2014), together with a single additional proposal to change the transposition date of the EU legislation to June 30, 2013, six months prior to the implementation date.

Finally, on July 10, 2012 EIOPA published a dossier containing the conclusive report on the public consultations (completed in early 2012) concerning supervisory reporting and disclosure for insurance companies and groups under the future regulatory framework, with regard to the third pillar of Solvency II, which focuses on supervisory-reporting and public-disclosure obligations. However, EIOPA has acknowledged that this dossier is likely to undergo further amendments in order to reflect the final position of the Omnibus II Directive and the level-two implementation measures, stating that it expects to be able to make the complete documentation on reporting and disclosure available by the end of 2012 and will formally publish the documentation at a later date.

Liberalisation decree

Legislative Decree 1/2012 "on competition, liberalisation and infrastructure" came into force on January 24, 2012, when it was published in Italian Official Gazette 19. The articles of the decree that directly affect insurance are as follows:

- Article 28, mortgage-linked insurance, which requires banks, credit institutions and financial intermediaries that make the issuance of a mortgage conditional on the taking out of a life insurance policy to present the customer with at least two quotes from two different insurance groups;

- Article 29, efficiency of direct compensation and compensation in kind, which states that the amount of the costs and any excesses on the basis of which compensation between companies is defined should be calculated annually according to criteria that give companies an incentive to be efficient and, in particular, to keep payout costs down and identify cases of fraud. In cases of damage to property, as an alternative to monetary compensation, companies have the option to offer compensation in kind. In this case, if the compensation is accompanied by a suitable warranty valid for at least two years for all parts not subject to normal wear and tear, the monetary compensation will be reduced by 30%;

- Article 30, suppression of fraud, which requires each insurance company authorised to carry out motor vehicle TPL insurance activities pursuant to Article 2, paragraph 3, 10) of the Italian Private Insurance Code, as per Legislative Decree 209 of September 7, 2005, to submit to ISVAP, on an annual basis, a report prepared in accordance with a model established by an ISVAP provision to be issued within three months of the date the law converting this decree comes into force. The report should contain detailed information about the number of claims for which it was decided to launch investigations in relation to fraud risk, the number of lawsuits or complaints filed with the legal authorities and the outcome of the subsequent criminal proceedings, as well as the internal organisational measures adopted or promoted to combat fraud.
  Insurance companies authorised to carry out motor vehicle TPL insurance activities pursuant to Article 2, paragraph 3, 10) of the Italian Code on Private Insurance, as per the aforementioned Legislative Decree 209 of 2005, are required to indicate in the report or in the Explanatory notes to the annual financial statements, and to publish on their websites or via another suitable form of publication, an estimate of the reduction in claims costs resulting from the identification of cases of fraud following the fraud monitoring and suppression activities they have carried out independently;

- Article 31, combating counterfeiting of motor vehicle TPL insurance certificates;

- Article 32, vehicle inspection, black box, claim history certificate, claim settlement;

- Article 34, obligation to compare motor TPL tariffs before signing a contract.

New ISVAP regulations

Regulation 40 of May 3, 2012 set forth the minimum required contents of life insurance contracts pursuant to Article 28, paragraph 1 of Decree Law 1 of January 24, 2012, which sets out urgent provisions for competition, infrastructure development and competitiveness, as converted by Law 27 of March 24, 2012. The aforementioned decree requires banks and other financial intermediaries that make the issuance of a mortgage or another form of consumer credit conditional on the taking out of a life insurance policy to present the customer with at least two quotes from two different insurance groups that are not related to the bank or financial intermediary in question (without prejudice to the customer's right to choose the most suitable life insurance policy on the market). By identifying the minimum required contents of a life insurance contract, the regulation aims to assist consumers in comparing offers and trying to find the most suitable policy.

Regulation 41 of May 15, 2012 implements Article 7, paragraph 2 of Legislative Decree 231 of November 21, 2007, which gives the supervisory authorities, by agreement amongst themselves, the power to issue provisions on the organisation, procedures and internal controls aimed at preventing the use of insurance companies and insurance brokers for money laundering or financing terrorism. The regulation sets forth specific guidelines for monitoring the risk of money laundering and financing terrorism, requiring insurance companies and brokers to equip themselves with clearly identified and sufficiently specialised resources, procedures and organisational functions.

Regulation 42 of June 18, 2012 implements Article 36 of Decree Law 201 of December 6, 2011, as converted, with amendments, by Law 214 of December 22, 2011, on the protection of competition and conflicting personal involvement in the credit and financial markets. Specifically, the aforementioned article bans holders of positions in managerial, supervisory and control bodies, and officers charged with managerial duties in companies or groups of companies active in the aforementioned markets, from holding or exercising similar offices in competing companies or groups of companies, which is understood to mean companies or groups of companies with which no relationships of control are in place and which operate in the same product and geographical markets. The regulation identifies the organisational unit, person in charge and final deadline involved in the procedure for the declaration by ISVAP of the disqualification from office, pursuant to Article 36 of Decree Law 201 of December 6, 2011, of holders of incompatible positions in managerial, supervisory and control bodies, and of officers charged with managerial duties in insurance or reinsurance companies.

Regulation 43 of July 12, 2012 concerning the implementation of the provisions on criteria for valuing debt securities issued or guaranteed by European Union member states introduced by Decree Law 216 of December 29, 2011, as converted by Law 14 of February 24, 2012, updated the previous ISVAP Regulation 28 of February 17, 2009 (on criteria for valuing assets that insurance companies do not intend to hold in the long term) and Regulation 37 of March 15, 2011 (on solvency checks). In light of the exceptional and prolonged turbulence on the financial markets, the aforementioned regulation establishes the possibility of valuing EU member state short-term securities at their latest approved value or, for securities not in the portfolio on that date, at their acquisition cost, excluding long-term losses (Article 4), and, for the purposes of solvency checks, the possibility of taking into account the value recorded in the individual financial statements of Italian insurance companies included in the scope of consolidation, using the line-by-line method or the proportional method, of EU member state long-term securities classified in the consolidated financial statements under available-for-sale financial assets (Article 10).

Natural-disaster policies

Decree Law 59/2012 introduced a reform of civil-protection provisions (published in the Official Gazette on May 17, 2012) and, with regard in particular to Article 2, "Insurance cover on a voluntary basis against the risk of damage resulting from natural disasters". A regulation will be issued by August 15 that will set forth the regulations governing this type of policy, defining its characteristics and the applicable tax incentives.

IVARP

On July 6, 2012, the Council of Ministers approved Decree Law 95 with "Urgent provisions for a review of public spending with no impact on public services", published in supplement 141/L to Official Gazette 156 of July 6, 2012. Among the numerous provisions concerning the reduction of government spending, Article 13 in particular sets out plans to shut down ISVAP and COVIP (Italy's pension fund regulator). The two entities will be merged to create IVARP, a new body that will act as a single regulator for insurance and pension activities, in full compliance with the applicable EU regulations.

The new entity will work closely with the Bank of Italy to ensure complete integration between regulatory activities in the financial, insurance and pension sectors, including through closer collaboration with banking regulators. IVARP will become operational within 120 days of the date the decree comes into force, and should allow savings equivalent to 10% of the running costs of ISVAP and COVIP. The new body will be a legal person under public law and will not be subject to control by other public or private entities.

Non-Life Insurance Sector

THE NON-LIFE INSURANCE MARKET

At the end of the first quarter of 2012, the premiums portfolio of the Motor TPL and Marine TPL Classes totalled around Euro 4.5 billion (+1% compared with the first quarter of 2011), representing 51.2% of total Non-Life Sector premiums (50.1% in the corresponding period of 2011) and 17.1% of all premiums written (14.4% in the first quarter of 2011).

Of the other Non-Life Sector, those with the highest premiums written were: Land Vehicles, accounting for 7.8% (8.3% in the first quarter of 2011), Accident, with 8.3% (8.1% a year earlier), General TPL, with 7.4% (7.7%), Health, with 6.8% (unchanged), Other Property Damage, with 6.2% (6% in 2011), and Fire and Other Natural Events, with 5.5% (5.6%).

The analysis by distribution channel continues to highlight the large proportion of premiums written through brokerage agencies, amounting to 81.5% of the total Non-Life portfolio (81.9% in the corresponding period of 2011) and 87.5% of the Motor TPL portfolio (against 88.7% a year earlier).

ANIA (the Italian association of insurance companies) estimates that total premiums written will decrease for the second consecutive year in 2012. As was the case in 2011, the decline will be concentrated mainly in the Life sector (which underwent a sharp increase in 2009-2010), with a negative impact on the value of total premiums written, which is expected to stand at Euro 106.6 billion (-3.3% compared with December 31, 2011).

With regard to the Non-Life sector, the premiums written in 2012 (which are expected to total Euro 36.4 billion) should remain unchanged from 2011, since a slight increase in estimated premiums for the Motor TPL and Marine TPL Classes (+1.0%) will be offset by a fall of -0.9% across all other classes. More specifically, following a sharp fall in new-car sales (estimated at an average of 18% for 2012), the Land Vehicles Class is likely to suffer the steepest decline in 2012 (-4.0%), while premiums from Property (Fire and Other Property Damage), Accident, Health and General TPL are not expected to undergo significant changes.

OPERATIONAL PERFORMANCE

As previously mentioned, the result for the sector is a profit before taxes of Euro 80 million, compared with a loss of Euro 91 million in the first half of 2011.

It should be pointed out that the Group achieved an underwriting profit and, consequently, the combined ratio was once again below 100, representing a slight improvement on the budget forecasts. More specifically, the underwriting profit totalled more than Euro 62 million, compared with an underwriting loss of Euro 81 million as at June 2011.

This is the result of a reduction in the number of claims, affected by the earthquake in Emilia-Romagna and in part by the impact of the bankruptcy of Imco-Sinergia on the Group's exposure in the Financial Guarantees Class in relation to surety policies issued.

Ordinary operations continued to yield positive results, with a steep downward trend in claims in the Motor TPL Class, a drop in claim frequency, and the claims reserve from previous years being kept at sufficient levels, though this relates to an observation period in which the inventory-taking procedures of the settlement network were not yet fully in force. The average cost of claims made in the current period fell thanks to a lower proportion of physical-injury claims.
With regard to the other Non-Life Sector, Land Vehicles continued to perform well, while in the Non-Motor Classes, claims costs for Fire and Other Natural Events cover were affected by the adverse weather conditions in February and the effects of the Emilia-Romagna earthquake, which increased the cost of accepted claims.
The Group's financial management also yielded positive results. With impairments on financial instruments more or less in line with those recorded in the previous six-month period, financial management generated greater gains and an increased income flow.

Premiums

The Fondiaria-SAI Group recorded premiums of Euro 3,402.9 million in the first half of 2012, down by 6.94% year on year.
Direct premiums totalled Euro 3,401.4 million (-6.94%).
The breakdown of premiums by Class is as follows:

(in Euro thousands)	H1 2012	H1 2011	% change	% distribution 30/06/12	% distribution 30/06/11
Accident and Health	292,574	327,675	(10.71)	8.6	9.0
Marine, Aviation and Transport	70,776	82,373	(14.08)	2.1	2.3
Fire and Other Property Damage	388,400	405,361	(4.18)	11.4	11.1
General TPL	235,970	253,227	(6.81)	6.9	6.9
Credit insurance and Financial Guarantees	44,969	47,048	(4.42)	1.3	1.3
General Pecuniary Losses	26,432	32,800	(19.41)	0.8	0.9
Legal Expenses	8,780	9,705	(9.53)	0.3	0.3
Assistance	36,938	29,182	26.58	1.1	0.8
TOTAL NON-MOTOR CLASSES	**1,104,839**	**1,187,371**	**(6.95)**	**32.5**	**32.6**
Motor Vehicle TPL	1,989,428	2,119,847	(6.15)	58.5	57.9
Land Vehicles	307,123	347,784	(11.69)	9.0	9.5
TOTAL MOTOR CLASSES	**2,296,551**	**2,467,631**	**(6.93)**	**67.5**	**67.4**
TOTAL DIRECT PREMIUMS	**3,401,390**	**3,655,002**	**(6.94)**	**100.0**	**100.0**
INDIRECT PREMIUMS	**1,490**	**1,487**	**0.20**	**-**	**-**
TOTAL NON-LIFE SECTOR	**3,402,880**	**3,656,489**	**(6.94)**	**100.0**	**100.0**

Premiums ceded amounted to Euro 147 million (against Euro 144 million at June 30, 2011).

The reduction of around 6.2% in direct premiums from the **Motor Vehicle TPL** Class reflects, in a context of lower revenues from tariffs, a stricter implementation of policies to clean up the multi-claims portfolio and the ongoing effects of the various "Bersani" laws, which have considerably reduced the discriminatory power of the no-claims bonus system, both because new policies are subject to low-risk categories assigned on a family basis, and because the no-claims status is infringed only in cases of principal liability.

The situation also continues to be severely affected by a sustained decline in new-car registrations, which plunged by 19.7% in Italy in the first six months of 2012, and by 24.4% in June alone (2011 saw a fall of 10.8%, with a reduction of 15.3% in December alone). Domestic household demand is being squeezed by increases in almost all car-related costs, but particularly fuel and road tolls, as well as direct taxes such as road tax and provincial vehicle registration tax.

The slight decline in premiums written is partly due to the effect of the Motor TPL tariff (for the Milano, Previdente, Italia and Nuova MAA divisions and for the Parent Company, Fondiaria-SAI) in force as of September 2011, in addition to the more or less neutral effect, for a single monthly instalment, of the Motor TPL tariff in effect from March 2012. Both tariffs aim to boost profit levels whilst strengthening the portfolio with a view to reducing tariff mutuality, taking into account both regulatory changes (the Bersani and direct-compensation laws) and competitive dynamics, focusing the analysis on customer risk and on customers' ever-increasing or decreasing profitability.
Specifically, the two tariffs are intended to considerably improve the Group's tariff competitiveness and the quality and structure of its portfolio by means of increased selectivity throughout the country.

With a view to making its Motor TPL tariff structure more competitive and less mutualistic, the Group is stepping up its efforts to review its technical and commercial policies on contracts in an attempt to reduce the proportion of the contracted portfolio, whilst also seeking to redistribute agency discounts.

It is also focusing more strongly on its review of technical and commercial policies on vehicle fleets, paying close attention to boosting the profitability of the Motor TPL and Land Vehicles Classes, which is monitored on a monthly basis for all the main businesses.

Premiums written in the **Land Vehicles** Class fell once again (-11.7%) due to the ongoing economic crisis, which continues to have a negative impact on land vehicle warranty penetration, as well as the reduced contribution of agreements with carmakers and the sustained decline in new-car registrations.
The reduction was also due partly to the specific sales policies of carmakers, which continue to offer insurance packages with warranties covering such aspects as fire, theft and assistance included in the purchase price of the car. The Group's policy of cleaning up its multi-claim portfolio also affected Land Vehicle premiums.

With regard to the **Non-motor Classes**, premiums were down slightly in the Retail sector (though the premiums of subsidiary Milano fell to a lesser extent) and more so in the Corporate sector, where withdrawal measures are continuing in the Health and Public Bodies sectors.

<u>Fire and Other Natural Events</u>
The first half of the year saw a significant increase in claims costs as a direct consequence of the increase in natural-disaster claims (greater than Euro 100,000) following the occurrence of two important events. The first is the damage caused in February by the heavy snow in the Adriatic region, which was covered under the excess-snowfall insurance stipulated in both Retail and Corporate sector contracts, while the second, which had a particularly large impact in terms of claims costs, was the earthquake that struck Emilia-Romagna and the surrounding regions.

Following the earthquake, underwriting for new risks was initially suspended and new, more restrictive procedures were therefore defined with a view to identifying a solution involving a new computerised system to cover natural-disaster risks.
With regard to new risks concerning Public Bodies, in addition to the intensification of the measures adopted for the private sector, in the short term, a ban was introduced on participation in calls for tenders or negotiations where natural-disaster cover is provided for.

Efforts continued to scale back the Corporate products catalogue in relation to the adjustments provided for by ISVAP Regulation 35, while a specific control measure was introduced to check that issues comply with the applicable provisions.

General TPL

In the first half of the year, premiums fell by -6.8% to around Euro 236 million, with a more marked decline for the broker channel, due largely to the restructuring and reform activities undertaken in recent years and further developed this year.

The first half saw the publication of the new Corporate product for construction companies, which involves a tariff increase, taking into account the critical nature of this sector in the past, as well as a specific measure to restructure the negatively performing portfolio.
A specific reform measure was also implemented in relation to TPL coverage in the private health sector, which was almost completed in the first half, through the use of reform/cancellation measures defined on a case-by-case basis.

Monitoring activities were also continued for contracts in the Public Bodies sector in the first half of 2012, particularly with regard to the monthly technical-performance check, involving close observation of correct contract execution with regard to all components and, where necessary, regular meetings with the Claims Department.

The activities assigned to the unit set up in 2011 also continued in 2012, involving excess recovery for the Public Bodies and Large Risks sectors, and the first half of the year saw a series of activities aimed at enhancing monitoring in this area, given the increasing economic significance of the ever larger amounts of the excesses.
The economic importance of these measures, which is recorded under the item "EX claims coverage", should contribute significantly to the recovery of profitability for this sector.

Finally, efforts continued to scale back the Corporate products catalogue in relation to the adjustments provided for by ISVAP Regulation 35, while a specific control measure was introduced to check that issues comply with the applicable provisions.

Accident

With premiums collected in the first half falling by -10.7% to Euro 292.6 million, the class's performance was in line with that of the previous year.

For the Corporate sector, the initiatives aimed at boosting profitability for all divisions, based on the provisions defined in the "Plan", include a series of measures under way involving all negatively performing contracts, both for the Public Bodies sector and for other types of risk.
The withdrawal from health sector contracts for Public Bodies was completed.

Efforts continued to scale back the Corporate products catalogue in relation to the adjustments provided for by ISVAP Regulation 35, while a specific control measure was introduced to check that issues comply with the applicable provisions.

Claims made and settled

Gross claims settled, including indirect premiums, totalled Euro 2,807 million, broadly in line with the first half of 2011 (Euro 2,821 million).

The breakdown by class of claims made and settled in relation to Italian direct premiums, including expenses directly attributable to the claim and all expenses indirectly related to the functioning of the claim settlement unit, is as follows:

	Claims settled (*) (in Euro thousands)			Claims made (*) (number)		
	H1 2012	**H1 2011**	**% change**	**H1 2012**	**H1 2011**	**% change**
Accident	108,584	109,565	(0.90)	37,931	44,543	(14.84)
Health	84,427	96,508	(12.52)	152,175	137,878	10.37
Railway	-	1	(100.00)	1	-	-
Aviation	1,172	292	301.37	78	20	290.00
Marine	6,649	7,241	(8.18)	221	291	(24.05)
Carried Goods	3,036	5,508	(44.88)	1,143	980	16.63
Fire and Other Natural Events	115,193	110,783	3.98	32,155	29,466	9.13
Other Property Damage	135,848	130,853	3.82	78,905	76,180	3.58
Aviation TPL	418	1,059	(60.53)	34	8	325.00
Marine TPL	2,128	2,915	(27.00)	152	135	12.59
General TPL	227,400	195,929	16.06	46,643	54,475	(14.38)
Credit insurance	394	283	39.22	-	4	(100.00)
Financial Guarantees	31,368	24,177	29.74	1,250	975	28.21
Pecuniary Losses	5,095	3,450	47.68	954	1,624	(41.26)
Legal Expenses	1,185	1,235	(4.05)	836	807	3.59
Assistance	11,270	9,815	14.82	59,474	56,022	6.16
TOTAL NON-MOTOR CLASSES	**734,167**	**699,615**	**4.94**	**411,952**	**403,408**	**2.12**
Motor TPL	1,750,084	1,760,686	(0.60)	326,231	399,769	(18.40)
Land Vehicles	185,963	212,762	(12.60)	125,139	157,988	(20.79)
TOTAL MOTOR CLASSES	**1,936,047**	**1,973,448**	**(1.90)**	**451,370**	**557,757**	**(19.07)**
TOTAL NON-LIFE SECTOR	**2,670,214**	**2,673,063**	**(0.11)**	**863,322**	**961,165**	**(10.18)**

(*) the table does not include the figures for DDOR Novi Sad

As regards the Motor TPL Classes, the claims settled also include the expense incurred for the management of the claims as “Manager” (non-fault claims) under the new direct-compensation system, net of sums recovered as a flat rate from the CONSAP clearing house.
The Motor TPL claims made listed in the table refer to events in which our policyholder is liable.
The number of Motor TPL claims made managed by the Group totals 313,785 (-18.8%).

Total technical provisions, gross of reinsurance, amount to Euro 12,328 million, compared with Euro 12,610 million at 31/12/2011.
Operating expenses were equivalent to 21.9% of premiums, against 22.5% at 30/06/2011.

The table below shoes the main technical indicators for the first half of 2012 and of 2011.

Figures expressed in %	**30/06/2012**	**30/06/11**
Loss ratio	71.7	75.3
Expense ratio	21.9	22.5
Combined operating ratio	**93.6**	**97.8**
OTI ratio (*)	4.5	4.1
Combined ratio	**98.1**	**101.9**

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

In the **Motor TPL** Class, there were encouraging signs from the sharp fall in claims made (18.40%), thanks to both a general positive trend on the market and the measures begun in 2010 to clean up critical portfolios, as well as the constant monitoring of claims carried out by the Group's dedicated anti-fraud unit.
With regard to claims made in previous periods, the claims trend shows that the initial reserve was kept at sufficient levels to cover settlements.

The **Land Vehicles** Class again saw claims made in the current year fall considerably (by 12.60% in terms of number and by 20.79% in terms of value), offsetting the decline in premiums caused largely by the general macroeconomic situation and the fall in new-car registrations.

In the **Other Non-Life Classes**, the Retail sector showed a reduction in the cost of accepted claims, in contrast to the negative trend in the Corporate sector, for the reasons described above. Overall, the value of claims settled was up by 4.94% compared with 30/06/2011, while the number of claims made was up by 2.12%.

Below is a brief overview of the results of the **Parent Company, Fondiaria-SAI**.

In the **Motor TPL Class**, premiums written totalled approximately Euro 1,086 million (around -4.1%). The number of claims made in the period was 180,064 (-16.1%), while the number of claims settled was 172,589 (-16%).
The claims-to-premiums ratio, net of costs relating to the Guarantee Fund for Road Accident Victims, was 66.1% for the current half-year and 67% overall.

The speed of settlement of current-period managed claims (NO CARD claims [claims that do not fall under the scope of application of the CARD - *convenzione tra assicuratori per il risarcimento diretto*, or direct-compensation agreement between insurers] and CARD Manager claims) was around 66% for claims in the first six months of the year and 50.2% for previous years. For fault claims, the settlement speed was 59.8% for the current half-year and 49.7% for previous years.
At June 30, 2012, the number of accepted claims (including the number of late claims) received from our policyholders under the new compensation regime (the "CARD Manager" system) is 117,456, of which 83,866 have already been paid in full.
The number of accepted claims received from the CONSAP clearing house set up for this purpose in relation to claims for which our policyholders are fully or partly liable ("CARD Payer" claims) is 115,637, of which 72,025 have resulted in full payment of the compensation and 43,612 have been recorded under the reserve.
As at June 30, 2012, debits of Euro 244 million have been transferred from the clearing house. Credits transferred amount to Euro 217 million.

Premiums collected in the **Land Vehicles Class** totalled Euro 177.6 million (-10.5%). There was a sharp fall in the number of claims made (around -20%) and claims settled (-18.7%). The cost of accepted claims also decreased, by 23.9%.

In the **Non-Motor Classes**, Italian direct premiums written amounted to Euro 577.6 million, down by 5.4% compared with the first half of 2011. There was an increase in both the number of claims made (+8%) and the number of claims settled (around +1%). The cost of accepted claims was also up, rising 7.8%.

The performance of the Group's main subsidiaries in the first half of 2012 is summarised in the following table:

(in Euro thousands)	PREMIUMS WRITTEN	% CHANGE	INVESTMENTS	GROSS TECHNICAL PROVISIONS	PROFIT/(LOSS)
NON-LIFE INSURANCE SECTOR					
INCONTRA ASSICURAZIONI S.p.A.	23,066	(36.07)	92,411	113,610	451
DDOR NOVI SAD ADO	38,349	(26.62)	31,012	72,283	138
DIALOGO ASSICURAZIONI S.p.A.	15,270	(29.68)	41,183	48,787	(3,135)
EUROPA TUTELA GIUDIZIARIA	739	(19.43)	11,280	6,160	(32)
LIGURIA ASS.NI S.p.A.	114,349	(13.52)	332,974	363,277	(4,979)
MILANO ASS.NI S.p.A.(*)	1,438,820	(7.70)	4,048,018	5,372,954	(10,809)
PRONTO ASSISTANCE S.p.A.	25,777	29.96	16,083	1,025	1,317
SIAT S.p.A.	75,636	(9.25)	99,711	302,092	898
THE LAWRENCE RE IRELAND Ltd.	59,590	(2.01)	273,180	338,098	4,699

(*) Consolidated figures for the Non-Life sector

Some of the key components of the main Group companies' first-half results are detailed below. The figures were prepared in accordance with IAS/IFRS.

- DDOR NOVI SAD ADO

Subsidiary DDOR Novi Sad ADO recorded a profit of RSD 6 million in the first half of 2012. Its results for the period are as follows:

- gross premiums fell by 13.9% (against a decline of around 7.6% in the first half of 2011), due mainly to the economic crisis and the portfolio protection policy adopted by the company, particularly with regard to its qualitative selection in underwriting policies and the financial situation of its underwriting customers;
- seasonal effects had an impact on the premiums reserve, which is calculated automatically on a pro rata temporis basis and increased by around RSD 147 million, (RSD 577 million at 30/06/2011). At the same time, considering that loans to policyholders for delays in collecting premiums are traditionally stipulated and/or renewed during the first half, compulsory provisions for impairment tests totalled RSD 211 million;
- claims settled in relation to direct premiums grew by 1.2% compared with the corresponding period of 2011; the increase was due mainly to the partial settlement of a claim in the Fire Class, which occurred in 2011, while there were sharp falls for the Other Property Damage (-13.9%) and Motor TPL (-14.8%) Classes;
- the claims provisions increased.

- DIALOGO ASSICURAZIONI S.p.A.

Premiums written by Dialogo Assicurazioni via the telephone and online channels totalled Euro 15.3 million in the first six months of 2012, down by 29.7% compared with the first half of 2011, due partly to a reduction in advertising investment.
While claims made in the period fell by 23.2% year on year, the company's technical result was again negative (though it represented an improvement on the previous year's figure), due partly to an increase in the average cost of claims accepted. The trend in settlement of claims from previous years confirmed that the reserve recorded in the 2011 financial statements remained sufficient.
The company made a loss of Euro 3.1 million (against a loss of Euro 4.8 million at 30/06/2011).

- LIGURIA SOCIETÀ DI ASSICURAZIONE S.p.A.

The company's direct premiums in the first half of 2012 totalled Euro 114 million (down by 13.6% compared with the Euro 132 million recorded in the first half of 2011), with a net loss for the period of around Euro 5 million (compared with a loss of Euro 5.4 million at 30/06/2011).

- MILANO ASSICURAZIONI S.p.A.

The first half closed with a Group net profit of Euro 3.1 million (against a loss of Euro 58.7 million at June 30, 2011). The 2012 result was affected by the bankruptcy of Imco and Sinergia, with which Milano Assicurazioni had real-estate transactions in place, which resulted in charges totalling Euro 61.6 million.

The main components of the company's results can be summarised as follows:

- in the Non-Life sector, the company recorded a profit before taxes of Euro 8.1 million (compared with a loss of around Euro 61 million in the first half of 2011).
  This improvement was due to both net investment income, which rose from Euro 7.9 million in the first half of 2011 to Euro 74.9 million, and technical management, which generated a combined ratio of 99.1%, against 102.4% a year earlier. The 2012 result is even more significant in light of the fact that the sector had to bear the effects of the bankruptcy of Imco and Sinergia, which resulted in losses on receivables of Euro 61.6 million in relation to real-estate transactions in place with the aforementioned companies or their subsidiaries, originally classified under investment property.
  As regards the technical result, in the Motor TPL Class, the measures taken to boost profitability and the more favourable market context confirmed and enhanced the signs of improvement in ordinary operations that began to appear in 2011 and in the first quarter of 2012: claims made were down by 20.1%, claims frequency fell considerably and the underwriting result swung to profit;
- in the real-estate sector, the company suffered a loss of Euro 4.9 million (against a loss of Euro 0.7 million in the first half of 2011), due essentially to the assets of Immobiliare Milano S.r.l., whose ordinary income does not currently cover in full its maintenance costs and amortisation and depreciation;
- asset and financial management generated total net gains of Euro 143.9 million, a significant increase on the Euro 79 million recorded at June 30, 2011;
- Operating expenses in the Non-Life insurance sector totalled Euro 292.4 million (against Euro 313.1 million at 30/06/2011), representing 20.5% of net premiums (compared with 20.7% a year earlier).

- SIAT – SOCIETÀ ITALIANA ASSICURAZIONI E RIASSICURAZIONI S.P.A.

Premiums written totalled around Euro 75.6 million in the first six months of 2012, down by approximately 9.2% compared with the first half of 2011 (Euro 83.3 million at 30/06/2011), with a profit for the period of Euro 0.9 million (up from Euro 0.2 million at 30/06/2011).

The decline in premiums was due mainly to the Vehicles sector and was attributable largely to the timing difference in accounting for the premiums written in relation to a major deal to insure the Ofer fleet, carried out via the company's German business unit, and to the failure to renew a number of overseas contracts that were not considered technically profitable.

In the Vehicles sector, the international market continued to be characterised by excess underwriting capacity as a result of the abundant liquidity in the system.
However, after the end of 2011 was characterised by slightly low premium rates, the serious accidents suffered by Costa's Concordia and Allegra ships in early 2012 in particular prompted companies to take a tougher stance with regard to reducing quotes.

The positive fleet replacement trend continued, boosted by the ongoing economic crisis, which means that shipbuilders have excess inventories.
With the exception of those mentioned above, the number of large claims at market level was relatively low.

No significant changes were recorded in the Goods sector.
Risk underwriting continued to be characterised by almost no changes in the economic and business situation in Italy.

- THE LAWRENCE RE IRELAND LIMITED

For 2012, the company continued to operate as reinsurer for the Fondiaria-SAI Group.
The company performs the analytical valuation of the portfolio of the individual companies of the Group, in order to establish, and consequently provide, the necessary reinsurance cover to support specific positions. On this basis, the company ensures uniform portfolio commitments, with particular attention to the cases of intragroup co-insurance, and obtains the necessary reinsurance protection on the international market. Before defining the size of this protection, the company also verified specific further retentions at Group level.

The company's profit for the first half of the year amounted to Euro 4.9 million (up from Euro 3.1 million in the corresponding period of 2011). This increase was the result of a strategic positioning aimed at reducing business performance risks. The company continued to adopt a prudent investment policy.

The premiums accepted for the first half year of 2012 amounted to Euro 65.5 million (of which Euro 5.9 million in the Life sector). The premiums ceded to the market amounted to Euro 52.8 million (of which Euro 0.8 million related to the Life sector). The values are substantially unchanged from the first half of 2011, reflecting the unchanged insurance plan of the Group.

The Company also continues to perform the run-off activity of the Group companies which avail of this service. In relation to the active reinsurance accepted by the various companies in previous years, the objective of the Company is to conclude settlement agreements which permit the reduction of the administrative charge, without affecting the profit margin. The Company ceded part of this business, which reported a balanced result.

New products launched on the market

The main initiatives developed during the first half of 2012 for both Fondiaria-SAI and Milano Assicurazioni are described below.

On April 1, two new packages, named *Flat* and *Flat+*, were introduced, offering Fire/Theft cover for cars for up to Euro 70,000 of insured capital. The offer involves an innovative tariff with pre-determined premiums, broken down by amount of insured capital, vehicle age and region/province. The *Flat+* package differs from the *Flat* in that it combines Fire/Theft cover with additional “Compact” pecuniary loss cover and legal expenses. The offer is designed to attract new customers and to build a more solid, profitable relationship with existing customers who:

- have only motor TPL cover;
- have cancelled their Fire/Theft cover in recent years;
- own a mid-/low-value car;
- intend to change vehicles and take out a new policy.

The new *Retail* products launched are described below. The Group also continued to scale back its product catalogue and monitor technically critical areas. The most important initiatives implemented are as follows:

- **Overhaul of home insurance policies in 2012.** The Group is continuing to restructure its home insurance portfolio in relation to off-catalogue products with a view to encouraging people, by offering promotional guarantees and discounts, to take out its *Retail Più Casa Classic* product, which is currently on the market;
- **Overhaul of accident policies in 2012.** The Group is continuing to restructure the older policies in its portfolio, which involve regulatory/tariff conditions that are no longer in line with current practice; it has promoted its *Retail Più Infortuni Classic* catalogue product by offering special discounts, as well as creating dedicated supplements to update its old, no-excess policies;
- **Withdrawal of professional TPL policies in 2012.** The Group is withdrawing its obsolete professional TPL portfolio (policies taken out prior to January 1, 2005) by writing to customers advising them that their policies will not be renewed upon maturity. Customers will have the option to take out similar insurance via the *Partner RC Professionista* catalogue product. The withdrawal of the old policies will continue for the rest of the year;
- **Launch of a new leased-commercial-property product.** The *Retail Più Fabbricati* policy was launched on June 1, offering insurance for properties leased to third parties for commercial and/or industrial use against risks relating to “fire and other material damage” and “third-party liability”;
- **Launch of new product providing personal-life TPL cover.** On June 1, the Group launched its *Difesa per RC Vita Privata* product, which covers third-party liability for events pertaining to personal life, family life and relationships. It is a pre-packaged offer with an extremely low fixed premium, aimed at individuals who are interested in entry-level insurance cover and are not looking to spend large amounts;

- **Launch of new serious-accidents policy.** June 1 saw the launch of the *Difesa per Grandi Infortuni* product, which covers cases of Death and Permanent Disability of over 15%, and is aimed at customers who currently have no accident cover and are not able to spend large amounts. The policy offers a high level of cover (Euro 200,000 of insured capital for Permanent Disability) for serious accidents that could threaten the policyholder's earning capacity;
- **Launch of high-value accident policy.** This policy offers accident cover to customers looking to spend large amounts and is based on the aspects not covered by social-security entities and public welfare agencies.

Life Insurance Sector

THE LIFE INSURANCE MARKET

In the first quarter of 2012, the premiums written in the Life sector for Class I (life insurance), recorded a decrease of 22.8% on the same period of 2011 (premiums of approximately Euro 13 billion). Class III (unit-linked and index-linked insurance), with around Euro 3.1 billion of premiums written, contracted 12.8% on the first three months of 2011. Class V premiums (investment contracts) fell by -25.3% to around Euro 0.7 billion. These Classes account for 75.5%, 17.8% and 4% respectively of total Life premiums (77.4%, 16.2% and 4.2% in the same period of 2011).

In relation to the remaining Classes, Class VI (pension funds) premiums of Euro 0.43 billion account for 2.5% of Life premiums (2% in the first quarter of 2011).

The total assets managed by pension funds increased by 19.2% compared with March 31, 2011 to approximately Euro 10.9 billion. At March 31, 2012 the total assets managed by pension funds broke down as follows: open-ended pension funds (Euro 4.2 billion), contractual pension funds with guarantees (Euro 3.8 billion), contractual pension funds without guarantees not included in Class VI (Euro 2.9 billion).

Premiums written through banks and post offices accounted for 50.5% of the Life portfolio (61.5% a year earlier). These were followed by financial promoters (23.3% compared to 16.3% in the first three months of 2011), mandated agencies (14.5% versus 12.6%), in-house agencies (10.2% compared to 8.4%), brokers (1.2% compared to 1%) and the other forms of direct sales (0.3%, unchanged from the first quarter of 2011).

New premiums written for the entire first quarter of 2012 stood at approximately Euro 11.3 billion, a reduction of 21% compared with the first quarter of 2011.

ANIA, the Italian association of insurance companies, estimated that total premiums written would decrease in 2012, for the second year in succession. As was already the case in 2011, the fall will be mainly concentrated in the Life sector (which grew significantly in 2009 and 2010), with a negative impact on total premiums written, which are expected to stand at Euro 106.6 billion (-3.3% compared with December 31, 2011). Premiums written in the Life sector should get close to Euro 70 billion (the fall will decrease to -5% after the -18% drop recorded in 2011). More specifically, for Class I products it is estimated that premiums written will fall by approximately 6.5% to Euro 53 billion (Euro 56.7 billion in 2011). With regard to Class III premiums, on the other hand, a slight growth of 2.0% over 2011 is expected, pushing the total amount up to Euro 12.7 billion. Other classes are expected to decline by -4.5% compared with the previous year, with premium volumes coming in at Euro 4.5 billion (Euro 4.7 billion in 2011).

Operational performance

The profit before taxes for the sector is Euro 44 million (Euro 74 million at June 30, 2011). The first six months indicate a sharp slowdown in premiums written, including in terms of new business following the fall in single premiums. This is a result of the difficult financial climate and the negative impact of the downgrading of the Group's credit rating.
The increasing trend in payment flows continues both for redemptions and for maturing policies and claims, where the significant amounts are in line with forecasts and, in relation to the last part of the half-year, going slightly against the trend.
This has not, however, caused any shortage in liquidity or concerns about future returns for the sector; the outflow has been financed by various types of equity capital, as well as by the cash from new business.
Alongside the performance of the sector are trading operations, which have generated net capital gains of Euro 29 million (Euro 40 million at June 30, 2011). It should also be noted that the performance of the Life sector is affected by value adjustments of around Euro 24 million to available-for-sale financial instruments (Euro 44 million at June 30, 2011).
Lastly, not passing on losses suffered on Greek government bonds to Life policyholders had a negative effect on the income statement of the sector. This is a result of the known restructuring, which, following instructions from the supervisory authority, required the Group to keep Life policyholders immune from these losses.

Premiums

Direct premiums for the first half of 2012 reached a total value of Euro 1.591 billion, a decrease of 37.9%.
The table below shows the breakdown by Class and a comparison with the previous half-year:

(in Euro thousands)	**H1 2012**	**H1 2011**	**% change**
DIRECT PREMIUMS			
I – Life insurance	1,157,214	737,640	56.88
III – Unit-linked and index-linked insurance	299,013	1,656,586	(81.95)
IV – Health insurance	267	201	32.84
V – Investment contracts	134,100	165,492	(18.97)
TOTAL DIRECT PREMIUMS	**1,590,594**	**2,559,919**	**(37.87)**
INDIRECT PREMIUMS	**281**	**358**	**(21.51)**
TOTAL LIFE SECTOR	**1,590,875**	**2,560,277**	**(37.86)**

There was a sharp fall of more than -48% in premiums in the bancassurance channel, while the traditional channel, similar to what was seen previously for redemptions, shows some modest signs of recovery.

Premiums written through banks stand at Euro 959 million and represent 60% of total direct premiums written (72% at June 30, 2011).

Total premiums in the sector also include Euro 23 million (Euro 27 million at June 30, 2011) pertaining to investment contracts that are not covered by IFRS 4 and do not therefore appear among premiums written; they are instead recorded as financial liabilities, using the deposit-accounting method.

Premiums ceded amounted to Euro 5 million (Euro 11 million in the first half of 2011).
Charges relating to claims, net of reinsurance, amounted to Euro 2,051 million (Euro 2,715 million in the first half of 2011).

The breakdowns by Class and type for direct-premium Life payments are given below:

(in Euro millions)	**Claims**	**Redemptions**	**Maturity**	**Total at 30/06/2012**	**Total at 30/06/2011**
I – Life insurance	43.7	771.7	353.9	1,169.3	1,402.8
III – Unit-linked and index-linked insurance	21.7	1,695.8	97.9	1,815.4	501.1
IV – Health insurance	-	-	-	-	-
V – Investment contracts pursuant to Article 40 of Legislative Decree 174 of 17/3/95	0.3	398.8	96.8	495.9	184.5
Total	**65.7**	**2,866.3**	**548.6**	**3,480.6**	**2,088.4**

Operating expenses increased as a percentage of premiums (5.8% at June 30, 2012 compared with 4.7% at June 30, 2011), connected with the decrease in policies written in the bancassurance channel, where operating expenses are traditionally small.

Gross technical provisions stand at Euro 21,207 million, recording a decrease of Euro 1,290 million compared with the end of the previous year. This change is mainly due to the reserves where the investment risk is borne by the policyholders, where premiums written were down on the previous year.

New premiums written, in terms of annual premium equivalent, or APE, are calculated based on the sum of the new business annual premiums and 10% of the single premiums. For the Fondiaria-SAI Group, this is calculated both under IAS/IFRS, i.e. excluding the contracts processed under the deposit-accounting method, and under Italian rules, i.e. taking into consideration all new business in the sector, including investment contracts not covered by IFRS 4. The results of the above-mentioned valuations are reported below.

(in Euro millions)	**30/06/2012**	**30/06/2011**	**% change**
IAS/IFRS criteria	**137,528**	**239,360**	**(42.54)**
Traditional companies	45,266	60,315	(24.95)
Bancassurance	92,262	179,045	(48.47)
Italian criteria	**138,375**	**241,058**	**(42.60)**
Traditional companies	46,060	61,917	(25.61)
Bancassurance	92,315	179,141	(48.47)

In the first six months of 2012, Individual Life premiums written by distribution networks focused on products related to Segregated Funds, because they feature a guaranteed minimum return and protection of the investment, and on the new pure-capitalisation product, VALORE CERTO, in which customers showed a considerable amount of interest. The product was distributed as part of two sales campaigns, one in March and April and the other in June.

Analysing the distribution trend of products related to Segregated Funds:

- for products with a single premium there was a considerable drop in new business compared with the same period of the previous year;
- the situation was the same for the products with recurring premiums, OPEN GOLD and OPEN RISPARMIO
- for products with a constant annual premium, there was a substantial decrease with the sole exception of the Mixed sector, where the introduction of the new OPEN FULL product midway through March caused a significant increase in both the number of policies and volumes.

As far as the OPEN DINAMICO Multi-class product is concerned, new business was somewhat lower than the trend of the previous year. Moreover, a comparison with the first half of the previous year is not possible because the product was launched in April 2011.

The DEDICATA policy (Temporary Life Insurance) shows a slight decrease in new premiums written.

The supplementary-pension sector, implemented through Individual Pension Plans, saw a considerable increase in volumes in the first half of the year, thanks, in particular, to transfers from other companies.

During the first half of 2012, which was still affected by the unfavourable economic situation, the group insurance sector showed an overall decrease in premiums written, which was reflected in every specific sector as indicated below.

Difficulties for businesses in accessing credit continues to have an effect on capitalisation products for corporate liquidity management, which suffered a serious decrease in premium volumes and an increase in anticipated disinvestments compared with the previous year.

The supplementary-pension sector suffered from the continued unemployment crisis, with inevitable repercussions on revenues and the number of applications.
The Company’s “existing” pension funds and open-ended pension funds both suffered lower contributions compared with the previous year.

The macroeconomic climate, which was still unfavourable, had repercussions on products related to provisions for severance indemnities (TFR and TFM – types of severance payments) which, compared with the previous year, showed a reduction in sales.

The sector covering risks resulting from collective bargaining, featuring a favourable technical performance, displayed a fall in distribution terms and a decrease in revenues compared with the first six months of the previous year.

Performance in the first half of 2012 for subsidiaries is summarised in the table below:

(in Euro thousands)	PREMIUMS WRITTEN	% CHANGE	INVESTMENTS	GROSS TECHNICAL PROVISIONS	RESULT
LIFE INSURANCE SECTOR					
BIM VITA S.p.A.	42,136	(66.13)	425,743	361,694	205
DDOR NOVI SAD ADO	2,511	(6.27)	12,682	15,448	(85)
LIGURIA VITA S.p.A.	10,372	14.27	116,441	115,186	(214)
MILANO ASS.NI S.p.A. (*)	201,392	3.54	3,617,327	3,333,031	19,056
POPOLARE VITA S.p.A.	659,517	n/a	7,067,505	6,671,585	24,314
THE LAWRENCE LIFE ASS. CO. Ltd.	257,477	(83.41)	3,369,725	3,359,776	7,404
THE LAWRENCE RE IRELAND Ltd.	5,933	-	14,769	8,092	167

(*) Consolidated data for the Life sector.

As far as the major Group companies are concerned, please be aware that some of the core operating elements of the first half of the current year have been determined in accordance with IAS/IFRS.

- BIM VITA S.p.A.

Premiums written at June 30, 2012 stand at Euro 42.1 million (Euro 124.4 million at June 30, 2011):
The sale of "existing" products continues, specifically unit-linked Freefinance policies with external funds on the Banca Ipibi network and the Freefunds product on the Banca Intermobiliare network, Segregated Funds policies and the open-ended pension fund.
July and August will see the placement of a new pure-capitalisation product with a guaranteed income.

The sales networks which are the most involved are Banca IPIBI (Intra Private Bank) and BIM (Banca Intermobiliare).

- MILANO ASSICURAZIONI S.p.A.

This sector recorded a profit before taxes of Euro 26.1 million, an increase compared with September 1, 2011 (profit before taxes of Euro 18.4 million). The improvement stems mainly from the wider gap between overall income and the share attributable to policyholders, taking into account that the first half of 2011 was temporarily affected by the negative impact of deferred liabilities to policyholders.

At June 30, 2012 premiums written stood at Euro 201.4 million, an increase of approximately 3.5% compared with the first half of 2011. Class I products performed particularly well, owing mainly to a significant increase in single premiums. Two fixed-yield pure-capitalisation products were launched in this sector, and they proved extremely popular with customers. Fewer premiums were written, however, for annual- and recurring-premium savings products, featuring longer terms. In the current highly volatile macroeconomic climate, customers prefer more affordable short-term products offering guaranteed returns.

Premiums ceded to reinsurers stand at Euro 5.2 million (Euro 5.6 million at June 30, 2011) and represent 2.6% of gross premiums (2.9% at June 30, 2011); the reinsurance structure remains unchanged compared with the previous year.

Operating expenses are approximately Euro 14.4 million (Euro 15.1 million at June 30, 2011), equal to approximately 3.7% of net premiums (approximately 8% at June 30, 2011).

- POPOLARE VITA S.p.A.

The first half of 2012 closed with a net profit of Euro 31.7 million (approximately Euro 18.6 million at June 30, 2011), including the result for the subsidiary Lawrence Life, which recorded a post-tax profit of Euro 7.4 million (Euro 9.6 million at June 30, 2011).
Gross premiums written at June 30, 2012 stood at Euro 659.5 million (Euro 154 million at June 30, 2011) and relate mainly to Class I products.
Operating expenses at June 30, 2012 are equal to Euro 29.4 million (at June 30, 2011 they totalled Euro 22.7 million), of which approximately 63% are acquisition costs.
The total volume of investments at June 30, 2012 was Euro 7,069.4 million (a decrease of approximately 10.8% compared with the volume at June 30, 2011), of which approximately 41% are financial assets recognised at fair value through profit and loss.
Gross technical provisions stand at Euro 6,672 million (Euro 7,061 million at December 31, 2011).
Company products are sold through Banco Popolare Group branches.

Note that at June 30, 2012 premiums written by the subsidiary Lawrence Life stand at Euro 257.5 million (Euro 1,552.3 million at June 30, 2011).

New products launched on the market

From January 20, 2012 new underwriting was introduced for Individual Life products which include "Temporary Life Insurance" cover. The first innovation concerns the DEDICATA, DEDICATA OBIETTIVO, OPEN ASSICURATO, OPEN BRAVO and FORMULA MISTA products, involving an increase to Euro 200,000 of the maximum capital that can be insured without a medical visit (applicable to customers below 60 years of age).
The second, which concerns the DEDICATA product, involves a reduction in the cost of the Accident Collateral, both in double and triple protection formats.

From March 15, 2012, the Individual Life range was enhanced by a new annual-premium product known as OPEN FULL, which replaces the OPEN ASSICURATO and FORMULA MISTA products. Specifically, OPEN FULL is characterised by its insurance contents and the high level of personalisation available to the customer, with a very broad target market.

Lastly, from March 20, 2012 and for a placement period which ended on April 23, 2012, customers (individual persons only) were offered a new single-premium product known as VALORE CERTO 4.40%, which, on the payment of a single advance premium, guarantees the customer a very attractive return in the form of five payments equal to 4.40% of the net invested premium.
In the current climate featuring the uncertainty of financial markets and the stagnation of growth in the economy, VALORE CERTO 4.40% is definitely capable of responding to the needs of customers searching for savings and investments which are risk free and give a guaranteed return, being the ideal solution for a wide range of customers, also thanks to its easy access.

Reinsurance

The Group reinsurance structure is in line with the protection system of the Parent Company. The proportional programme permits each company to hold a fair portion of premiums with reference to the volume of the individual portfolio, and to reinsure the underwriting elements which could negatively impact the final result.
The Group reinsurance company, The Lawrence Re, provides adequate protection to each company on a reinsurance basis, and subsequently integrates the various portfolios in order to obtain specific protection on the international market.

Non-Life Reinsurance

In the first half of 2012, the reinsurance policy of the Non-Life sector of the Fondiaria-SAI Group resulted in outward reinsurance premiums of Euro 147 million and inward premiums of Euro 1 million: the outward reinsurance balance was Euro 34 million.
In 2012, the placement of all the portfolios of the Fondiaria-SAI Group on the international market takes place through The Lawrence Re Ireland Ltd with the following exceptions:

- the transport classes placed through the subsidiary SIAT;
- the aviation classes placed directly by the underwriting companies;
- the non-marine portfolio of SIAT placed with Milano Assicurazioni;
- the assistance class protected directly by the subsidiary Pronto Assistance;
- the significant risks ceded optionally directly by the companies.

The reinsurance policy focuses on non-proportional cessions for the protection of the individual or cumulative risks deriving from a single event for the Fire, Accident, Theft, General TPL, Motor Vehicle TPL and Land Vehicles Class, and on proportional cessions for the Financial Guarantees Class. In the Transport, Aviation, Guarantees and Technological Risk Classes, the structure is based on proportional agreements and excess claims coverage. The subsidiary SIAT placed on the reinsurance market the protection relating to the Transport sector, operating as reinsurer of the companies of the Group, with a mixed structure based on proportional agreements and excess claims coverage. The remaining “non marine” classes, which are being divested in any event, were integrated into the various Group programmes through Milano Assicurazioni.
The subsidiary Liguria, following the guidelines issued by the Parent Company, placed the Transport Classe through SIAT, while Group programmes were utilised for the other guarantees, with the exception of the Assistance Class as indicated above.
In particular cases, where there was a lower priority, specific underlying programmes were placed.
Lastly, note that with regard to the recent earthquakes which took place in Emilia-Romagna in May and June, reinsurance protection will allow an estimated recovery equal to Euro 46 million for the companies involved, i.e. Fondiaria-SAI, Milano Assicurazioni and Liguria Assicurazioni.
With regard to active reinsurance, the data at June 30, 2012 include all the optional business and the acceptances by the companies of the Group and the data at June 30, 2011 include all the other types of agreements. After the prudent accounting in the previous financial statements, and net of the related retrocessions, the result for the overall portfolio remains balanced.

Life Reinsurance

The reinsurance programme, as in previous years, consists of a proportional agreement in excess. The retentions are variable according to the individual policies of the Group. The subsidiary The Lawrence Re reinsures this portfolio and obtains coverage on the international market through a non-proportional structure for the specific risks and a Stop Loss protection on the retained portfolio of the Group.

The retentions continue to be limited for subsidiaries and associates, especially when compared to the total capacity provided.

Real Estate Sector

After the slight recovery recorded in the last two quarters of 2011, in the first quarter of 2012 the Italian real estate market stopped growing and once again started to fall sharply: the sales volume annual index rate in 2012 Q1 (percentage change of 2012 Q1 over 2011 Q1) for the entire real estate sector was -17.8%.

The residential sector, which represents approximately 45% of the entire real estate market in terms of the number of sales, recorded a serious fall in transactions of -19.6% compared with the first quarter of 2011, interrupting the growth recorded in the last two quarters of 2011; the extensions sector also experienced a slowdown of 17.4%.
The fall in transactions in non-residential sectors also continued, with transactions in the service sector falling by 19.6% (annual index rate), followed by the commercial property sector (-17.6%) and lastly lower decreases in the production sector, of -7.9% (see Annex 1).

By geographic area, the downturn in the real estate market recorded in the first three months of 2012 did not spare the eight major Italian cities: the most consistent falls in residential sales compared with the first quarter of 2011 were recorded in Palermo (-26.5%) and Genoa (-21.8%). Transactions in Rome and Florence fell, respectively, by 20.6% and 21.1%, with serious decreases in Bologna (-18.4%) and Turin (-18.1%) as well. The fall in sales in Milan (-10.7%) and in Naples (-9.8%) was more contained. The contraction of the market was also evident in the municipalities surrounding the above cities, where the residential market was negative across all provinces and fell by -15.9% in total in the first quarter of 2012. The Palermo hinterland fell by more than 25%, the province of Florence by 21.6% and the other provinces by between 17.6% for Genoa and 13.0% for Milan (see Annex 2).

The reduction in sales for the service sector stands at -43.7% for Central Italy, -36.1% for the North and -28.2% for the South. By comparing like-for-like quarters, the market share of the commercial property sector in the first quarter of 2012 was almost half what it was in 2004, with a 46.7% loss in sales; by geographical area, the South has seen the smallest loss of 40.1%, with the falls in Central Italy (-50.4%) and the North (-48.5%) being more marked. As far as the production sector is concerned, Central Italy recorded a reduction in sales of -40.5%, the North recorded a drop of -33.6%, while the South regained market share by posting sales growth of +2.5%.

The real estate market could suffer further losses in the second and third quarters of 2012 as a result of the negative economic situation. If one takes a look at the main macroeconomic indicators with reference to the last quarter of 2011, all the elements which explain the fall in demand in the real estate market can be identified. Specifically, the fall in GDP, the increase in unemployment, the decrease in household spending and the increase in average mortgage interest rates, which went from 3.29% in April 2011 to 4.27% in December 2011, have taken their toll. In addition, there is no apparent connection between the current decline in the real estate market and the increase in IMU property tax in the first quarter of 2012, verified in concrete terms in June of this year, although this clearly does not provide an incentive for the market.

Operational performance

The results of the real estate sector include the subsidiaries **Immobiliare Fondiaria-SAI** and **Immobiliare Milano**, the subsidiary **NIT S.r.l.** and other minor companies, as well as the closed-ended real estate funds **Tikal R.E.** and **Athens**.

The key data for the real estate sector are summarised below:

(in Euro thousands)	30/06/2012	30/06/2011
Profits realised	4	42
Total revenues	**36,301**	**80,474**
Interest expense	2,687	4,257
Total costs	**62,108**	**72,068**
Result before taxes	(25,806)	8,406

(in Euro thousands)	30/06/2012	31/12/2011
Investment property	1,129,718	1,267,976
Financial liabilities	187,951	211,958

The loss before taxes for the sector is Euro 26 million compared with a profit of Euro 8 million in 2011. It should be noted that the 2011 result benefited from the realisation of intra-group property gains, previously written off, on the conclusion of the deconsolidation of the Rho Fund, accounted for under other revenues.

Revenues at June 30, 2012 are affected by the reduction in the change in stock of companies carrying out real estate activities following the reduced volume of work on the actual properties.
Revenues and corresponding costs also recorded a decrease of approximately Euro 20 million in relation to the cessation of construction activities conducted through the Tre Torri consortium, in the City Life area, which came to an end at the close of the previous year.

The result for the period was also affected by the amortisation and depreciation of real estate investments to the tune of Euro 13.9 million (Euro 12.6 million at June 30, 2011) and impairment losses of Euro 2.4 million (Euro 5.1 million at June 30, 2011).

The reduction in debt is mainly due both to the February 2012 repayment of Euro 12 million of the bank loan taken out by the subsidiary Immobiliare Milano, and to partial repayments of approximately Euro 5 million each, by Tikal and Marina di Loano of their loans.

The table below summarises the performance of subsidiaries in the real estate sector:

(in Euro thousands)	REVENUES	% CHANGE	COSTS	RESULT
REAL ESTATE SECTOR				
IMMOBILIARE LOMBARDA S.p.A.	9,158	(67.89)	8,258	738
IMMOBILIARE FONDIARIA-SAI S.r.l.	2,772	(83.66)	13,761	(9,883)
IMMOBILIARE MILANO S.r.l.	4,735	(59.06)	9,380	(2,883)
NUOVE INIZIATIVE TOSCANE S.r.l.	25	(59.44)	8,141	(8,116)
TIKAL R.E. FUND	13,695	3.48	16,263	(821)

Real estate operations

With regard to the forecast divestment of real estate assets at an estimated value of more than Euro 200 million, the first half-year saw the conclusion of sales of real estate, with transfer scheduled for 2012, of a total of approximately Euro 65.9 million, generating capital gains of approximately Euro 15.5 million.

Deals were also concluded and offers accepted for approximately a further Euro 6.9 million, which will generate capital gains of around Euro 3.5 million upon sale.

With regard to plans for 2012, the piecemeal sale of real estate located at Via Fiori Chiari, Milan and Via Castellanza, Milan is also in progress.

Activities also extend to assets under the plan for 2013-2014. Deals have been concluded and offers accepted for a total of Euro 102.9 million relating to properties located in Turin (Galleria S. Federico owned by the Tikal R.E. Fund) and Florence (via Leone X) owned by the Parent Company.

In addition to the activities for reaching the targets set in the 2012-2014 Plan is the sale of vacant condominium units and agency offices. The sales which took place in the first half of 2012 come to a total of Euro 4.7 million (a capital gain of Euro 3.1 million); offers have also been accepted for a total of Euro 4.4 million for a capital gain of Euro 2.6 million.
Lastly, not part of forecasts, negotiations are taking place for land located in the municipalities of San Giuliano Milanese and Carpiano, owned by Saiagricola. The agreements include the sale at a price of Euro 7.7 million, with deeds of 65% for Euro 5 million in September/October 2012 and the remaining 35% in 2014.

Real estate investments

Sale of IGLI S.p.A. shares

On December 27, 2011, Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l. signed an agreement with Argo Finanziaria S.p.A. for the purchase by the latter of 8,040,000 IGLI S.p.A. ordinary shares all held by Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l., representing a 33.33% stake of the share capital of IGLI S.p.A. As is known, IGLI S.p.A, in turn, owns 120,576,293 Impregilo S.p.A. ordinary shares, representing a 29.96% stake of the share capital with voting rights.

The purchase price of each IGLI S.p.A. share involved in the sale was agreed at Euro 10.89572 and was determined based on an IGLI S.p.A. forecast statement of financial position at December 31, 2011 prepared giving each Impregilo S.p.A. ordinary share owned by IGLI S.p.A. a value of Euro 3.65.

Argo Finanziaria S.p.A. then designated its own subsidiary, Autostrada Torino Milano S.p.A., as the purchaser of the IGLI S.p.A. shares owned by Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l.

On March 8, 2012 the sale was executed with the simultaneous payment of Euro 43,800,794.40 to each vendor.

Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l. committed, on their own account and on behalf of their associates, not to purchase, either directly or indirectly, shares, rights or equity instruments of Impregilo S.p.A., financial instruments or debt securities that can be converted into shares or equity instruments of Impregilo S.p.A., as well as any option rights for the subscription and/or purchase of one of the above-mentioned instruments, for a period of 12 months from the date of the transaction.

Castello Area

In relation to the criminal proceedings pending before the Court of Florence in which Fondiaria-SAI S.p.A. is involved for the offences pursuant to Articles 319 and 320 referred to in Articles 5 and 25 of Legislative Decree 231/2001 with regard to the urbanisation of the Castello area in the municipality of Florence, it is announced that the investigation stage of the hearing has been completed and the discussion stage has begun.

The two prosecutors who brought the case before court prepared their conclusions and submitted the relevant requests at the hearings on March 26 and 28. As far as the charges involving the Company are concerned, it has been requested that the Company pay a fine equal to 400 units with a minimum value of approximately Euro 250 and a maximum value of Euro 1,549. It has also been requested that the Company receive a two-year ban from deals with the public sector and that the Castello Area plots for which the building permits were released be confiscated.

The Public Prosecutors have also requested that the entire area should remain under sequestration.

As far as the representatives of the Company or Group companies are concerned, an application was made for Mr Ligresti to be sentenced to three years and six months, for Mr Rapisarda to receive four years and four months and Mr Giombini to receive three years, while applications were made for the former Florence town planning officer Gianni Biagi to be given a prison sentence of four years and six months, and for the Deputy Mayor of Florence, Graziano Cioni, to receive two years and two months.

The discussion stage continued with the summings-up of the lawyers for the plaintiffs and the defendants.
With regard to the Company’s defence, an application was made for acquittal on the grounds that no crime had been committed and, as a secondary hypothesis, for the imposition of a fine only and not the other sanctions, because the Company adopted a suitable organisational and management model to prevent, among other things, the relevant offences against the public authorities. At the hearing on June 29, 2012, the Court of Florence did not pronounce sentence, but ordered an additional hearing to listen again to the evidence already discussed, pursuant to Article 507 of the Italian Criminal Code.
For these reasons, the case was adjourned until the hearings on October 4 and 12 and November 9, 2012.
The value of the inventories pertaining to the “Castello Area” as at June 30, 2012, was approximately Euro 169 million, less than the valuations given by the independent expert as at December 31, 2011.
This amount is consistent with the scenario that construction can continue and, therefore, with the assumption of the operational continuity of the asset and does not reflect the risks associated with losing the case.

Other Activities Sector

The savings of Italian households

Traditionally cautious in seeking credit, in the deep recession Italian households have, over the last few months, intensified their risk aversion, being more selective in their demand for credit.

In addition, from the second half of 2011 onwards, the exacerbation of sovereign debt tensions, particularly involving Italian government bonds, greatly affected the operations of brokers, initially causing both an increase in the cost of funding for Italian banks and, secondarily, causing funding sources to dry up. The tensions created in this way on the premiums side had a negative effect on the supply of credit.

The retail credit report published by Assofin, Crif and Promeia in June 2012 highlighted that at March 31, 2012 the mortgage industry had seen a 47% fall compared with the previous quarter, while the personal-loan sector decreased by 11% (it fell by -2.2% in 2011).

In addition, with regard to consumer credit, the clear contraction (-11% at March 31, 2012 compared with the same period of the previous year) affected almost all types of agreements.
Overall, at the end of the first quarter of 2012, outstanding credit to households provided by banks and specialist lenders recorded a growth of 1.4% on an annual basis from the 3.3% recorded at the end of 2011.

The long period of uncertainty surrounding the recovery time of the economic crisis will continue to feed the difficulties in interbank markets and wholesale trade, keeping fundraising costs higher for Italian operators.

Operational performance

The sector includes Group companies operating in the banking and hotel industries, and in sectors other than insurance and real estate.

The loss before taxes for the sector is Euro 13.7 million (loss of Euro 30.2 million at June 30, 2011), with a contribution of Euro -7.5 million from the Fiorentino Villanova Oncology Centre (Euro -6.2 million at June 30, 2011).

Note that the sector does not include the contribution of the Atahotels Group (Euro -13.7 million at June 30, 2011), which has been reclassified under assets held for sale.

The table below gives a summary of the performance of companies operating in the banking and asset management sector:

(in Euro thousands)	BROKERAGE MARGIN	% CHANGE	RESULT
OTHER ACTIVITIES SECTOR			
BANCASAI S.p.A.	14,598	8.11	(303)
SAI INVESTIMENTI SGR S.p.A.	2,487	30.74	939

The results of the other companies in the sector are detailed below:

(in Euro thousands)	RESULT H1 2012	RESULT H1 2011	% CHANGE
OTHER ACTIVITIES SECTOR			
FINITALIA	1,123	751	49.65
FINSAI INTERNATIONAL	893	1,086	(17.75)
FONDIARIA NEDERLAND	277	504	(45.01)
SAIAGRICOLA	(651)	(780)	(16.62)
SAI HOLDING ITALIA	(661)	(832)	(20.52)
SAIFIN (SAIFINANZIARIA)	(98)	(19)	n.a.
SAILUX	4	373	(98.89)
SAINTERNATIONAL	(4,711)	(630)	n.a.

- BANCASAI S.p.A.

The result for the period shows a loss of Euro 0.3 million (profit of Euro 0.8 million at June 30, 2011).

Direct and indirect deposits and funding strategies
During the period the number of current accounts went from 16,500 at the end of 2011 to 16,426 at June 30, while total deposits in current accounts stand at Euro 946 million, a significant increase compared with the end of 2011 (Euro 676 million).
Repurchase agreements are equal to Euro 0.47 million.
At June 30 bonds come to a total sum of Euro 156 million, of which Euro 32 million are retail (Euro 165 million at the end of 2011, of which Euro 42 million were retail).

Indirect deposits at June 30, 2012 reached Euro 15,348 million compared with Euro 15,743 million at the end of 2011, comprising Euro 15,205 million from assets under administration (of which Euro 14,724 million refer to Fondiaria-SAI Group companies) and Euro 142 million of assets under management.

Loans

During the first half of 2012, the bank continued the policy of containing and cutting back the number of loans, begun in 2011, compatible with various types and working strictly with the customers suited to the new credit policy, guided by sound and prudent management strategies, spreading the risk and adopting selective capacity.

The bulk of loans in credit activities (mortgage loans and uses of various credit lines, before value adjustments) stands, at the end of the half-year, at Euro 832 million (Euro 850 million at December 31, 2011). Net of the exposure to the subsidiary Finitalia, which is Euro 121 million in various types of overdraft facility and current account overdrafts, as well as more than Euro 76 million of bonds subscribed by BancaSai, loans to third parties went from Euro 679 million at the end of 2011 to Euro 635 million at the end of June 2012 (-6.5%).

The reduction in approved lines of credit (net of Finitalia) was also significant, going from Euro 725 million at the end of 2011 to Euro 614 million at June 30, 2012.

The percentage of mortgage loans provided remains high, increasing to 46.2% of total loans, while there was a general reduction in loans to businesses.

In terms of concentration risk, the weighting of the leading 50 customers of the bank, in terms of effective utilisation (with the exception of the subsidiary Finitalia), decreased further from 31.8% in the first half of 2011 to 31.3% at June 30, 2012. This reduction should be interpreted as being positive if considered within the general context of the reduction of credit stocks. The average unit size of loans to these counterparties stands at approximately Euro 4.1 million (Euro 4.5 million at the end of December 2011).

- FINITALIA S.P.A.

Profit after taxes at June 30, 2012 was equal to approximately Euro 1.1 million, compared with approximately Euro 0.8 million at June 30, 2011, after deducting approximately Euro 1 million in expenses for taxes, compared with approximately Euro 0.8 million in 2011.

Administrative expenses at June 30, 2012 amounted to Euro 5.7 million, less than the same period in 2011 (approximately Euro 6 million). The difference is principally due to the benefit from the excess amount set aside in previous years relating to back payments and contributions regarding the renewal of the national employment contract, signed last March, which involves the payment of the sums due in April.

In relation to the operational results at June 2012, the interest margin and brokerage margin are Euro 11.4 million and Euro 10.8 million respectively (at June 30, 2011 these figures were, respectively, Euro 10.6 million and Euro 10.1 million) with net value adjustments to receivables equal to approximately Euro 3 million (Euro 2.6 million at June 30, 2011).

At June 30, 2012 total loans/financing of Euro 161.4 million had been issued against Euro 141.3 million in the same period in 2011.

- ATAHOTELS S.p.A.

From the management figures it can be seen that in June the fall in revenues compared with the budget was Euro 3.6 million, equal to the amount accumulated over the five previous months, bringing the effective reduction in revenues compared with the budget to Euro 7.3 million since the start of the year (Euro 52.6 million compared with the figure of Euro 60.0 million in the budget). Specifically, the structures with the main negative deviations were Tanka Village, Villa Pamphili and the Executive.

Compared with the previous year, revenues for the first six months were reduced by 4.9%; however, the different opening periods of certain seasonal accommodation should be noted when comparing with the previous year. The fact remains that, even at constant structure and opening dates, the difference compared with revenues at June 30, 2011 remains negative by approximately Euro 0.35 million.
The hotels suffered a decrease in the average room revenue of 5.1%, while residences, having sold more rooms in “hotel” formula, saw margins shrink.

At the level of costs, the contraction compared with the budget is, in part, due to volumes, because revenues from the “apartment” formula were lacking (specifically in hotels and residences).
The decrease in costs is also due to the effects of policies undertaken in 2011 and to the 2012 renegotiation of contracts with the major players in the supply chain.
It should be borne in mind that a further reduction in costs, at this point, would be entirely at the expense of the quality perceived by the customer.

In terms of rental, the renegotiation of the rent for ENPAM structures and the transfer of the head offices had a favourable impact; conversely, note the increase in some rental set out in contracts agreed with Group companies (Expo Fiera, Varese, Petriolo, The One) which had a weighting, in the half-year, of Euro 2 million more than in the same period of the previous year.
Other non-operating costs increased mainly as a result of provisions and write-downs.
In conclusion, the fall in revenues penalises the performance of the Company in another way: the forecast for July and August for Tanka is not quite in line with the budget and the previous year, so this gap is destined to increase.

Until May the pre-tax result was in line with budget figures. The lower revenues were offset by a reduction in costs of a similar amount. The month of June alone, however, saw the Company’s result slide Euro 2.5 million away from the budget.

The half-year position for Atahotels closes with a loss of approximately Euro 13.5 million (in line with the loss of Euro 13.9 million at June 30, 2011).

- CENTRO ONCOLOGICO FIORENTINO S.R.L. (ONCOLOGY CENTRE)

The loss for the period was Euro 7.5 million (loss of Euro 6.2 million at June 30, 2011).

The company's income statement at June 30 shows revenues in line with budget figures for 2012. Note, in particular, an increase in private activity in both admissions and in outpatient activities and the launch of the anatomical pathology service. The volumes involved are naturally lower than the potential of the structure, but they are on the increase compared with previous years.
Direct costs remain essentially in line with forecasts, also taking into consideration the seasonal nature of the sector. The exception is cancer drugs, where costs are growing more quickly than forecast. A reduction in the cost of other medication should be noted.

The costs of the structure and administration are higher than forecast, in the light of the increase in the cost of insurance, maintenance and non-deductible VAT.

Talks continued with the trade association regarding the renewal of agreements and financial ceilings for the current year and future years.

Initiatives in progress aimed at the sale of Atahotels
On May 3, 2012 the Fondiaria-SAI Board of Directors chose private equity operator 21 Investimenti for exclusive negotiations regarding the sale of the Atahotels hotel business.
As a result, net assets of the subsidiary were reclassified to assets and liabilities held for sale.

Asset and financial management

INVESTMENTS AND LIQUIDITY

At June 30, 2012 the volume of investments amounted to Euro 32,330 million, a decrease of 4.3% compared with investments at December 31, 2011.

The table below illustrates investments, property, plant and equipment and cash at June 30, 2012, compared with the corresponding figures at December 31, 2011.

(in Euro thousands)	30/06/2012	Comp. %	31/12/2011	Comp. %	% change
INVESTMENTS					
Investment property	2,449,163	7.28	2,759,245	7.85	(11.24)
Investments in subsidiaries, associates and joint ventures	107,490	0.32	116,558	0.33	(7.78)
Loans and receivables	3,873,274	11.51	3,688,865	10.49	5.00
Investments held to maturity	725,783	2.16	599,713	1.71	21.02
Financial assets available-for-sale	18,033,249	53.56	17,598,287	50.03	2.47
Financial assets at fair value through profit or loss	7,141,422	21.22	9,026,664	25.67	(20.89)
Total investments	**32,330,381**	**96.05**	**33,789,332**	**96.08**	**(4.32)**
Property, plant & equipment: buildings and other tangible assets	375,925	1.12	401,744	1.14	(6.43)
Total non-current assets	**32,706,306**	**97.17**	**34,191,076**	**97.22**	**(4.34)**
Cash and cash equivalents	953,835	2.83	976,582	2.78	(2.33)
Total non-current assets and cash equivalents	**33,660,141**	**100.00**	**35,167,658**	**100.00**	**(4.29)**

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

(in Euro thousands)	30/06/2012	31/12/2011	% change
Financial assets available-for-sale	**18,033,249**	**17,598,287**	**2.47**
Equity securities	1,101,850	1,171,370	(5.93)
Mutual fund units	779,500	788,143	(1.10)
Debt securities	16,149,801	15,636,678	3.28
Other financial investments	2,098	2,096	0.10
Financial assets recognised at fair value through profit or loss	**7,141,422**	**9,026,664**	**(20.89)**
Equity securities	44,697	30,599	46.07
Mutual fund units	756,993	636,124	19.00
Debt securities	6,144,346	8,072,935	(23.89)
Other financial investments	195,386	287,006	(31.92)

The table below shows the results of the financial and real estate activities for the first half of the current year compared with the same period of the previous year:

(in Euro thousands)	30/06/2012	30/06/2011	Change
Net income from financial instruments at fair value through profit or loss	325,515	84,064	241,451
Net investment income in subsidiaries, associates and joint ventures	(7,900)	7,320	(15,220)
Income from other financial instruments and investment property of which:			
Interest income	407,698	389,795	17,903
Other income	92,474	82,874	9,600
Profits realised	129,592	125,084	4,508
Valuation gains and recovery in values	6,754	165	6,589
Total income	**954,133**	**689,302**	**264,831**
Charges from other financial instruments and investment property of which:			
Interest expense	31,935	37,090	(5,155)
Other charges	34,300	33,224	1,076
Losses realised	45,627	67,437	(21,810)
Valuation losses and adjustment in values	114,007	125,683	(11,676)
Total interest expense and charges	**225,869**	**263,434**	**(37,565)**
TOTAL NET INCOME	**728,264**	**425,868**	**302,396**
Net income from financial instruments at fair value through profit and loss where the risks are borne by the policyholders (Class D)	308,077	99,830	208,247
TOTAL NET INCOME EXCLUDING CLASS D	**420,187**	**326,038**	**94,149**

As highlighted in the table, the net income from financial instruments at fair value through profit and loss includes net income relating to contracts in the Life sector whose risk is borne by the policyholders for Euro 308 million (previously Euro 100 million at June 30, 2011).

This increase is offset by the corresponding change in the technical provisions of the Life sector relating to this class of activity. These amounts are concentrated almost exclusively in companies operating in the "Bancassurance" sector.

FINANCIAL MANAGEMENT

The second quarter of 2012 saw a worsening in macroeconomic figures in the U.S. and in Emerging Countries, resulting from the acceleration of the European crisis, with the repeated tensions linked to the elections in Greece and the difficult situation in Spain and Italy being contended with, plus a significant increase in the spread and the existence of restrictive fiscal policies. The Central Banks and the Federal Reserve, while continuing to show prudence concerning the American recovery, decided to keep official rates essentially at zero (0%-0.25%) and to extend Operation Twist, which consists of purchasing American government long-term and extremely long-term bonds, against the sale of short-term government bonds, until the end of 2012: this operation is aimed at keeping nominal rates structurally low, trying to promote investments and consumption. The Chinese Central Bank, always more concerned with the country possibly falling into recession, cut interest rates pre-emptively several times in order to stimulate internal demand and thereby offset the fall in exports. The European Central Bank, while continuing to keep the discount rate at 1% during the first half of the year (reduced to 0.75% in July), stressed its concerns on several occasions about the economic slowdown being worse than expected and declared itself ready to do everything in its power to assist the integration process. The European Council needs to be included in this context which, at the end of June, at least had the intention of making a contribution to taking significant steps forward in this process.

Financial operations in the half year

With special reference to **fixed income**, at the **Non-Life Sector** level, operations featured intense activity in government bonds of core countries (Germany and France in particular), supranational issues (AAA) and Italian government bonds. Lastly, there was a slight increase in exposure to corporate bonds especially through the subscription of new issues in the primary market.

The good performance at national level in the first quarter of the year made it possible, through trading operations, of relative value and diversification through supranational issues (AAA) and core area issues, to simultaneously create surplus value and a greater exposure to less volatile bond instruments with better credit worthiness. The exposure to Italy, however, remains significant, in relation to which there is an underlying positivity justified by the excellent results achieved in the rebalancing of public finances.

The overall duration of the Non-Life Portfolios during the first half of the year increased in the context of the macroeconomic climate where extremely modest economic growth and inflation that should not be a cause of concern is forecast for 2012.

Operationally, in the **Life Sector**, activity in the bond market was set at a tactical and strategic level in order to offset, as far as possible, the heightened volatility of the market recorded during the half year.

The previously mentioned fluctuating performance of Italian government bonds allowed intense tactical trading activity, with the realisation of latent surplus value for both existing positions and new positions opened at the start of the quarter.

In the second part of the half year, the renewed tensions in government bond spreads also allowed selective operation on the markets, and targeted and gradual acquisitions were used to try and construct tactical positions, especially with Italian bonds.

At a more strategic level, based on the ALM analyses, the profiles of Segregated Funds portfolios were improved in terms of the elimination of potential cash flow mismatches.

Lastly, the continued diversification process in the government sector forged ahead, decreasing the exposure to Italian government bonds and increasing that to supranational issuers and issuers with a high rating.

In terms of the composition of the portfolios, the high exposure to money market instruments and zero coupons was maintained, with a decrease in the fixed rate component and a partial decrease in the variable rate component.

The overall duration of the portfolios was reduced from the close of 2011; the minimum values were reached at the end of the first quarter of 2012 but tactically there was a slight increase in the second quarter.

In terms of results, prospective income levels improved in light of a limited decrease in current profitability.

As far as the corporate sector is concerned, exposure to government bonds was marginally reduced.

Against the difficult scenario outlined, operations in the **share market** saw a reduction in exposure during the first two months, accompanying the positive stage of the market, making a partial profit in the over-performing sectors (e.g. Financial and Cyclical industries) in the period under consideration. The next corrective stage in March was taken as an opportunity for a contained tactical portfolio repositioning, accumulating positions from a trading standpoint, later closed in April, restoring total investments to March levels. The worsening of the crisis over the last two months has favoured a guarded approach at asset allocation level, postponing the recovery of sales until there are precise political and technical signs.

During the half year, the operations described were accompanied by the usual short-term/extremely short-term trading strategies for the Company portfolios.

At sector level, given both the decidedly financial nature of the crisis and the slowdown of the economic situation, consolidated profit-taking in the first quarter in cyclical and financial industries was not recovered, opting for an asset allocation that favoured more defensive sectors with high dividends (telecom, utilities, energy).

The excessive weighting on financial elements during the first quarter also allowed the current portfolio to notably overperform with regard to the Eurostoxx50, almost consolidated in the second quarter given the reduction and repositioning on more defensive market components.

At geographic level, the geographic diversification policy continued through a reduction in the exposure to Italian companies to the benefit of other European competitors.

In detail, Fondiaria-SAI and Milano Assicurazioni operations in the period under consideration featured Euro 280 million of purchases and Euro 310 million of sales.

The average equity percentage in Segregated Funds at market value went from 2.6 (at December 31, 2011) to 2.1 for Fondiaria-SAI and from 3.1 (at December 31, 2011) to 2.5 for Milano Assicurazioni.

At June 30 current equity exposure at book values in the Fondiaria Non-Life Sector stood at 3.4%, while for the Life Sector this figure is 1.4%, in line, on average, with the figures at the end of 2011. In the Milano Non-Life Sector, exposure stood at 3.2%, while in the Life Sector it stood at 3.2%, on average, 0.2% lower than at the end of 2011.

As outlined previously in the macroeconomic situation, operations in **derivatives** during the first half of 2012 were affected by the management of the risks associated with strategic investments. The implementation chiefly took place by means of optional put/call combined hedging strategies (the purchase of put options and the sale of call options with the same strike price, the same number of shares and the same due date).
During the first two months of the year, hedging positions were gradually reduced during the positive stages of the market and recovered during the consolidation stage, allowing an overall improvement in hedging conditions. Hedging activity continued during the consolidation stage recorded in the first half of March. During the downturn in the markets seen in April and May, profit-taking occurred for the hedging positions. During the month of June, which featured great volatility, profit-taking from hedging continued, mainly during the weak stages of the market.

Trading operations were also set up during the half year and implemented through options on bonds and equities in order to take advantage of the volatility of the market.

Fondiaria-SAI
The **Non-Life Sector** is composed of 56.9% fixed rate bonds, 38.7% variable rate bonds and the remaining 4.4% is in time deposits.
The total duration of the portfolio is 2.35 years and the return on the Non-Life portfolio is equal to 3.30%.
The **Life Sector** has a higher fixed rate bond allocation (76.9%) compared with the variable quota for the same asset class (22.4%) and time deposit (0.7%) with a total duration of the portfolio of 5.06 years and a return of 5.09%.

Milano Assicurazioni
The Non-Life Sector is composed of 56.8% fixed rate bonds, 32.6% variable rate bonds and the remaining 10.6% is in time deposits.
The total duration of the portfolio is 2.40 years and the return on the Non-Life portfolio is equal to 3.12%.
The **Life Sector** has a higher fixed rate bond asset allocation (76.5%) compared with the variable rate quota (23.5%) with a total duration of the portfolio of 4.6 years and a return of 4.91%.

FONDIARIA-SAI GROUP DEBT

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

The situation is summarised in the table below, which highlights a reduction in debt of approximately Euro 32 million.

(in Euro millions)	**30/06/2012**	**31/12/2011**	**Change**
Subordinated loans	1,050.0	1,049.5	0.5
Banks and other lenders	267.6	300.4	(32.8)
Total debt	**1,317.6**	**1,349.9**	**(32.3)**

The reduction in debt is mainly due to both the repayment of Euro 12 million, which took place in February 2012, the bank loan agreed by the subsidiary Immobiliare Milano, and partial repayments of approximately Euro 5 million each, by Tikal and Marina di Loano for their loans and by BancaSai for its obligations.

The item **Subordinated loans** includes the following loans agreed with Mediobanca, with prior authorisation from ISVAP:

- subordinated loan of Euro 400 million undertaken by Fondiaria-SAI, agreed and issued on July 23, 2003. Following some contractual modifications in December 2005, the interest rate is Euribor at 6 months +180 basis points and it is repayable in five equal annual instalments from the 16th anniversary of the loan. This loan was obtained in order to increase the constituent elements of the solvency margin;

- subordinated loan of Euro 100 million agreed by Fondiaria-SAI on December 20, 2005 (received on December 31, 2005), with the same subordination characteristics as the previous loan. The interest rate is Euribor at 6 months +180 basis points and it is repayable in five equal annual instalments from the 16th anniversary of the loan.

- subordinated loan of Euro 300 million agreed on June 22, 2006 (received on July 14, 2006), 50% subscribed by Fondiaria-SAI and the other 50% by Milano Assicurazioni. This loan also provides for interest at Euribor at 6 months +180 basis points and is repayable in five equal annual instalments from the 16th anniversary of the loan. In particular, this latter contract contributes to a further improvement in the solvency margin available to the Group for the part provided by the subsidiary Milano Assicurazioni. On July 14, 2008, Milano Assicurazioni made a partial advance repayment of this loan for Euro 100 million;

- hybrid, perpetual subordinated loan of Euro 250 million agreed and received on July 14, 2008 subscribed by Fondiaria-SAI. The interest rate is Euribor at 6 months +350 basis points for the first 10 years and thereafter 450 basis points. The repayment should be made in one repayment after 10 years. This loan was agreed to increase the constituent elements of the solvency margin;

- hybrid, perpetual subordinated loan of Euro 100 million agreed and received on July 14, 2008 subscribed by Milano Assicurazioni. The interest rate is Euribor at 6 months +350 basis points for the first 10 years and thereafter 450 basis points. The repayment should be made in one repayment after 10 years. This loan was agreed to increase the constituent elements of the solvency margin.

With reference to the subordinated loans, note that for the nominal Euro 1,050 million, Interest Rate Swaps were set up with the function of neutralising the interest rate risk associated with these loans for Euro 1,050 million.

With reference to **Debts to banks and other lenders**, equal to Euro 267.6 million, the most significant amounts are detailed below:

- Euro 111.2 million (Euro 116.5 million at December 31, 2011) refers to the loan agreed by the Tikal R.E. Closed Real Estate Fund with Mediobanca as the Agent Bank. The loan, originally for Euro 119 million, was supplied for the purchase of properties and improvement works and at June 30, 2012 a little over Euro 5 million had been repaid. The cost of the loan is Euribor plus a variable credit spread from 60 to 110 basis points. Since 2008, the Fund has utilised derivative instruments to implement a hedging policy on the potential risk of an increase in interest rates on the loan granted;

- Euro 90.5 million (Euro 99 million at December 31, 2011) which refers to the bonds issued in 2009 and 2010 by BancaSai in part at the variable interest rate and in part at the fixed interest rate, with variable due dates which range from 2012 to 2014;

- Euro 65.7 million which refers entirely to the debt of the subsidiary Immobiliare Fondiaria-SAI. This refers principally to the bank loan signed by Marina di Loano with Intesa SanPaolo as the Agent Bank due March 17, 2014 and with an interest rate of Euribor at 3 months +300 basis points. The company utilised a derivative instrument to implement a hedging policy on the potential risk of an increase in interest rates on the loan granted;

- the residual amount relates to other insignificant payable positions.

TREASURY SHARES, SHARES OF THE PARENT COMPANY AND ITS SUBSIDIARIES

The treasury shares and shares in the subsidiary Premafin Finanziaria held by the Parent Company at June 30, 2012 and at December 31, 2011, are outlined in the table below:

(in Euro thousands)	30/06/2012		31/12/2011	
	Number	**Book value**	**Number**	**Book value**
Ordinary shares held by:				
Fondiaria-SAI	3,200,000	64,366	3,200,000	64,366
Milano Assicurazioni	9,982,557	132,323	9,982,557	132,323
Sai Holding	1,200,000	16,337	1,200,000	16,337
Total	**14,382,557**	**213,026**	**14,382,557**	**213,026**
Shares of the holding company held by:				
Fondiaria-SAI	18,340,027	3,622	18,340,027	2,289
Milano Assicurazioni	9,157,710	1,809	9,157,710	1,143
Saifin - Saifinanziaria	66,588	13	66,588	8
Total	**27,564,325**	**5,444**	**27,564,325**	**3,440**

SHARE PERFORMANCE

The share capital of the Parent Company Fondiaria-SAI S.p.A. at June 30, 2012, stood at Euro 494,731,136 divided into an equivalent number of shares of a nominal value of Euro 1 (367,047,470 ordinary shares and 127,683,666 saving shares).

At the end of the half year, the stock exchange share prices were as follows:

(Units of Euros)	29/06/2012	30/12/2011	% change
Fondiaria-SAI ord.	0.9285	0.6195	49.88
Fondiaria-SAI saving	0.4872	0.3405	43.08

(Units of Euros)	29/06/2012	30/12/2011	% change
Milano Assicurazioni ord.	0.2680	0.2285	17.29
Milano Assicurazioni saving	0.2581	0.1864	38.47

On July 2 the resolution of the Parent Group's Extraordinary Shareholders' Meeting held on June 27, 2012 was implemented, eliminating the nominal value of the ordinary and savings shares. Later on, the same shares were converted as 1 new share with regular dividends for every 100 shares held for both categories. At the end of the conversion the share capital comprised 3,670,474 ordinary shares and 1,276,836 savings shares, making a total of 4,947,310 shares with no nominal value.

Other information

SOLVENCY MARGIN

In accordance with the provisions of the Supervisory Authority in relation to the adjusted solvency margin and the application of prudential filters following our adoption of IAS/IFRS, for the first half of 2012 the coverage ratio for the constituent elements of the margin required for the Group stood at 88.5% compared with the 78.2% recorded at the end of 2011.
The coverage ratio is determined with reference to the margin required at the end of the year. If measured with reference to the margin required at the end of the previous year, it would stand at 84.3%.
It is noted that the Fondiaria-SAI Group made use of the provisions of ISVAP Regulation 43 of July 12, 2012 (published in Official Gazette 166 on July 18, 2012). Therefore, for the purpose of verifying adjusted solvency, debt securities issued or guaranteed by EU member states, intended to be held in equity in the long term, were valued based on the book value of the individual financial statements.
The effect of this measure is equal to approximately 15.1% (23.5% at December 31, 2011).

NUMBER OF GROUP EMPLOYEES

At June 30, 2012 the Group headcount was made up of 7,479 employees (7,591 at December 31, 2011), and the breakdown is as follows:

(Number)	**30/06/2012**	**31/12/2011**	**Change**
Italian companies	5,915	5,929	(14)
Foreign companies	1,564	1,662	(98)
Fondiaria-SAI S.p.A. Group	**7,479**	**7,591**	**(112)**

The above table does not include Atahotels seasonal staff, who numbered 681 at June 30, 2012 (88 at December 31, 2011 and 728 at June 30, 2011).
Also note that employees in foreign companies include 570 agents (620 at December 31, 2011).

GROUP INDUSTRIAL RELATIONS

The most significant event in the first half of 2012, in terms of industrial relations in Italy, was the signing on March 7, 2012 of the Heads of Agreement for the renewal of the CCNL (National Collective Bargaining Agreement) for non-managerial staff, which expired on December 31, 2009.
After lengthy negotiations, lasting almost two years, an agreement was reached to renew only the economic part of the contract until June 30, 2013, and to launch two Joint National Committees, one on flexible labour organisation, working hours distribution and the fungibility of roles in the various areas of corporate activity, and the second looking into redundancy support arrangements in the sector, which should take into account the labour market reform recently introduced by the Monti government, as well as the previous reform of the pension system.

Under their scope, the two Commissions should identify solutions and improvements to be made to the CCNL when it is next renewed. Their task should be concluded by October 2012.
As far as remuneration is concerned, the pay scale increase will eventually be 6.57% and will correspond, in absolute terms, to Euro 131 gross per month for the sector reference level (Level 4/Class 7).

An agreement was reached on June 14, 2012 on the subject of apprenticeships or training schemes, which, replacing the provisions of Annex 18 of the CCNL, transposes to the insurance sector the new regulations set out in the Consolidated Act on Apprenticeships (Legislative Decree 167 of September 14, 2011). Through this agreement, the parties wished to regulate apprenticeships in the same way as typical employment contracts aimed at the training and employment of young people in the insurance industry.

Negotiations for renewing the CCNL for managers of insurance companies, which expired on December 31, 2010, have not yet begun.

Internally, four memorandums of agreement were signed aimed at the financing by the FBA – Fondo Banche e Assicurazioni, Bank and Insurance Fund – of individual and collective training schemes designed to refresh, retrain and requalify Group employees, and help their professional development.

Employee disputes before the courts were in line with the previous year. At June 30, 2012 there were 48 cases pending for Fondiaria-SAI and 32 cases for Milano Assicurazioni.

Press Office
In the first half of 2012 the Fondiaria-SAI Group press office issued press releases relating to Group activities, the results for Q1 and those for the 2011 year end.

The first part of the year featured important communications on the new capital increase proposal. In the months that followed, the boards of directors examined the integration proposals submitted by the Unipol Group and by the private equity funds Sator and Palladio Finanziaria. This operation results from the need to recapitalise and strengthen Fondiaria-SAI's statement of financial position.

Lastly, the press office promoted and managed meetings with dailies and magazines to support the dissemination of information about services and products offered by the Group.

Sponsorship
In the first half of 2012, the Fondiaria-SAI Group supported FAI – Fondo per l'Ambiente Italiano (Italian Environment Fund), the main Italian non-profit foundation for the protection, safeguarding and preservation of the artistic and natural heritage of our country.

FURTHER INFORMATION

Share Capital Increase

Fondiaria-SAI S.p.A.: capital increase

The Board of Directors of Fondiaria-SAI S.p.A. (the "Company") met in the afternoon of January 29, 2012 and resolved to call an Extraordinary Shareholders' Meeting for March 16, 2012, first session, and March 19, 2012, second session if necessary, in order to submit a capital increase proposal to shareholders for a total maximum amount of Euro 1,100 million.
The amount of the capital increase proposed to the Shareholders' Meeting was higher than the maximum amount of Euro 750 million announced to the market on December 23, 2011 taking into account the negative impact of updating the preliminary estimates regarding the 2011 year end from the ones examined by the Board and announced to the market on December 23, 2011.

Following the binding agreement between Unipol Group and Premafin, signed on January 29, 2012 and announced to the market, for the acquisition by the Unipol Group of control of Premafin, with the consequent indirect acquisition of control of the Fondiaria-SAI Group, it should be noted that this agreement, whose effectiveness was subject to the verification of certain conditions precedent, is part of a wider integration operation that will directly affect the Company and involves the subsequent integration by merger of Unipol Assicurazioni S.p.A, Premafin, Fondiaria-SAI and Milano Assicurazioni.

In this regard, the Fondiaria-SAI Board of Directors, acknowledging the signing of the above-mentioned agreement, resolved to begin suitable investigations on the proposed integration with a view to formulating the proposals to be submitted to the decision-making bodies.
Specifically, pursuant to the procedures for related-party transactions approved by the Board itself, since Premafin and Milano Assicurazioni will also be called upon to take part in the proposed integration, the Board appointed a committee of independent directors, who have been involved since the negotiations on establishing the legal and economic terms of the proposed integration.

The Board also resolved to extend the mandate of advisers Goldman Sachs and Studio Legale Carbonetti e Associati to include helping with research and implementation activities for the proposed integration.

Note that for the sake of completeness, the Board of Directors of the subsidiary Milano Assicurazioni, under the scope of their activities with regard to the prospective integration, has also approved the appointment of its own committee of independent directors and plans to approve the appointment of its own financial adviser and its own legal adviser.

Resolutions of the Extraordinary and Ordinary Shareholders' Meeting held on March 19, 2012

The Fondiaria-SAI Shareholders' Meeting, held on March 19, 2012 under the chairmanship of Jonella Ligresti, passed resolutions on the agenda items, subject to authorisation from ISVAP and without prejudice to, for all aspects not specified below, the entire contents of the directors' report of January 29, 2012 for the Shareholders' Meeting, to which the reader is referred. The documents relating to the Shareholders' Meeting have been made available to the shareholders on the Parent Company website under the section "Extraordinary and Ordinary Shareholders' Meeting – March 16-19, 2012".

The capital increase is first and foremost aimed at strengthening the Fondiaria-SAI Group's statement of financial position, ensuring the recovery of the solvency margin required by law and, more generally, the future solvency structure of the Group. This proposal therefore comes under the scope of the intervention plan pursuant to Articles 227 and 228 of Legislative Decree 290/05, requested by ISVAP through its note of January 10, 2012, which pointed out the serious shortcomings in the Company's required adjusted solvency. To sum up, the proceeds of the capital increase are aimed at restoring a stable and lasting solvency to the Company, now and in the future.

On January 29, 2012, at the same time as the Board of Directors gave its approval for the capital increase proposal, the Company received news of the agreement reached on the same date between the Holding Company Premafin and Unipol Gruppo Finanziario (UGF), which provides for, *inter alia*, the merger between Premafin, Fondiaria-SAI, Milano Assicurazioni and Unipol Assicurazioni.

In this context, during the same meeting held on January 29, 2012, the Board of Directors approved the launch of investigations for a complete analysis of the integration project. These investigations are currently under way.

On the same date, Mediobanca, which took on the role at the end of December of organising an underwriting syndicate for the increase approved by the Board of Directors on December 23, 2011, for a maximum amount of Euro 750 million, formulated a new proposal for the structuring of the underwriting syndicate for the increase which, in light of the agreement signed by Premafin and Unipol, assumed the completion of the integration project.

Under these terms, the capital increase proposal is part of the broader integration project with the Unipol Group, which stated that the integration operation would allow a further strengthening of the statement of financial position of the group resulting from the integration. In this regard, UGF issued a press release on March 15, 2012, publishing the first quantitative estimates of the financial objectives of the new combined entity controlled by UGF which would be created as a result of the integration. As mentioned in this press release, these estimates were not shared with Fondiaria-SAI at the time and are therefore subject to further joint analysis and evaluation with the Company's management.

On the other hand, the resolution submitted to shareholders will remain effective, subject to approval by ISVAP, irrespective of the integration operation, since the need for recapitalisation underlying the capital increase exists regardless of the integration, whose execution is subject, in any case, to the verification of the conditions set out in the above-mentioned agreement. If the integration project can no longer be pursued, Fondiaria-SAI will, without delay, seek to obtain the necessary authorisation in order to implement the capital increase.

The preliminary commitments made by Mediobanca and the banks which have shown willingness to take part in the underwriting syndicate for the subscription of the capital increase are strictly related to the positive outcome of the proposed integration operation, as no guarantee has currently been provided for the Company in a stand-alone situation. As a result, these displays of willingness received from the syndicate banks are, *inter alia*, conditional to the implementation of the integration project.

ISVAP stressed the urgency of proceeding without delay with the measures to strengthen the Group's statement of financial position, without identifying a deadline for their completion. Based on the theoretical time frame, the capital increase should be launched during May 2012. This time schedule assumes that, by that date, the conditions to which the agreement between Premafin and Unipol was subject will be verified, and the terms and conditions of the integration with Unipol will be defined.

Although all the information necessary to accurately measure the pro-forma effects of the capital increase is not currently available, it is estimated that, net of transaction costs, if the increase is fully subscribed, the operation will lead to:

- capital being strengthened by approximately Euro 1,040 million;
- financial and economic effects depending on the type of financial resources derived from the capital increase, which, taking current market conditions into account, could be in the order of approximately Euro 40 million, before tax.

Based on the preliminary evaluations made, with the support of the adviser Goldman Sachs, on January 29, 2012, during an initial examination of the agreement reached between Premafin and UGF, it emerged that the prospective integration would create the largest Italian insurance operator in the Non-Life Sector, with a market share of approximately 30% (2010 figures). The new entity would have a market share of 7% in the Life Sector (2010 figures).

The Company's Board of Directors is committed to monitoring the fulfilment of the conditions precedent to which the execution of the agreement signed on January 29, 2012 between the Holding Company Premafin and UGF is subject, and on which the completion of the integration depends.

Resolutions of the Extraordinary and Ordinary Shareholders' Meetings held on June 27, 2012

The Extraordinary Shareholders' Meeting of Fondiaria-SAI S.p.A., which was held on June 27, 2012 under the chairmanship of Cosimo Rucellai, confirmed, by way of caution and pursuant to Article 2377, paragraph 8 of the Italian Civil Code, the resolutions adopted by the Extraordinary Shareholders' Meeting of March 19, 2012. Specifically, the meeting approved, subject to authorisation by ISVAP:

1) the elimination of the par value of the Fondiaria-SAI ordinary and savings shares pursuant to Articles 2328 and 2346 of the Italian Civil Code;

2) the reverse stock split of outstanding ordinary and savings shares in the ratio of 1 new ordinary or savings share for every 100 ordinary or savings shares, respectively;

3) the approval for the Company to issue new savings shares ("Category B Shares") with the same characteristics as the outstanding savings shares ("Category A Shares") with the exception of the following:

   - pre-emptive rights, subordinate to the Category A Shares, in the repayment of capital up to an amount per share equal to the average par value in accounting terms of the shares of the same category, understood as the ratio which sometimes exists between the total amount of capital contributions made in the time of the subscription of Category B Shares and the total number of existing Category B Shares (the "Par value in accounting terms of Category B Shares");
   - a preferential dividend, after the Euro 6.5 dividend due to Category A Shares, up to an amount equal to 6.5% of the Par value in accounting terms of Category B Shares;
   - an increased total dividend in relation to ordinary shares equal to 5.2% of the Par value in accounting terms of Category B Shares;
   - pre-emptive rights, subordinate to Category A Shares, on the capital repayment in case of payment up to an amount equal to the Par value in accounting terms of Category B Shares;

4) to increase the paid-in share capital by a total maximum amount of Euro 1,100,000,00.00, including any premiums, to be carried out by December 31, 2012, divisible, through the issue of Category B Share ordinary shares with regular dividends, to be offered as an option, respectively, to holders of ordinary shares and holders of Category A Shares, pursuant to Article 2441, first, second and third paragraphs of the Italian Civil Code;

5) to modify the statutory arrangements relating to the calling of the Ordinary Shareholders' Meeting for the approval of the financial statements.

The Shareholders' Meeting also resolved to appoint Nicolò Dubini to the office of director until the expiry of the mandate of the entire Board of Directors. Mr Dubini was co-opted by the Board of Directors on May 10, 2012. Note that Mr Dubini was a candidate at the meeting on April 24, 2012, involved in the renewal of the administrative body, on the slate presented by the Premafin and UniCredit shareholders and was the first of those not elected. Mr Dubini declared himself to be independent pursuant to Article 148 of the TUF and the Code of Corporate Governance. The Board of Directors confirmed the existence of these requirements of independence following the co-opting which took place, as stated, on May 10, 2012.

Complaint to the Board of Statutory Auditors pursuant to Article 2408 of the Italian Civil Code

On March 19, 2012 the Fondiaria-SAI S.p.A. Board of Statutory Auditors reported a complaint presented pursuant to Article 2408, paragraph 2 of the Italian Civil Code concerning facts that are potentially censurable reported in the complaint presented on October 17, 2011 by Amber Capital Investment. With regard to this declaration, clarifications were requested surrounding the operation of Atahotels, certain property transactions with related parties, property consultancy services provided over a period of time by Salvatore Ligresti, payments made for services rendered by companies pertaining to the Ligresti family and, lastly, payments approved for directors of the board in the years 2008-2010.

During the Shareholders' Meeting on March 19, 2012, the Board of Statutory Auditors handed over the report, which was made available to the public through publication on the Company's website, and a prompt response was made to the questions posed by the complainant.

The Board of Statutory Auditors, in its report, which should be referred to for a detailed examination of the facts, included several suggestions for the Board of Directors with regard to some of the operations included in the complaint.

The complaint introduced several subjects of a procedural nature and with regard to the preliminary safeguards in the execution of intra-group transactions and related-party transactions which, as stated previously, were brought to the attention of the Board of Directors, which will carry out the necessary investigations as well as make their own evaluations, with reference to the aspects most closely connected with the property transactions examined within the complaint.

It is therefore felt that the facts in the Board of Statutory Auditors' report will not have repercussions on the evaluation processes adopted in preparing the financial statements.

Any aspects involving compensation, which could emerge following the investigations requested by the Board of Statutory Auditors, will be evaluated by the Board of Directors.

The task of identifying independent experts who, from an economic, property and legal standpoint, can help the Company in its analyses, has been entrusted to a committee of independent directors.

During the Shareholders' Meeting on June 27, 2012, the Board of Statutory Auditors referred to the contents of the second supplement to the report pursuant to Article 2408 of the Italian Civil Code relating to the complaint submitted by the shareholder Amber Capital as well as the contents of the report pursuant to Article 2408 of the Italian Civil Code relating to the complaint submitted by the shareholder Finleonardo S.p.A. (both these Board of Statutory Auditors' documents have already been published on the Company's website on June 25, 2012). The latter report pointed out that, "with the letter of June 20, 2012, CONSOB questioned the "accounting methods for the Motor TPL Class claim reserves" and the consequent possible non conformity of the Company's consolidated financial statements at December 31, 2011 with the provisions of Article 154-*ter* of the TUF". The CEO reported to shareholders on the subject by reading a note which was published on the Company's website in addition to the report of the Statutory Board of Auditors.

Special Savings Shareholders' Meeting

A special Fondiaria-SAI S.p.A. Shareholders' Meeting was held on April 13, 2012, under the chairmanship of the Joint Representative of Savings Shareholders, called on the request of a shareholder.

The Meeting resolved, by a majority, to postpone the vote on the subject of examining, and maybe approving, the capital increase proposal, and examining and approving the report of the Joint Representative of the agenda. There was also a majority decision to confer a mandate on the Joint Representative of the Shareholders to evaluate, with the help of professionals engaged for this purpose, the existence of any responsibilities pertaining to the company representatives in relation to the prior management and any actions that could be experienced, also taking into account the results of the report of the Board of Statutory Auditors produced in compliance with Article 2408, paragraph 2 of the Italian Civil Code. The mandate also includes the Joint Representative having to report on the outcome of the checks at a future category Shareholders' Meeting.

Lastly, there was a majority decision to establish an expenses fund for protecting joint interests, pursuant to Article 146 of Legislative Decree 58/98 for a total of Euro 500,000.

CONSOB, requests for further information

In a letter dated April 16, 2012, CONSOB asked the Fondiaria-SAI S.p.A. Board of Statutory Auditors, pursuant to Article 114, paragraph 5 of the TUF, to make the following information public:

a) the evaluations underlying the failure to report without delay to CONSOB, pursuant to Article 149, paragraph 3 of the TUF, the irregularities in relation to the facts in the complaint submitted by the shareholder Amber Capital LP on October 17, 2011;
b) a summary of the criticalities found by this Board of Statutory Auditors as a result of the inquiries conducted following the above-mentioned complaint;
c) the possible further inquiries which this Board of Statutory Auditors conducted and intends to conduct, pursuant to Article 151 of the TUF with regard to the facts denounced by the shareholder Amber Capital LP;
d) the indications given to the Board of Directors regarding the time schedule it was asked to follow to produce verifications after the complaint by the above-mentioned shareholder;
e) the considerations surrounding the compliance by directors over a period of time, and in particular for the years to which the facts denounced by the shareholder Amber Capital LP refer, with the information obligations set out in Article 150, paragraph 1 of the TUF;
f) information about other related-party transactions that the Board of Statutory Auditors felt worthy of further investigation and the outcomes (or progress) of investigations conducted into these transactions, also with regard to the correctness of the procedure followed and the expediency for the Company of these transactions;
g) a summary of the important points reported by ISVAP on September 29, 2011 and the corrective measures implemented with regard to the Company or in the process of being implemented, with an evaluation of this Board of Statutory Auditors on the effectiveness of these measures;
h) the reasons for which, in spite of the presence of the criticalities mentioned in the previous point b) and the important points mentioned by ISVAP in the previous point g), this Board of Statutory Auditors maintained that the Company's internal control system was reliable;
i) information on the activation of the powers set out in Article 238 of Legislative Decree 209/2005 and evaluations of the activation of the powers set out in Article 2393 of the Italian Civil Code.

CONSOB also stated that "The above information, together with the present requests, should be made available to the public by 20.00 hours on April 19, 2012, as an annex to the Report in question".

In accordance with the methods set out in Part III, Title II, Chapter I of the Issuers' Regulations, a press release should also be published notifying the market of the additional information and the present requests, indicating the methods through which this information will be made available to the public.

In compliance with Consob's requests, on April 19, 2012, a Supplement to the Board of Statutory Auditors' Report to the Shareholders' Meeting on the Fondiaria-SAI S.p.A. results for the year ended December 31, 2011 and the activities conducted, was filed together with the following annexes: 1) summary of the Report pursuant to Article 2408 of the Italian Civil Code; 2) Supplementary Report pursuant to Article 2408 of the Italian Civil Code; 3) Arepo and Palladio Finanziaria letter of April 16, 2012; 4) Board of Statutory Auditors' letter of April 18, 2012 with the letter of April 12, 2012 of the Board of Statutory Auditors to the Company's Board of Directors attached.

The above documents are available on the Company's website under the section Ordinary Shareholders' Meeting April 23-24, 2012.

Supplements requested by CONSOB to the directors' report at December 31, 2011

At the request of CONSOB on April 16, 2012, pursuant to Article 114, paragraph 5, of Legislative Decree 58/98 (the TUF), on April 19, 2012, the Fondiaria-SAI S.p.A. Board of Directors approved several supplements to the directors' report at December 31, 2011 published on March 31, 2012 pursuant to Article 154-*ter* of the TUF and in relation to the remuneration published on March 31, 2012 pursuant to Article 123-*ter* of the TUF.
The above-mentioned supplements and the requests made by Consob in a communiqué on April 16, 2012, have been made available to the public. The documents are available on the Company's website (www.gruppofondiariasai.it), at the Company's registered office (Corso Galileo Galilei 12, Turin) and at Borsa Italiana S.p.A.

Resolutions of the Ordinary Shareholders' Meeting on April 24, 2012

The Fondiaria-SAI S.p.A. Ordinary Shareholders' Meeting held on April 24, 2012, first of all approved the 2011 financial statements, the contents of which were already known to the market, all as detailed in the Directors' Report which has already been made public.

During his speech, the CEO gave an update on the progress of the analyses relating to the facts mentioned in the report of the Board of Statutory Auditors pursuant to Article 2408 of the Italian Civil Code, presented in response to the complaint submitted by the shareholder Amber Capital LP, referring to the announcement made to the market on April 19, 2012. He also pointed out that a bankruptcy petition had been presented by the Milan Prosecutor for Sinergia Holding di Partecipazioni S.p.A. and Imco Immobiliare Costruzioni S.p.A., with whom the Fondiaria-SAI Group has signed property contracts which are the subject of the above-mentioned report pursuant to Article 2408 of the Italian Civil Code.

The Meeting also appointed the Board of Directors and the Board of Statutory Auditors for the three years 2012, 2013 and 2014, until the approval of the 2014 financial statements by the Shareholders' Meeting.

Specifically, based on the list submitted by PREMAFIN FINANZIARIA S.p.A., jointly with UNICREDIT S.p.A. and AREPO PR S.p.A., the Shareholders' Meeting confirmed the number of directors at 19, namely the following persons:

- Andrea Broggini
- Roberto Cappelli
- Maurizio Comoli
- Ranieri de Marchis
- Emanuele Erbetta
- Vincenzo La Russa
- Jonella Ligresti
- Gioacchino Paolo Ligresti
- Valentina Marocco
- Enzo Mei
- Salvatore Militello
- Giorgio Oldoini
- Massimo Pini
- Marco Reboa
- Cosimo Rucellai
- Salvatore Spiniello
- Antonio Talarico
- Graziano Visentin
- Salvatore Bragantini

The latter was appointed as he was the first candidate on the slate submitted by AREPO PR S.p.A., which came second in terms of the number of votes.

Pursuant to the Code of Corporate Governance of listed companies and pursuant to Article 148, paragraph 3 of Legislative Decree 58/98, 8 of the 19 directors are independent, namely: Salvatore Bragantini, Andrea Broggini, Roberto Cappelli, Valentina Marocco, Enzo Mei, Salvatore Militello, Giorgio Oldoini and Marco Reboa. Maurizio Comoli, Ranieri de Marchis and Cosimo Rucellai are also independent only pursuant to Article 148, paragraph 3 of Legislative Decree 58/98.

Salvatore Bragantini, Giorgio Oldoini and Marco Reboa are joining the Fondiaria-SAI Board of Directors for the first time.

Based on the list submitted by PREMAFIN FINANZIARIA S.p.A., jointly with UNICREDIT S.p.A. and AREPO PR S.p.A., the Shareholders' Meeting then appointed the following persons to the Board of Statutory Auditors:

- Giuseppe Angiolini — *Chairman*
- Giorgio Loli — *Statutory Auditor*
- Antonino D'Ambrosio — *Statutory Auditor*
- Sergio Lamonica — *Alternate Auditor*
- Maria Luisa Mosconi — *Alternate Auditor*
- Giovanni Rizzardi — *Alternate Auditor*

Giuseppe Angiolini was appointed Chairman of the Board of Statutory Auditors as he was the first candidate for the office of statutory auditor on the slate submitted by AREPO PR S.p.A., second in terms of the number of votes. Giuseppe Angiolini was appointed alternate auditor as he was the first candidate for the office of alternate auditor on the slate submitted by AREPO PR S.p.A., second in terms of the number of votes.

Note that Benito Giovanni Marino, the second candidate for the office of statutory auditor on the slate submitted by PREMAFIN FINANZIARIA S.p.A. and UNICREDIT S.p.A., announced before the start of the meeting that he was withdrawing his candidacy for serious family reasons.

With reference to the other topics on the agenda, note that for the reasons expressed in the supplement to the Remuneration Report already made public as requested by CONSOB, the remuneration policies in section I of this Report were not submitted for approval at today's meeting.

Lastly, the Meeting authorised the purchase and/or sale of treasury shares and shares of the Parent Company Premafin Finanziaria for a further 12 months with investment limits, respectively, equal to Euro 500,000 and Euro 300,000, it being understood that the maximum number of shares purchased cannot exceed that of shares sold in the meantime.

Appointment to company offices and internal board committees

The Fondiaria-SAI S.p.A. Board of Directors, which met on April 26, 2012, made the following appointments.
The Board appointed the following, for the entire duration of its mandate, until the approval of the 2014 financial statements:

- Cosimo Rucellai in the office of Chairman of the Board of Directors;
- Jonella Ligresti and Massimo Pini in the office of Vice Chairmen;
- Emanuele Erbetta in the office of CEO.

Piergiorgio Peluso will remain in the office of General Manager.

The Board of Directors appointed an Executive Committee, comprising eight directors in the persons of the Chairman, the Vice Chairmen and the CEO plus the persons listed below, for the entire duration of its mandate, until the approval of the 2014 financial statements:

- Ranieri de Marchis;
- Vincenzo La Russa;
- Gioacchino Paolo Ligresti;
- Salvatore Militello.

The Board of Directors also appointed the directors Salvatore Militello (in the role of lead coordinator), Enzo Mei and Marco Reboa, all independent, as members of the Internal Audit Committee.

The Board of Directors then appointed directors Roberto Cappelli, Enzo Mei, Salvatore Militello, Valentina Marocco, Salvatore Bragantini and Marco Reboa as members of the Independent Directors Committee, established pursuant to the procedure for related-party transactions of the Fondiaria-SAI Group with reference to the prospective integration with the UNIPOL Group, as well as to investigate the questions relating to the Board of Statutory Auditors' Report pursuant to Article 2408 of the Italian Civil Code.

The Board of Directors also appointed the directors Salvatore Militello (in the role of lead coordinator), Valentina Marocco, Enzo Mei, Salvatore Spiniello and Graziano Visentin as members of the Remuneration Committee.

The Remuneration Committee will be called upon to formulate proposals for the Board of Directors regarding the variable component of compensation to be paid to directors under the scope of the remuneration policies previously approved by the meeting, as well as regarding determining fixed compensation to be paid to the members of the administrative board holding special offices, taking into account, as revealed by ISVAP, also in consideration of the equity situation of the Company, a proportionality criterion between the office undertaken and the extent of the compensation.

The Board appointed Massimo Dalfelli as CFO for the entire duration of the mandate of the Board of Directors.

Lastly, the Board noted the provision of the Antitrust Authority with regard to the prospective integration with the Unipol Group, already published on the Authority's website during the last meeting of the Board, resolving to update itself on the subject.

Result of the treasury shares and Parent Company Premafin Finanziaria shares purchase/sale programme approved by the Shareholders' Meeting on April 28, 2011

Pursuant to Article 144-*bis* of the Issuers' Regulations, on April 24, 2012 the result of the treasury shares and Parent Company Premafin Finanziaria shares purchase/sale programme, approved by the Shareholders' Meeting on April 28, 2011, was announced.
During the period under consideration Fondiaria-SAI did not conduct any purchase/sales transactions of treasury ordinary and/or savings shares, nor any purchase/sales transactions of the Parent Company Premafin Finanziaria ordinary and/or savings shares.

Resignation of Marco Reboa

On May 3, 2012, Marco Reboa announced his resignation from the office of director of Fondiaria-SAI S.p.A., stating that his professional and university activities did not allow him to fulfil the duties of his office with the diligence required.

Integration project with the Unipol Group

Analysis of the evaluations and estimates made

The Fondiaria-SAI Board of Directors, which met on April 19, 2012, examined the evaluations and estimates made, with the help of advisors, in relation to the following hypotheses:
(i) combined business plan guidelines and possible synergies resulting from the integration with the Unipol Group, and
(ii) any prospective pro-forma solvency margin of the company resulting from the planned merger.

With regard to these aspects, the Board evaluated the practicability of the integration in a positive light.

From the point of view of the assessments for the purposes of the merger, the Board of Directors examined the Unipol Group proposal in the light of the investigations conducted by their advisors and, specifically, the condition that involves a 66.7% stake by Unipol Gruppo Finanziario in the ordinary share capital of Fondiaria-SAI as the acquiring company in the prospective merger.

Although the elements available indicate that this condition implies a range of potential investments for the Fondiaria-SAI minority shareholders which does not coincide with the current evaluations of the financial advisors, the Board of Directors believes that, in the specific corporate and market context, the Unipol Group proposal allows the investigation into the transaction to continue.

Specifically, also in compliance with the position expressed by the Independent Directors Committee, established in compliance with the procedure on the subject of related-party transactions, the Board believes that in order to form an opinion on the economic merits for the purpose of the merger, it is necessary to start with a comparison with the Unipol Group for a joint evaluation of the possible adjustments with regard to the structure of the transaction which can improve the expediency for Fondiaria-SAI shareholders.

Integration project with the Unipol Group update

On June 6, 2012, following extensive negotiations between the parties involved in the Integration Project, Unipol sent Fondiaria-SAI, Premafin and Milano Assicurazioni a proposal with the expected investment percentages in the Fondiaria-SAI ordinary capital after the merger to be allocated to those participating in the Integration Project. This proposal involved the allocation of the following investment percentages:

- Unipol 61.00%
- Other Fondiaria-SAI shareholders 27.45%
- Other Milano Assicurazioni shareholders 10.70%
- Other Premafin shareholders 0.85%

On June 11, 2012, the Fondiaria-SAI Board of Directors resolved, by a majority, to notify Unipol of its willingness to proceed with a further definition of the prospective merger on the basis of the June 6, 2012 proposal, and namely on the basis of an investment of the current Fondiaria-SAI ordinary shareholders, unlike the Premafin ones, equal to 27.45% of the ordinary share capital.
The resolution was adopted, following the majority favourable opinion of the Independent Directors Committee, established in accordance with the procedure for related parties, which was the reason for their decision that the Unipol counter-proposal, although outside of the range of values initially indicated by the financial advisors, met with the interests of shareholders in the light of the unique corporate context, in the presence, specifically, of an urgent recapitalisation request made by ISVAP pursuant to the sector regulations governing the adjusted solvency margin.

On June 20, 2012, the Bank of Italy, pursuant to Article 19 of Legislative Decree 385/93, authorised Finsoe and Unipol to take the controlling stake in Banca Sai and issued the *nihil obstat*, pursuant to Article 15 of the TUF, to take control of Sai Mercati Immobiliari SIM, Sai Investimenti SGR and an 18% stake in the capital of Hines SGR.
Also on June 20, 2012, ISVAP resolved, pursuant to Article 68 of the Private Insurance Code, to authorise Finsoe S.p.A., via Unipol and under the scope of the Integration Project, to take control of Premafin and the Fondiaria-SAI Group, imposing a series of obligations pertaining to Finsoe S.p.A. and to Unipol, respectively as the company heading the Unipol conglomerate and as Parent Company of the insurance group following the acquisition.

On June 20, 2012, the AGCM (Italian Competition Authority), following the launch of the preliminary investigation into the Integration Project of April 26, 2012 (under the scope of which the suspension of the transaction was arranged, pursuant to Article 17 of Law 287/90, with reference to the activities susceptible to producing irreversible effects, including the implementation of the Premafin capital increase as well as all activities regarding the sharing of a joint business plan, conversely allowing the continuation of negotiations into mergers and the activities relating to the capital increase) notified Unipol, Unipol Assicurazioni, Premafin, Fondiaria-SAI, Milano Assicurazioni, Mediobanca and Assicurazioni Generali S.p.A. (jointly known as the "AGCM Investigation Parties"), of the final provision of the procedure approved by the AGCM on June 19, 2012, available to the public on the AGCM website www.agcm.it (which should be referred to for further information).

The Provision is conditional to certain measures and obligations being adopted by the AGCM Investigation Parties: the Authority decided that the integration between the Unipol Group and the Premafin/Fondiaria-SAI Group could be authorised based on stringent measures capable of dissolving the ties with Mediobanca (which controls Generali, the main competitor in the markets involved in the transaction) and reducing the dominant position, through the sale of assets, which would otherwise be acquired in the Non-Life markets (specifically for Motor TPL policies) at a national level and, as far as the distribution of policies is concerned, in 93 provinces.
The recommended measures can be grouped together, by subject, into three types: (i) measures aimed at guaranteeing the sale of assets; (ii) measures aimed at overcoming the equity and financial bonds between the new entity and Mediobanca; and (iii) measures for which Mediobanca is responsible.

On June 25, 2012, Unipol and Premafin announced to the market that they had agreed:

- with reference to CONSOB's suggestions, through the provisions of May 22 and 24, 2012, containing the response to the question submitted by Unipol in relation to the recognition of the exemption from the mandatory tender offer of the various stages of the Integration Project: (i) to modify the indemnification agreement signed by Unipol and Premafin on January 29, 2012, to limit the transaction exclusively with regard to and in favour of the directors and auditors of Premafin, Fondiaria-SAI, Milano Assicurazioni and the respective subsidiaries, in the period 2007-2011, who did not either directly or indirectly or through subsidiaries, hold Premafin shares on January 29, 2012; and (ii) to limit the right of withdrawal, in the context of the merger, so that this right of withdrawal was not up to the Premafin reference shareholders and this would affect every future evaluation on the subject of excluding the right of withdrawal for all Premafin shareholders under the scope of the merger;

- with reference to the conditions precedent of the agreement of January 29, 2012, (i) to acknowledge that the conditions precedent in paragraph 3.1, point (vii), letter (y) (redefinition of the agreements with the creditor banks of Fondiaria-SAI, Milano Assicurazioni and the other Group companies) and letter (z) (cancellation of the liens on the Fondiaria-SAI shares held by Premafin and Finadin by the respective lender banks), point (ix) (approval of the merger project) and point (xi) (dismissal of at least the majority of the directors of Finadin, Fondiaria-SAI, Milano Assicurazioni and their main subsidiaries) of the agreement will be renounced by the parties, subject to the launch of the subscription period of the capital increase, or, if before, to the launch of the Unipol capital increase subscription period, it being understood that the activities relating to the merger will continue without a continuity solution, for the purpose of the approval of the merger project in the time schedule strictly necessary; (ii) to recognise that what has been indicated in the previous point (i) has been accepted by Unipol (a) notwithstanding the obligation of Premafin in good faith, with no obligation to produce results, to ensure that at least the majority of directors appointed by the Shareholders' Meeting, albeit appointed during 2012, of Finadin S.p.A., Fondiaria-SAI, Milano Assicurazioni and their main subsidiaries, resign their offices and (b) notwithstanding the condition precedent of Article 3.1 point (x) of the agreement (the resignation of at least the majority of the Premafin directors).

Declaration of insolvency of Imco S.p.A. in liquidation and Sinergia Holding di Partecipazioni S.p.A. in liquidation

The Board of Directors of Fondiaria-SAI at its meeting on June 14, 2012, took note of the bankruptcy order issued by the second civil division against Imco S.p.A. in liquidation (*"Imco"*) as well as Sinergia Holding di Partecipazioni S.p.A. ("*Sinergia*") in liquidation. Existing relations of the Fondiaria-SAI Group at June 30, 2012:

- Euro 101.7 million claimed by Milano Assicurazioni from Avvenimenti e Sviluppo Alberghiero S.r.l. in relation to the initiative in Via Fiorentini in Rome. This receivable, net of the provision for bad debts at June 30, 2012, stands at Euro 52.9 million;
- Euro 77.4 million claimed by Milano Assicurazioni S.p.A. from Imco relating to the initiative in Via De Castillia in Milan. This receivable, net of the provision for bad debts at June 30, 2012, stands at approximately Euro 25.5 million;

- Euro 23.3 million claimed by Immobiliare Fondiaria-SAI S.p.A. from Imco relating to the San Pancrazio Parmense (PR) initiative. This receivable, net of the provision for bad debts at June 30, 2012, stands at Euro 7.8 million;
- Euro 7.2 million claimed by Nuove Iniziative Toscane S.p.A. from Europrogetti S.p.A. for payments on account for design work. Note that at the end of the first half of 2012 the amount was completely written-down;
- Euro 21.4 million relating to receivables claimed by BancaSai from the Imco-Sinergia Group, of which approximately Euro 10.7 million is represented by unsecured credit positions. This receivable, net of the provision for bad debts at June 30, 2012, stands at Euro 12.8 million;
- approximately Euro 3.5 million, net of reinsurance, relating to financial guarantees policies for obligations undertaken by companies which are part of the Imco-Sinergia Group which have already been accounted for in the cost of claims.

  Regarding the level of exposure relating to financial guarantees policies, a further Euro 8.3 million is reported, net of reinsurance.

DISPUTES IN PROGRESS

Actions by shareholders

With regard to the proceedings instituted by shareholders of the subsidiary La Fondiaria Assicurazioni S.p.A. against the Company in relation to the fulfilment of public purchase offer obligations pursuant to CONSOB regulation of December 2002, it should be mentioned that one first instance proceeding is pending before the Court of Milan which the Company was notified of in February 2012.

Four proceedings initiated by the Company for the reform of judgments issued by the Court of Milan are pending with the Court of Appeal of Milan. In addition, another proceeding is pending with the Court of Appeal of Florence following the counterparty's appeal of the judgement that was issued by the Court of Florence in favour of the Company.
The Milan Court of Appeal – in the seven second level judgments issued on the matter – has fully reformed the first instance sentences accepting the Company's objections and rejecting the request for compensation made by the claimants.

There are five summary judgments currently before the Court of Cassation brought respectively by Promofinan S.p.A., Messrs Marcegaglia, Savelli, Gazzoni Frascara and by Promofinan S.r.l. in appeal of the judgment in our favour that was issued by the Milan Court of Appeal. The Company has counter-appealed.
The provisions for risks and charges allocated in the financial statements at December 31, 2011, confirmed at June 30, 2012, are sufficient to meet any expenses should the existing disputes escalate.

IMPORTANT EVENTS AFTER THE END OF THE HALF-YEAR

CONSOB authorises the publication of the prospectus for the Fondiaria-SAI S.p.A. ordinary and savings shares rights offering

On July 12, CONSOB authorised the publication of the Prospectus relating to the Category B ordinary shares and savings shares rights offering with rights, respectively for the holders of Category A ordinary shares and savings shares and the admission to trading on the Mercato Telematico Azionario organised and managed by Borsa Italiana S.p.A. of new issue Category B ordinary and savings shares ("the Offer").

The timetable for the Offer makes provision for the option rights, valid for the subscription of shares, to be traded on the Stock Exchange from July 16, 2012 to July 25, 2012, inclusive and to be exercised, subject to cancellation, from July 16, 2012, until August 1, 2012, inclusive (the "Offer Period"). The results of the Offer will be announced within 5 days of the end of the Offer Period, through an appropriate announcement.

Within the month following the conclusion of the Offer Period, the option rights not exercised during the Offer Period will be offered on the Stock Exchange for at least five days when the market is open for trading, pursuant to Article 2441, paragraph 3 of the Italian Civil Code.

Note that, as indicated in the press release of July 5, 2012, the launch of the capital increase was subject to the establishment of the underwriting syndicate by the morning of the following day. The establishment of this syndicate and the list of members have been announced in a dedicated press release.

It is also expected that Unipol will be irrevocably committed to the Company to fully subscribe any Category B savings shares remaining unsubscribed at the end of the offering on the Stock Exchange, for a maximum value equal to approximately Euro 182 million. The undertaking of this obligation will be formalised at the same time as the other guarantee obligations and will be announced in the same press release about the establishment of the underwriting syndicate.

Unipol has stated that its subscription commitment will be met through the use of financial resources which are already available.

Note that Premafin Finanziaria S.p.A. and Finadin S.p.A. have undertaken to fully subscribe the share of the Company's capital increase pertaining to them, subject to the subscription of the Premafin Finanziaria S.p.A. capital increase implementing the agreement signed by the latter and Unipol Gruppo Finanziaria S.p.A. on January 29, 2012 and the timely execution by the banks of the irrevocable instructions of payment having been received.

For the purpose of the Offer, Fondiaria-SAI has been assisted by Goldman Sachs as financial advisor.

The Prospectus is available at the Registered Office of the Issuer at Corso Galilei 12, Turin and on the Issuer's website, www.fondiaria-sai.it.

Notwithstanding the final conditions of the capital increase approved by the Fondiaria-SAI Board of Directors at the meeting on July 5, 2012, which – it should be noted – for the implementation of the resolution of the Extraordinary Shareholders' Meeting on June 27, 2012, resolved to increase the paid-in and divisible share capital by a maximum of Euro 1,098,691,357.68 (including a premium) through the issuing of:

- a maximum of 916,895,448 ordinary shares, with no par value expressed, with the same characteristics as the outstanding shares and with regular dividends, to be offered as an option to holders of Company ordinary shares at a price of Euro 1 per share, of which Euro 0.435 is a premium, in the ratio of 252 new issue shares for every 1 ordinary share owned, for a maximum value of Euro 916,895,448. The issue price includes a discount of approximately 24.7% of the Theoretical Ex Right Price (TERP) of the ordinary shares, calculated on the basis of the Stock Exchange closing price on July 5, 2012.
- a maximum of 321,762,672 Category B savings shares, with no par value expressed, with regular dividends, to be offered as an option to holders of Company Category A savings shares at a price of Euro 0.565 per share, to be entirely allocated to the capital, in the ratio of 252 new issue shares for every 1 savings share owned, for a maximum value of Euro 181,795,909.68. The issue price includes a discount of approximately 24.9% of the Theoretical Ex Right Price (TERP) of Category A savings shares, calculated on the basis of the Stock Exchange closing price on July 5, 2012.

Acquisition, by Unipol Gruppo Finanziario, of direct control of Premafin and therefore the Fondiaria-SAI Group

Following the subscription, which took place on July 19, 2012, by Unipol Gruppo Finanziario of the Premafin reserved capital increase, Premafin and Finadin subscribed their allocation of the Fondiaria-SAI S.p.A capital increase. A total of 339,541,776 new issue ordinary shares were subscribed and released at a price of Euro 339,541,776.

As a result of the above, Unipol Gruppo Finanziario acquired control of Premafin and therefore also of the Fondiaria-SAI Group. Note, therefore, that the adjusted solvency index determined with reference to the prospective margin required at the end of the year is beyond 100%.

Capital increase: closure of the offer period

On August 1, 2012 the offering to shareholders of a maximum of 916,895,448 ordinary shares and a maximum of 321,762,672 new issue Fondiaria-SAI S.p.A. Category B savings shares, coming from the paid-in, divisible share capital increase, whose conditions were approved by the Board of Directors on July 5, 2012, in execution of the powers conferred on them by the Extraordinary Shareholders' Meeting of June 27, 2012, was concluded.
During the offer period, between July 16, 2012 and August 1, 2012 (inclusive), 2,484,113 rights options for the subscription of 625,996,476 ordinary shares and 283,366 option rights for the subscription of 71,408,232 new issue Fondiaria-SAI S.p.A. Category B savings shares, equal respectively to 68.273% of the total of ordinary shares and 22.193% of the total of new issue Category B savings shares offered, were exercised for a total value equal to Euro 666,342,127.08.
At the end of the Offer Period, 1,154,361 option rights valid for the subscription of 290,898,972 ordinary shares and 993,470 option rights valid for the subscription of 250,354,440 Category B savings shares, equal respectively to 31.727% of the total ordinary shares offered and to 77.807% of the new issue Category B savings shares offered, were not exercised for a total amount equal to Euro 432,349,230.60.
The option rights not exercised will be offered on the Stock Exchange by Fondiaria-SAI S.p.A. on the dates which will be notified later through a special notification produced pursuant to Article 89 of Consob Regulation 11971/1999.

Therefore, as a result of the above, note that the adjusted solvency ratio, determined with reference to the prospective margin required at the end of the year and gross of the costs for the capital increase, stands at approximately 120%.

OUTLOOK

During the first half of 2012 the initiatives begun with a view to regaining profitability and capital soundness were strengthened: however, the results suffered from extraordinary effects which were not foreseeable, such as the bankruptcy proceedings which involved the associated companies Imco and Sinergia, as well as the earthquakes which occurred in the Emilia-Romagna area and for which the Group is carrying out the appropriate assessments.

In the Motor TPL Class the trend in the decrease in the number of claims continues, in the light of initiatives undertaken in relation to the accident portfolio, the activities battling against fraud and the rate interventions weighted according to the effective risk of customers, making the guarantees offered more competitive throughout Italy. In the second half of 2012, the Non-Life Sector will see the actions aimed at regaining technical profitability continue.

In the other Non-Life Sector, the policy will remain directed towards prudential criteria and will continue to favour retail customers and small and medium-sized businesses, pursuing a development policy focused on areas and categories of customers who display a satisfactory technical performance.

In the retail sector, reform activities will continue, while in the corporate sector there are plans to continue with the portfolio mix restructuring activities (in terms of terminations and reforms), at the same time reviewing underwriting criteria. More generally, there are plans to withdraw from sectors which are not structurally profitable.

In the Life Sector, encouragement to improve the quality of the portfolio will continue aiming to increase the percentage of Class I periodic premium products (annual or recurring), which are more remunerative and induce customer loyalty, creating value in the long term. The projection of the earnings performance for the Life sector at the end of the year will, however, also depend on the overall development of redemptions.

As far as the Real Estate sector is concerned, the reduction in exposure in overall investments will continue, through a radical overhaul of the Group's asset allocation and the evaluation and disposal of non-core assets.

Benefits are expected in the Financial sector in the light of a gradual stabilisation of financial markets.

Actions aimed at containing structural costs through the revision of operating models and the organisational simplification of the Group will continue.

Future Group programmes and strategies are aimed at the definitive implementation of the capital strengthening project and the consequent restoring of the solvency margin required by law through the implementation of the capital increase which will come under the widest scope of the Integration Project with the Unipol Group.

Milan, August 2, 2012

For the Board of Directors

Erbetta Emanuele

Interim condensed consolidated financial statements as of and for the six months ended June 30, 2012

The present condensed consolidated financial statements as of and for the six months ended June 30, 2012 of the Fondiaria-SAI Group were prepared in accordance with IAS 34 and Article 154-*ter* of Legislative Decree 58/1998 (TUF). The valuation and measurement of the amounts in the Explanatory notes are in accordance with IAS/IFRS as currently endorsed by the European Union and their current interpretation by the official accounting organisations.

These financial statements do not include all of the information required for the annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2011.
The presentation of thestatement of financial position, the income statement, the statement of comprehensive, the statement of changes in shareholders' equity, the cash flow statement, the statement of financial position and the income statement by sector complies with ISVAP Regulation No. 7 of July 13, 2007.

In the preparation of the interim financial statements Fondiaria-SAI prepares the consolidated financial **statements according to IAS/IFRS applied on a consistent basis.**
It should be noted that due to the requirements of having timely information and also to avoid repeating information already present in the annual financial statements, the present condensed half-year consolidated financial statements provide more limited information than the annual financial statements, although in accordance with the minimum disclosure as per IAS 34 and other regulatory provisions.

Financial statements

STATEMENT OF FINANCIAL POSITION– ASSETS

(in Euro thousands)

		30/06/2012	31/12/2011
1	**INTANGIBLE ASSETS**	**1,389,990**	**1,462,890**
1.1	Goodwill	1,345,680	1,367,737
1.2	Other intangible assets	44,310	95,153
2	**PROPERTY AND EQUIPMENT**	**375,925**	**401,744**
2.1	Buildings	310,557	315,500
2.2	Other property and equipment	65,368	86,244
3	**REINSURANCE ASSETS**	**759,453**	**701,880**
4	**INVESTMENTS**	**32,330,381**	**33,789,332**
4.1	Investment property	2,449,163	2,759,245
4.2	Investments in subsidiaries, associates and joint ventures	107,490	116,558
4.3	Investments held to maturity	725,783	599,713
4.4	Loans and receivables	3,873,274	3,688,865
4.5	Financial assets available-for-sale	18,033,249	17,598,287
4.6	Financial assets recognised at fair value through profit or loss	7,141,422	9,026,664
5	**OTHER RECEIVABLES**	**2,211,483**	**2,340,741**
5.1	Receivables from direct insurance operations	1,300,933	1,698,430
5.2	Receivables from reinsurance operations	86,751	78,637
5.3	Other receivables	823,799	563,674
6	**OTHER ASSETS**	**1,669,426**	**1,803,440**
6.1	Non-current assets or disposal groiup classified as held for sale	189,988	87,151
6.2	Insurance deferred acquisition costs	31,146	30,301
6.3	Deferred tax assets	887,328	1,155,060
6.4	Tax receivables assets	321,528	316,208
6.5	Other assets	239,436	214,720
7	**CASH AND CASH EQUIVALENTS**	**953,835**	**976,582**
	TOTAL ASSETS	**39,690,493**	**41,476,609**

STATEMENT OF FINANCIAL POSITION- **SHAREHOLDERS' EQUITY AND LIABILITIES**

(in Euro thousands)

		30/06/2012	31/12/2011
1	**SHAREHOLDERS' EQUITY**	**1,850,282**	**1,556,708**
1.1	**Shareholders' equity attributable to the Group**	**1,224,535**	**1,036,952**
1.1.1	Share Capital	494,731	494,731
1.1.2	Other equity instruments		
1.1.3	Capital reserves	315,460	315,460
1.1.4	Retained earnings and other capital reserves	980,669	1,834,570
1.1.5	(Treasury shares)	-213,026	-213,026
1.1.6	Reserve for currency translation difference	-70,478	-56,772
1.1.7	Unrealized gain or loss on financial assets available-for-sale	-272,439	-478,283
1.1.8	Other unrealized gains or losses through equity	-17,947	-7,009
1.1.9	Net profit (loss) for the period	7,565	-852,719
1.2	**Shareholders' equity attributable to non controling interests**	**625,747**	**519,756**
1.2.1	Non controlling interests capital and reserves	722,804	903,659
1.2.2	Unrealized gains or losses through equity	-114,435	-201,984
1.2.3	Net profit (loss) for the period	17,378	-181,919
2	**PROVISIONS FOR RISKS AND CHARGES**	**296,504**	**322,310**
3	**INSURANCE CONTRACT LIABILITIES**	**33,535,319**	**35,107,505**
4	**FINANCIAL LIABILITIES**	**2,528,360**	**3,143,273**
4.1	Financial liabilities at fair value through profit and loss	716,578	1,303,886
4.2	Other financial liabilities	1,811,782	1,839,387
5	**PAYABLES**	**829,103**	**792,090**
5.1	Payables from direct insurance operations	94,414	78,999
5.2	Payables from reinsurance operations	87,793	84,912
5.3	Other payables	646,896	628,179
6	**OTHER LIABILITIES**	**650,925**	**554,723**
6.1	Liabilities directly associated with non-current assets or disposal group classified as held for sale	103,940	0
6.2	Deferred tax liabilities	121,425	133,452
6.3	Tax payables	51,725	16,522
6.4	Other liabilities	373,835	404,749
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**39,690,493**	**41,476,609**

INCOME STATEMENT

(in Euro thousands)

		30/06/2012	30/06/2011
1.1	Net premiums	4,925,687	6,035,870
1.1.1	*Gross premiums*	*5,087,222*	*6,188,403*
1.1.2	*Premiums ceded to re-insurers*	*-161,535*	*-152,533*
1.2	Fee and commission income	4,987	13,745
1.3	Income and charges from financial instruments at fair value through profit and loss	325,515	84,064
1.4	Income from investments in subsidiaries, associates and joint ventures	667	15,021
1.5	Income from other financial instruments and investment properties	636,518	597,918
1.5.1	*Interest income*	*407,698*	*389,795*
1.5.2	*Other income*	*92,474*	*82,874*
1.5.3	*Realised profits*	*129,592*	*125,084*
1.5.4	*Unrealized gains and reversal of impairment losses*	*6,754*	*165*
1.6	Other income	175,724	316,979
1	**TOTAL INCOME**	**6,069,098**	**7,063,597**
2.1	Net insurance benefit and claims	-4,447,543	-5,340,703
2.1.2	*Claims paid and changes in insurance contract liabilities*	*-4,602,766*	*-5,430,267*
2.1.3	*Reinsurers' share*	*155,223*	*89,564*
2.2	Fee and commission expenses	-4,418	-9,105
2.3	Expenses from investments in subsidiaries, associates and joint ventures	-8,567	-7,701
2.4	Expenses from other financial instruments and investment properties	-225,869	-263,434
2.4.1	*Interest expense*	*-31,935*	*-37,090*
2.4.2	*Other expenses*	*-34,300*	*-33,224*
2.4.3	*Realised losses*	*-45,627*	*-67,437*
2.4.4	*Unrealized losses and impairment losses*	*-114,007*	*-125,683*
2.5	Operating expenses	-858,607	-976,881
2.5.1	*Commissions and other acquisition expenses*	*-645,754*	*-734,568*
2.5.2	*Investment management cost*	*-7,085*	*-6,797*
2.5.3	*Other administration expenses*	*-205,768*	*-235,516*
2.6	Other expenses	-439,242	-505,066
2	**TOTAL EXPENSES**	**-5,984,246**	**-7,102,890**
	PROFIT (LOSS) BEFORE TAXES	**84,852**	**-39,293**
3	Income taxes	**-48,765**	**-22,256**
	PROFIT (LOSS) AFTER TAXES	**36,087**	**-61,549**
4	**LOSS FROM DISCONTINUED OPERATIONS**	**-11,144**	**0**
	PROFIT (LOSS) FOR THE PERIOD	**24,943**	**-61,549**
	Profit (loss) for the period attributable to equity shareholders of the parent	7,565	-61,911
	Profit (loss) for the period attributable to non controlling interest	17,378	362

COMPREHENSIVE INCOME STATEMENT

(in Euro thousands)

	30/06/2012	30/06/2011
CONSOLIDATED PROFIT (LOSS)	**24,943**	**-61,549**
Change in reserve for currency translation difference	-13,708	9,898
Gain or loss from financail assets available-for-sale	295,470	31,018
Gain or loss on cash flow hedging instruments	-8,014	8,819
Gain or loss on a net foreign investment hedge		0
Change in net equity of holdings	-1,178	887
Change in revaluation reserve of intangible assets		0
Change in revaluation reserve of property and equipment		0
Profit or loss on non-current assets or disposal group classified as held for sale		0
Actuarial gains and losses and adjustments to employee defined benefit plans	-3,821	-159
Other		4,508
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT ITEMS	**268,749**	**54,971**
TOTAL COMPREHENSIVE CONSOLIDATED INCOME	**293,692**	**-6,578**
Attributable to equity shareholders of the parent	**188,765**	**-5,752**
Attributable to the non-controlling interest	**104,927**	**-826**

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS’ EQUITY AS AT JUNE 30, 2012

Relating to the statement of changes in shareholders’ equity, the statement requested by Regulation No. 7/07, which satisfies the disclosures of IAS 1 and implements the amendments introduced by ISVAP Provision 2784 of March 8, 2010 is shown below.

In particular:

- The column “Allocation” relates to, among others, the allocation of the result of the year, the result of the previous year to the reserves, the increase in share capital and other reserves, and the changes in unrealized gain and losses through equity.
- The column “Adjustments from reclassification to the Income Statement” includes the gains and losses previously recorded through equity which are reclassified in the to the Income Statement in accordance with international accounting standards;
- The “Transfers” include, among others, the distribution of dividends and the decrease of share capital and other reserves, including the purchase of treasury shares.

The statement highlights all of the changes net of taxes and of profits and losses, deriving from the valuation of financial assets available-for-sale, attributable to policyholders and recordable under insurance liabilities.

CHANGES IN SHAREHOLDERS' EQUITY

(in Euro thousands)

		Existing at 31/12/2010	Change to closing balances	Allocations	Adjustments from reclassification to Income Statement	Transfers	Existing at 30/06/2011
Equity shareholders of the parent	Share Capital	167,044					167,044
	Other equity instruments	0					0
	Capital reserves	209,947					209,947
	Retained earnings and other capital reserves	2,620,792		-779,957			1,840,835
	(Treasury shares)	-321,933		108,907			-213,026
	Profit (loss) for the period	-717,582		655,671			-61,911
	Other items of the comprehensive income statement	-76,141		-580	56,739		-19,982
	Equity shareholders of the parent total	**1,882,127**	**0**	**-15,959**	**56,739**	**0**	**1,922,907**
Non-controlling interests	Non controlling capital and reserves	902,126		-194,175			707,951
	Profit (loss) for the period	-211,279		212,098		-457	362
	Other items of the comprehensive income statement	-22,869		-12,109	10,921		-24,057
	Non controlling interests total	**667,978**	**0**	**5,814**	**10,921**	**-457**	**684,256**
Total		**2,550,105**	**0**	**-10,145**	**67,660**	**-457**	**2,607,163**

(in Euro thousands)

		Existing at 31/12/2010	Change to closing balances	Allocations	Adjustments from reclassification to Income Statement	Transfers	Existing at 30/06/2012
Equity shareholders of the parent	Share Capital	494,731					494,731
	Other equity instruments	0					0
	Capital reserves	315,460					315,460
	Retained earnings and other capital reserves	1,834,570		-853,901		0	980,669
	(Treasury shares)	-213,026					-213,026
	Profit (loss) for the period	-852,719		860,284		0	7,565
	Other items of the comprehensive income statement	-542,064		118,482	62,718	0	-360,864
	Equity shareholders of the parent total	**1,036,952**	**0**	**124,865**	**62,718**	**0**	**1,224,535**
Non-controlling interests	Non controlling capital and reserves	903,659		-180,855		0	722,804
	Profit (loss) for the period	-181,919		199,297		0	17,378
	Other items of the comprehensive income statement	-201,984		57,987	29,562		-114,435
	Non controlling interests total	**519,756**	**0**	**76,429**	**29,562**	**0**	**625,747**
Total		**1,556,708**	**0**	**201,294**	**92,280**	**0**	**1,850,282**

CONSOLIDATED CASH FLOW STATEMENT AT JUNE 30, 2012

In relation to the Cash Flow Statement, the attachment as per Regulation 7/2007, which complies with IAS 7, is provided; this accounting principle requires that the preparation of the statement satisfies some minimum requirements and, that the presentation of the cash flow from operating activities is prepared using, the direct method, which indicates the main categories of gross receipts and payments, or alternatively the indirect method, in which the results for the period are adjusted for the effects of non-cash items, of any deferral or accrual of future operating receipts and payments, and of revenues or costs relating to financial cash flows deriving from investments or financial activities.
The following cash flow statement, prepared using the indirect method, sets forth separately the net cash flow from operating activity and those from investment and financial activities.

CASH FLOW STATEMENT (INDIRECT METHOD)

(in Euro thousands)	30/06/2012	30/06/2011
Profit/(loss) before taxes	**84,852**	**-39,293**
Non-cash items included in the profit/(loss) before taxes	**-1,729,517**	**952,779**
Change in non-life unearned premium provision	-91,736	22,645
Change in claims provision and other non-life technical provision	-257,866	-32,909
Change in mathematical provisions and other life technical provisions	-1,412,290	653,053
Change in deferred acquisition costs	-845	17,454
Change in provisions for risks and charges	-25,806	-34,426
Non-cash income and expenses from financial instruments, property and investments	-92,375	65,607
Other	151,401	261,355
Change in receivables and payables from operating activities	**299,175**	**53,972**
Change in receivables and payables from direct insurance and reinsurance operations	233,910	95,196
Change in other receivables and payables	65,265	-41,224
Income taxes paid	**-8,977**	**-11,388**
Net cash flow from/(used in) investing and financing activities	**1,195,465**	**-957,022**
Liabilities from financial contracts issued by insurance companies	-625,630	-142,556
Due to bank and interbank	-25,688	-33,963
Loans and receivables from bank and interbank	-202,543	-39,669
Other financial instruments recognised at fair value through profit and loss	2,049,326	-740,834
NET CASH FLOW USED IN OPERATING ACTIVITIES	**-159,002**	**-952**
Net cash flow from/(used in) investment property	67,589	-3,373
Net cash flow from/(used in) investments in subsidiaries, associates and joint ventures	783	-18,867
Net cash flow from/(used in) loans and receivables	20,024	-434,153
Net cash flow used in investments held to maturity	-126,070	-11,763
Net cash flow from financial assets available-for-sale	93,057	618,926
Net cash flow used in property and equipment and intangible assets	-8,027	-27,170
Net cash flows from/(used in) investing activities	85,307	-18
TOTAL NET CASH FLOW FROM INVESTING ACTIVITIES	**132,663**	**123,582**
Proceeds from Group equity instruments	0	0
Proceeds from treasury shares	0	0
Dividends paid	0	0
Net cash flow from/(used in) non-controlling interests capital and reserves	0	47,323
Net cash flow from/(used in) subordinate liabilities and financial instruments in holdings	0	0
Net cash flow generated/absorbed by other financial liabilities	3,592	-272,766
TOTAL NET CASH FLOW FROM FINANCING ACTIVITIES	**3,592**	**-225,443**
Effects of exchange rate cahnges on cash and cash equivalents	**-3,319**	**1,958**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	976,582	625,940
NET DECREASE IN CASH AND CASH EQUIVALENTS	-22,747	-102,813
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	953,835	523,127

Explanatory notes

PART A – Basis of preparation and Accounting policies

The accounting standards utilised, the measurement and recognition criteria, and the consolidation methods applied for the preparation of the condensed consolidated half-year financial statements at June 30, 2012 are consistent with those adopted for the consolidated financial statements at December 31, 2011 – to which reference should be made – and therefore are in compliance with the International Accounting Standards IAS/IFRS as issued by the IASB, endorsed by the European Union and interpreted by the official bodies. Reference should therefore be made to the 2011 consolidated financial statements for detailed illustration of the methods utilised.
The adoption of new accounting standards starting from January 1, 2012 (including the amendments to IAS 12 - Income Tax) did not result in significant impact on the present condensed half-year consolidated financial statements at June 30, 2012.
In addition, in June 2012 the new IAS 19 which, among other things, abolishes the corridor method, was approved. The standard will be effective as of January 1, 2013, but we do not expect it to have a significant impact on the consolidated financial statements.
The statement of financial position and the income statement data and related Explanatory notes have been prepared in accordance with IAS 34 "Interim Financial Reporting", presenting the significant operations and events occurred in the period. In the preparation of the interim financial statements, the application of the accounting standards and policies requires a greater useof estimates and assumptions which affect the amount of assets, liabilities, revenues and expenses.
The estimates and assumptions are revised regularly, and any change therefrom is recorded in the period in which they are carried out.

At June 30, 2012, the individual solvency margins of the insurance companies within the Group were largely positive, confirming the continuance of the operating businessand thus the assumption of the business as a going concern, as seen during the approval of the 2011 financial statements. Reference should be made to the paragraph on subsequent events occurred after the end of the half-year, which explains the result of the recapitalisation initiatives.

Non-Life Claims Provisions

Motor TPL

Current Year:
To determinethe current year provision for claims managed, the valuation, based on the analysis of the average cost obtained, made in relation with the financial statements for the year 2011 was taken into account. To determine the current year provisions for claims managed, the cost as above obtained was increased to make the ultimate costs consistant with those determined for the financial statements for the year 2011 and projected for the year 2012, taking also into account the trend in the mix of claims reported, which shows a decrease in claims with injuries.

Previous Years:
For previous year claims, already accrued to provisions at the beginning of the year, the valuation was made on the basis of the ultimate cost determined at the end of 2011 based on the usual statistical methodologies on the change in the cost of claims, appropriately taking into account the reversals of the provisions occurred in the first half of 2012.

Other Non-Life Classes:
Both for the current generation and for previous year generations, the estimate of the loss performed by the technical offices was supplemented with the parameters already used for the preparation of the 2011 financial statements, in case of not significant statistical changes compared to the longstanding trends.

Reinsurance

The reinsurance assets relating to the reinsurers are calculated based on the portion ceded for the proportional reinsurance contracts and in a previsional manner for reinsurance contracts in excess and stop-loss, on the basis of the information available and utilising the same criteria for the direct premium provision, taking into account the contractual clauses.
The items relating to the indirect insurance premiums represent the portion of the results estimated for the full year; in the determination of the amounts, reference was made to the certified data relating to mandatory contracts accepted by the companies outside of the Group, whose technical results refer to the year 2011.

Valuation and impairment of financial instruments

With reference to the valuation of financial instruments, reference should be made to the consolidated financial statements for the year ended December 31, 2011.
The "fair value policy" outlined therein did not incur changes and, therefore, with reference to the financial instruments listed in active markets, the stock exchange price at June 30, 2012 was utilised.

Consequently in this half-year financial statements, the income statement include impairment losses on financial assets available-for-sale, due to the application of the automatic criteria already described in the consolidated financial statements for the year ended December 31, 2011 and which identified temporal and quantitative limits for the recording of a prolonged or significant reduction of fair value as per paragraph 61 of IAS 39.

It is recalled that for the purposes of objective impairment, the Group has defined the conditions of a prolonged or significant reduction of fair value, as follows:
1. Reduction in market value greater than 60% of the original cost at the reporting date of of the financial statements;
2. market value continuosly lower than the original book value, over a two-year time period.

Greek sovereign debt

It should be recalled that on February 24, 2012, it was approved the exchange offer on Greek government debt securities, which provided for each Euro 1,000 of nominal value of the securities outstanding the exchange with:

- 20 securities issued by the Greek government for an overall nominal value of Euro 315 maturing in 11 to 30 years;

- 2 new securities issued by the European Fund for Financial Stability (EFSF), for a total nominal value of Euro 150;
- GDP-linked securities issued by Greece with a notional amount equal to that of the new securities received in exchange (Euro 315), which will earn additional interest in the event that Greek GDP grows beyond a fixed threshold;
- short-term zero coupon bonds issued by the EFSF to hedge the interest accrued and not paid on the old Greek government issues on the date of the agreement.

The Group companies, as previously reported in the 2011 consolidated financial statements, subscribed for all the securities held.

The securities received in substitution were recognised in the "held for trading" category. The respective effects are described in the Explanatory notes.

In this regard, it is noted that at June 30, 2012 the Group's exposure to Greek sovereign debt securities had a nominal value of Euro 111.6 million.

Reclassification of financial instruments

We recall that in accordance with IAS 39, as enacted in October 2008 through the approval of Regulation (EC) No 1004/2008, a financial asset classified as available for sale may be reclassified in the category "Loans and Receivables" provided that it complies with the requirements contained in the definition of loans and receivables, and that the Group has the intention and the capacity to hold the financial asset for the foreseeable future or until maturity.

The Group decided to avail itself of this option and at January 1, 2009 reclassified to to "Loans and Receivables" some debt securities for Euro 808,419 thousand that at December 31, 2008 were recorded within the category "Available for sale". These securities, principally containing subordination clauses and issued by corporate parties, were measured at fair value at December 31, 2008 through mark to model, with the purpose to provide maximum transparency and clarification in the valuations in the accounts. This intention does not easily match with the nature of the securities and with the difficulty to define and, therefore, provide an objective fair value, in consideration of the current financial crisis which does not permit normal pricing, in particular for these types of securities.
The value transferred is equal to 2.4% of the total amount of the Investments of the Group at January 1, 2009. This reclassification was therefore not considered significant for the purposes of the fullfill of the annex "Details of the financial assets reclassified and of the effects on the income statement and on comprehensive income".

At June 30, 2012 the residual value of the transferred securities was Euro 734,140 thousand and the fair value at that date, determined on the basis of the above-mentioned mark to model method, substantially confirms the book value at the date of the present report. There was no permanent loss in value on any security and the effect of the amortised cost resulted in the recording of income of Euro 6,151 thousand on the Income Statement. The residual negative AFS reserve recorded on these securities at January 1, 2009 amounted to Euro 75,222 thousand and is amortised in accordance with the provisions of IAS 39. At June 301, 2012 the residual value amounted to Euro 49,132 thousand.

Consolidation methods

The consolidation methods utilised in the half-year report are consistent with those applied for the last consolidated financial statements.
For detailed information on them, reference should be made to the latter. Any references to December 31 should be considered as similar for June 30.
For the preparation of the consolidated half-year report, the half-year financial statements approved by the Boards of Directors of the respective Companies were utilised or, alternatively, the half-year financial statements which were reviewed by the respective management boards.

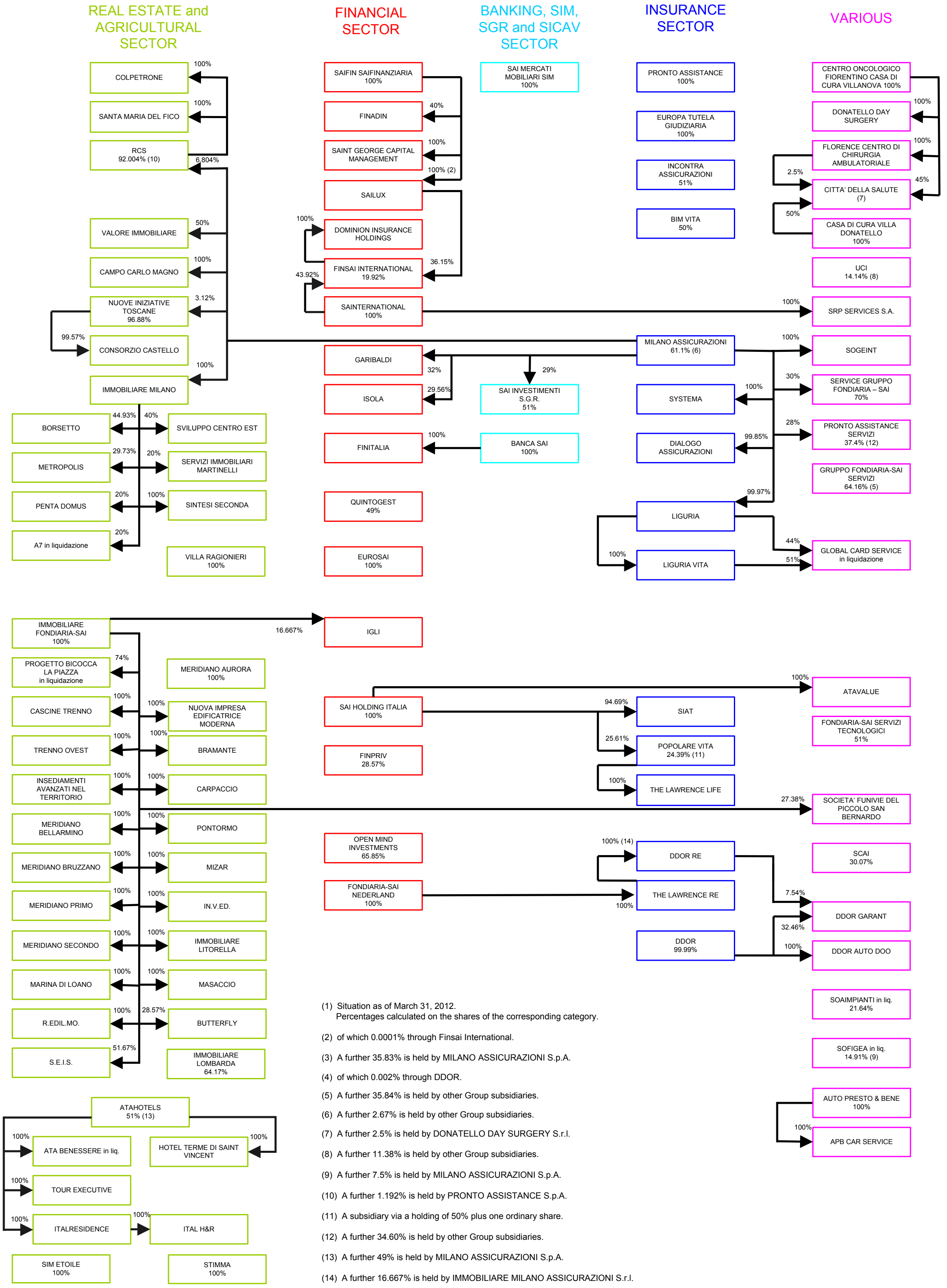
Currency

The present interim condensed consolidated financial statements are expressed in Euro which is the functional currency in which the majority of the operations of the Group are carried out. It is also reported in the interim accounts whether the amounts are in thousands or millions of Euro. Where applicable, the translation of the interim financial statements expressed in currencies other than the Euro is carried out applying the exchange rates at the reporting date for the statement of the financial position items and the average between the beginning and the end of the period exchange rate for the income statement items.

Consolidation scope

At June 30, 2012, the Fondiaria-SAI Group, including the Parent Company, was made up of 105 Companies, of which 17 operate in the insurance sector, one in the banking sector, 43 in the real estate and agricultural sectors and 16 in the financial services sector; the remaining companies are various service companies. The foreign companies within the Group are 17.
The fully consolidated companies are 79, those consolidated under the equity method are 16, while the remaining companies are consolidated following the proportional method or maintained at cost due to the limited size or the nature of activities as they are not significant for the purposes of a true and fair representation of the present financial statements.
There are 84 subsidiary companies, of which 29 are controlled directly by the Parent Company.
During the first half of 2012, the scope of consolidation of the Fondiaria-SAI Group did not undergo any noteworthy changes, except for the exit from the consolidation scope of Igli S.p.A., MB Venture Capital and Quintogest S.p.A., as well as theincorporation of Sistemi Sanitari S.c.a.r.l. into the Fondiaria-SAI Servizi S.c.a.r.l. Group.

In addition, as provided for by IAS 27 paragraph 40 d), the associate Fondiaria-SAI Servizi Tecnologici S.p.A. is valued in accordance with the equity method as, although Fondiaria-SAI owns the majority (51%) of the voting rights, operational control of the company is exercised by the other shareholder Hp Enterprise Services Italia S.r.l. pursuant to the governance agreements signed.



(1) Situation as of March 31, 2012.
Percentages calculated on the shares of the corresponding category.

(2) of which 0.0001% through Finsai International.

(3) A further 35.83% is held by MILANO ASSICURAZIONI S.p.A.

(4) of which 0.002% through DDOR.

(5) A further 35.84% is held by other Group subsidiaries.

(6) A further 2.67% is held by other Group subsidiaries.

(7) A further 2.5% is held by DONATELLO DAY SURGERY S.r.l.

(8) A further 11.38% is held by other Group subsidiaries.

(9) A further 7.5% is held by MILANO ASSICURAZIONI S.p.A.

(10) A further 1.192% is held by PRONTO ASSISTANCE S.p.A.

(11) A subsidiary via a holding of 50% plus one ordinary share.

(12) A further 34.60% is held by other Group subsidiaries.

(13) A further 49% is held by MILANO ASSICURAZIONI S.p.A.

(14) A further 16.667% is held by IMMOBILIARE MILANO ASSICURAZIONI S.r.l.

	Sector	Percentage of control Direct		Indirect	Group interest
SUBSIDIARIES					
Companies consolidated fully:					
APB CAR SERVICE S.r.l. Turin Share Capital Euro 10,000	Services		AUTO PRESTO&BENE S.p.A.	100.00	100.00
ATAHOTELS COMPAGNIA ITALIANA AZIENDE TURISTICHE ALBERGHIERE S.p.A. Milan Share Capital Euro 15,000,000	Services	51.00	MILANO ASSICURAZIONI S.p.A.	49.00	82.06
ATAVALUE S.r.l. Turin Share Capital Euro 10,000	Services		SAI HOLDING ITALIA S.p.A.	100.00	100.00
ATHENS R.E. FUND – SPECULATIVE FUND	Real Estate		MILANO ASSICURAZIONI S.p.A.	100.00	63.39
AUTO PRESTO&BENE S.p.A. Turin Share Capital Euro 2,619,061	Services	100.00			100.00
BANCASAI S.p.A. Turin Share Capital Euro 116,677,161	Banking	100.00			100.00
BIM VITA S.p.A. Turin Share Capital Euro 11,500,000	Life Insurance	50.00			50.00
BRAMANTE S.r.l. Milan Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
CAMPO CARLO MAGNO S.p.A. Pinzolo (TN) Share Capital Euro 9,311,200	Real Estate		MILANO ASSICURAZIONI S.p.A.	100.00	63.39
CARPACCIO S.r.l. Milan Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
CASA DI CURA VILLA DONATELLO S.p.A. Florence Share Capital Euro 361,200	Services	100.00			100.00
CASCINE TRENNO S.r.l. Turin Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA S.r.l. Sesto Fiorentino (FI) Share Capital Euro 182,000	Services	100.00			100.00

	Sector	Percentage of control Direct		Indirect	Group interest
CITTÀ DELLA SALUTE S.c.r.l. Florence Share Capital Euro 100,000	Services		CASA DI CURA VILLA DONATELLO S.p.A. CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA S.r.l. DONATELLO DAY SURGERY S.r.l. FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE S.r.l.	50.00 45.00 2.50 2.50	100.00
COLPETRONE S.r.l. Umbertide (PG) Share Capital Euro 10,000	Agriculture		SAIAGRICOLA S.p.A. – Società Agricola	100.00	97.51
CONSORZIO CASTELLO Florence Share Capital Euro 401,000	Real Estate		NUOVE INIZIATIVE TOSCANE S.r.l.	99.57	98.43
DDOR NOVI SAD ADO Novi Sad (Serbia) Share Capital RSD 2,579,597,280	Mixed Insurance	99.99			99.99
DDOR RE JOINT STOCK 0REINSURANCE COMPANY Novi Sad (Serbia) Share Capital Euro 5,130,603.91	Insurance		THE LAWRENCE R.E. DDOR NOVI SAD ADO	99.998 0.002	100.00
DIALOGO ASSICURAZIONI S.p.A. Milan Share Capital Euro 8,831,774	Non-Life Insurance		MILANO ASSICURAZIONI S.p.A.	99.85	63.29
DOMINION INSURANCE HOLDING Ltd London (GB) Share Capital GBP 35,438,267.65	Financial		FINSAI INTERNATIONAL S.A.	100.00	100.00
DONATELLO DAY SURGERY S.r.l. Florence Share Capital Euro 20.000	Services		CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA S.r.l.	100.00	100.00
EUROPA TUTELA GIUDIZIARIA S.p.A. Milan Share Capital Euro 5,160,000	Non-Life Insurance	100.00			100.00
EUROSAI FINANZIARIA DI PARTECIPAZIONI S.r.l. Turin Share Capital Euro 100,000	Financial	100.00			100.00
FINITALIA S.p.A. Milan Share Capital Euro 15,376,285	Financial		BANCASAI S.p.A.	100.00	100.00
FINSAI INTERNATIONAL S.A. Luxembourg Share Capital Euro 44,131,900	Financial	19.92	SAINTERNATIONAL S.A. SAILUX S.A.	43.92 36.15	100.00
FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE S.r.l. Florence Share Capital Euro 10,400	Services		CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA S.r.l.	100.00	100.00
FONDIARIA-SAI NEDERLAND B.V. Amsterdam (NL) Share Capital Euro 19,070	Financial	100.00			100.00

	Sector	Percentage of control Direct		Indirect	Group interest
GRUPPO FONDIARIA-SAI SERVICES S.c.r.l. Milan Share Capital Euro 5,200,000	Services	64.16	MILANO ASSICURAZIONI S.p.A.	34.21	87.29
			SYSTEMA COMPAGNIA DI ASS.NI S.p.A.	0.18	
			DIALOGO ASSICURAZIONI S.p.A.	0.20	
			EUROPA TUTELA GIUDIZ. S.p.A.	0.02	
			FINITALIA S.p.A.	0.02	
			INCONTRA ASSICURAZIONI S.p.A.	0.02	
			THE LAWRENCE R.E.	0.02	
			BANCASAI S.p.A.	0.02	
			PRONTO ASSISTANCE S.p.A.	0.90	
			SAI MERCATI MOBILIARI SIM S.p.A.	0.02	
			LIGURIA SOC. DI ASSICURAZIONI S.p.A.	0.02	
			LIGURIA VITA S.p.A.	0.02	
			PRONTO ASSISTANCE SERVIZI S.c.a.r.l.	0.02	
			BIM VITA S.p.A.	0.02	
			SIAT SOC. ITALIANA ASS. E RIASS. S.p.A.	0.11	
			AUTO PRESTO&BENE S.r.l.	0.02	
			IMMOBILIARE LOMBARDA S.p.A.	0.02	
IMMOBILIARE FONDIARIA-SAI S.r.l. Turin Share Capital Euro 20,000	Real Estate	100.00			100.00
IMMOBILIARE LITORELLA S.r.l. Milan Share Capital Euro 10,329	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
IMMOBILIARE LOMBARDA S.p.A. Milan Share Capital Euro 24,493,509.56	Real Estate	64.17	MILANO ASSICURAZIONI S.p.A.	35.83	86.88
IMMOBILIARE MILANO ASSICURAZIONI S.r.l. Turin Share Capital Euro 20,000	Real Estate		MILANO ASSICURAZIONI S.p.A.	100.00	63.39
INCONTRA ASSICURAZIONI S.p.A. Milan Share Capital Euro 5,200,000	Non-Life Insurance	51.00			51.00
INIZIATIVE VALORIZZAZIONI EDILI – IN.V.ED. S.r.l. Rome Share Capital Euro 10,329	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
INSEDIAMENTI AVANZATI NEL TERRITORIO I.A.T. S.p.A. Milan Share Capital Euro 2,580,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
ITALRESIDENCE S.r.l. Pieve Emanuele (MI) Share Capital Euro 100,000	Services		ATAHOTELS S.p.A.	100.00	82.06
LIGURIA SOCIETÀ DI ASSICURAZIONI S.p.A. Milan Share Capital Euro 36,800,000	Non-Life Insurance		MILANO ASSICURAZIONI S.p.A.	99.97	63.37
LIGURIA VITA S.p.A. Milan Share Capital Euro 6,000,000	Life Insurance		LIGURIA SOC. DI ASSICURAZIONI S.p.A.	100.00	63.37
MARINA DI LOANO S.p.A. Milan Share Capital Euro 5,536,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00

	Sector	Direct	Percentage of control	Indirect	Group interest
MASACCIO S.r.l. Milan Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
MERIDIANO AURORA S.r.l. Milan Share Capital Euro 10,000	Real Estate	100.00			100.00
MERIDIANO BELLARMINO S.r.l. Turin Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
MERIDIANO BRUZZANO S.r.l. Turin Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
MERIDIANO PRIMO S.r.l. Turin Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
MERIDIANO SECONDO S.r.l. Turin Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
MILANO ASSICURAZIONI S.p.A. Milan Share Capital Euro 373,682,600.42	Mixed Insurance	61.10	FONDIARIA-SAI NEDERLAND B.V. POPOLARE VITA S.p.A. PRONTO ASSISTANCE S.p.A. SAI HOLDING ITALIA S.p.A. SAINTERNATIONAL S.A.	1.51 0.02 0.06 0.52 0.20	63.39
MIZAR S.r.l. Rome Share Capital Euro 10,329	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
NUOVA IMPRESA EDIFICATRICE MODERNA S.r.l. Rome Share Capital Euro 10,329	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
NUOVE INIZIATIVE TOSCANE S.r.l. Florence Share Capital Euro 26,000,000	Real Estate	96.88	MILANO ASSICURAZIONI. S.p.A.	3.12	98.86
PONTORMO S.r.l. Milan Share Capital Euro 50,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
POPOLARE VITA S.p.A. Verona Share Capital Euro 219,600,005	Life Insurance	24.39	SAI HOLDING ITALIA S.p.A.	25.61	50.00
PROGETTO BICOCCA LA PIAZZA S.r.l. in liquidation Milan Share Capital Euro 3,151,800	Real Estates		IMMOBILIARE FONDIARIA-SAI S.r.l.	74.00	74.00
PRONTO ASSISTANCE S.p.A. Turin Share Capital Euro 2,500,000	Non-Life Insurance	100.00			100.00

	Sector	Percentage of control Direct		Indirect	Group interest
PRONTO ASSISTANCE SERVIZI S.c.a.r.l. Turin Share Capital Euro 516,000	Services	37.40	MILANO ASSICURAZIONI S.p.A. DIALOGO ASSICURAZIONI S.p.A. LIGURIA SOC. DI ASSICURAZIONI S.p.A. INCONTRA ASSICURAZIONI S.p.A. SYSTEMA COMPAGNIA DI ASS.NI S.p.A. BANCASAI S.p.A. GRUPPO FONDIARIA-SAI SERVIZI S.c.r.l. PRONTO ASSISTANCE S.p.A.	28.00 24.00 2.20 0.15 0.35 0.10 0.10 7.70	79.92
RISTRUTTURAZIONI EDILI MODERNE – R.EDIL.MO S.r.l. Rome Share Capital Euro 10,329	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
SAI HOLDING ITALIA S.p.A. Turin Share Capital Euro 50,000,000	Financial	100.00			100.00
SAI INVESTIMENTI S.G.R. S.p.A. Turin Share Capital Euro 3,913,588	Asset Management	51.00	MILANO ASSICURAZIONI S.p.A.	29.00	69.38
SAI MERCATI MOBILIARI SIM S.p.A. Milan Share Capital Euro 13,326,395	Securities Brokerage	100.00			100.00
SAIAGRICOLA S.p.A. SOCIETÀ AGRICOLA Turin Share Capital Euro 66,000,000	Agriculture	92.01	MILANO ASSICURAZIONI S.p.A. PRONTO ASSISTANCE S.p.A.	6.80 1.19	97.51
SAIFIN-SAIFINANZIARIA S.p.A. Turin Share Capital Euro 102,258,000	Financial	100.00			100.00
SAILUX S.A. Luxembourg Share Capital Euro 30,000,000	Financial		SAIFIN-SAIFINANZIARIA S.p.A. FINSAI INTERNATIONAL S.A.	99.99 0.01	100.00
SAINT GEORGE CAPITAL MANAGEMENT S.A. Lugano (CH) Share Capital CHF 3,000,000	Financial		SAIFIN-SAIFINANZIARIA S.p.A.	100.00	100.00
SAINTERNATIONAL S.A. Luxembourg Share Capital Euro 154,000,000	Financial	100.00			100.00
SANTA MARIA DEL FICO S.r.l. Umbertide (PG) Share Capital Euro 78,000	Agriculture		SAIAGRICOLA S.p.A. – Società Agricola	100.00	97.51
SERVICE GRUPPO FONDIARIA-SAI S.r.l. Florence Share Capital Euro 104,000	Services	70.00	MILANO ASSICURAZIONI S.p.A.	30.00	89.02
SIAT SOCIETÀ ITALIANA ASSICURAZIONI E RIASSICURAZIONI S.p.A. Genoa Share Capital Euro 38,000,000	Non-Life Insurance		SAI HOLDING ITALIA S.p.A.	94.69	94.69
SIM ETOILE S.A.S. Paris Share Capital Euro 3,049,011.34	Real Estate	100.00			100.00

	Sector	Percentage of control Direct		Indirect	Group interest
SINTESI SECONDA S.r.l. Milan Share Capital Euro 10,400	Real Estate		IMMOBILIARE MILANO ASS.NI S.r.l.	100.00	63.39
SOCIETÀ EDILIZIA IMMOBILIARE SARDA S.E.I.S. S.p.A. Rome Share Capital Euro 3,877,500	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	51.67	51.67
SOGEINT S.r.l. Milan Share Capital Euro 100,000	Other		MILANO ASSICURAZIONI S.p.A.	100.00	63.39
SRP Services S.A. Lugano (CH) Share Capital CHF. 1,000,000	Services		SAINTERNATIONAL S.A.	100.00	100.00
STIMMA S.r.l. Florence Share Capital Euro 10,000	Real Estate	100.00			100.00
SYSTEMA COMPAGNIA DI ASS.NI S.p.A. Milan Share Capital Euro 5,164,600	Non-Life Insurance		MILANO ASSICURAZIONI S.p.A.	100.00	63.39
THE LAWRENCE LIFE ASSURANCE CO. LTD Dublin (IRL) Share Capital Euro 802,886	Life Insurance		POPOLARE VITA S.p.A.	100.00	50.00
THE LAWRENCE R.E. IRELAND LTD Dublin (IRL) Share Capital Euro 635,000	Mixed Insurance		FONDIARIA-SAI NEDERLAND B.V.	100.00	100.00
TIKAL R.E. FUND	Real Estate	59.65	MILANO ASSICURAZIONI S.p.A.	35.36	82.06
TRENNO OVEST S.r.l. Turin Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
VILLA RAGIONIERI S.r.l. Florence Share Capital Euro 78.000	Real Estate	100.00			100.00
Companies valued at cost:					
ATA BENESSERE S.r.l. in liquidation Milan Share Capital Euro 100,000	Services		ATAHOTELS S.p.A.	100.00	82.06
DDOR AUTO DOO Novi Sad (Serbia) Share Capital Euro 9,260.97	Services		DDOR NOVI SAID ADO.	100.00	99.99
GLOBAL CARD SERVICE S.r.l. in liquidation Milan Share Capital Euro 98,800	Services		LIGURIA VITA S.p.A. LIGURIA SOC. DI ASSICURAZIONI S.p.A.	51.00 44.00	60.20
HOTEL TERME DI SAINT VINCENT S.r.l. Saint Vincent (AO) Share Capital Euro 15,300	Services		ATAHOTELS S.p.A.	100.00	82.06

	Sector	Percentage of control Direct		Indirect	Group interest
ITAL H & R S.r.l. Pieve Emanuele (MI) Share Capital Euro 50,000	Services		ITALRESIDENCE S.r.l.	100.00	82.06
TOUR EXECUTIVE S.r.l. Milan Share Capital Euro 118,300.08	Services		ATAHOTELS S.p.A.	100.00	82.06
ASSOCIATES					
Companies valued by the equity method:					
A 7 S.r.l. in liquidation Milan Share Capital Euro 200,000	Real Estate		IMMOBILIARE MILANO ASS.NI S.r.l.	20.00	12.68
BORSETTO S.r.l. Turin Share Capital Euro 2,971,782.3	Real Estate		IMMOBILIARE MILANO ASS.NI S.r.l.	44.93	28.48
BUTTERFLY AM S.a.r.l. Luxembourg Share Capital Euro 29,165	Financial		IMMOBILIARE FONDIARIA-SAI S.r.l.	28.57	28.57
CONSULENZA AZIENDALE PER L'INFORMATICA SCAI S.p.A. Turin Share Capital Euro 1,040,000	Services	30.07			30.07
FIN. PRIV S.r.l. Milan Share Capital Euro 20,000	Financial	28.57			28.57
FINADIN S.p.A. Milan Share Capital Euro 100,000,000	Financial		SAIFIN-SAIFINANZIARIA S.p.A.	40.00	40.00
FONDIARIA-SAI SERVIZI TECNOLOGICI S.p.A. Florence Share Capital Euro 120,000	Services	51.00			51.00
GARIBALDI S.C.A. Luxembourg Share Capital Euro 31,000	Financial		MILANO ASSICURAZIONI S.p.A.	32.00	20.28
ISOLA S.C.A. Luxembourg Share Capital Euro 31,000	Financial		MILANO ASSICURAZIONI S.p.A.	29.56	18.74
METROPOLIS S.p.A. Florence Share Capital Euro 1,120,000	Real Estate		IMMOBILIARE MILANO ASS.NI S.r.l.	29.73	18.85
PENTA DOMUS S.p.A. Turin Share Capital Euro 120,000	Real Estate		IMMOBILIARE MILANO ASS.NI S.r.l.	20.00	12.68
PROGETTO ALFIERE S.p.A. Rome Share Capital Euro 120,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	19.00	19.00

	Sector	Percentage of control Direct		Indirect	Group interest
SERVIZI IMMOBILIARI MARTINELLI S.p.A. Cinisello Balsamo (MI) Share Capital Euro 100,000	Real Estate		IMMOBILIARE MILANO ASS.NI S.r.l.	20.00	12.68
SOCIETÀ FUNIVIE DEL PICCOLO SAN BERNARDO S.p.A. La Thuile (AO) Share Capital Euro 9,213,417.5	Other		IMMOBILIARE FONDIARIA-SAI S.r.l.	27.38	27.38
SVILUPPO CENTRO EST S.r.l. Rome Share Capital Euro 10,000	Real Estate		IMMOBILIARE MILANO ASS.NI S.r.l.	40.00	25.36
VALORE IMMOBILIARE S.r.l. Milan Share Capital Euro 10,000	Real Estate		MILANO ASSICURAZIONI S.p.A.	50.00	31.69
Companies valued at cost:					
DDOR GARANT Belgrade (Serbia) Share Capital Euro 3,309,619	Services		DDOR RE JOINT STOCK REINSURANCE COMPANY DDOR NOVI SAID ADO	7.54 32.46	40.00
SOCIETÀ FINANZ. PER LE GEST.ASSICURATIVE S.r.l. in liquidation Rome Share Capital Euro 47,664,600	Financial	14.91	MILANO ASSICURAZIONI S.p.A.	7.50	19.66
SOAIMPIANTI - ORGANISMI DI ATTESTAZIONE S.r.l. in liquidation Monza Share Capital Euro 84,601	Other	21.64			21.64
UFFICIO CENTRALE ITALIANO S.c.a.r.l. Milan Share Capital Euro 510,000	Other	13.9131	SIAT SOC. ITALIANA ASS. E RIASS. S.p.A. MILANO ASSICURAZIONI S.p.A. LIGURIA SOC. DI ASSICURAZIONI S.p.A. SYSTEMA COMPAGNIA DI ASS.NI S.p.A. DIALOGO ASSICURAZIONI S.p.A. INCONTRA ASSICURAZIONI S.p.A.	0.0933 10.8023 0.3044 0.0001 0.0000 0.0023	21.38

PART B – Information on the Consolidated Statement of financial position

Statement of financial position – Assets

1. INTANGIBLE ASSETS

These are comprised as follows:

(in Euro thousands)	At 30/06/2012	At 31/12/2011	Change
Goodwill	1,345,680	1,367,737	(22,057)
Other intangible assets	44,310	95,153	(50,843)
TOTAL	**1,389,990**	**1,462,890**	**(72,900)**

Goodwill

The table below sets forth a summary of the Goodwill as originated:

(in Euro thousands)	At 30/06/2012	At 31/12/2011	Change
Goodwill from the incorporation of La Fondiaria	504,763	504,763	-
Goodwill recognised in the consolidated financial statements of Milano Assicurazioni	167,379	167,379	-
Other goodwill	530	530	-
Consolidation difference	673,008	695,065	(22,057)
TOTAL	**1,345,680**	**1,367,737**	**(22,057)**

The Group assesses the recoverability of the goodwill allocated to the Cash Generating Units (CGUs) at least on an annual basis or a shorter period in case events or circumstances indicate the existence of a permanent loss in value.
Reference should be made to the financial statements for the year ended December 31, 2011 for the description of the methods utilised for the measurement of the recoverable value of the goodwill recorded.

In the first half of 2012, the goodwill allocated to the Fondiaria-SAI and Milano Assicurazioni CGUs, both for the Non-Life and Life Sectors, did not show any indications of impairment. The impairment test concerning the above stated CGUs was based on the recoverable value through use and not on the fair value, considering also their perfcormance on the stock exchange.
In the first half of 2012, the impairment test was based on the same parameters utilised at the end of 2011, that are the Non-Life technical management performance, the Life closed portfolio and the current financial profitability, all substantially confirmed in the period. Even if these CGUs at

December 31, 2011 presented an excess of the recoverable value over the book value: no indicators of impairment based on the test carried out at December 31, 2011 were evident in the half-year.

In relation to the goodwill allocated to the Popolare Vita, Liguria Assicurazioni and DDOR CGUs, which reported at December 31, 2011 a recoverable value consistent with their book value, a new impairment test was carried out through a more focused analysis of the results in light of the most recent operating and accounting developments.
The impact of external factors such as the increase in the interest rates on the financial market, the increased volatility on the markets and the contraction in new life business may indirectly impact the recoverability of the above stated CGUs, whose book value, as stated, was consistant with the recoverable value.
The impairment test carried out did not highlight the need to write down the goodwill recorded; the range of values – which did not change significantly from December – confirms the sustainability of the goodwill recognised.

The change in "Consolidation difference" is due for Euro 13,433 thousand to the zero setting of the goodwill recognised on the subsidiary Incontra Assicurazioni following payment by UniCredit S.p.A. of the indemnity provided for in the agreement for the acquisition of the company signedin June 2006 for Euro 10,600 thousand; this indemnity was the basis of the recoverability to the goodwill recognised in the test conducted at the end of the previous financial year.
The change also includes Euro 8,624 thousand due to the appreciation of the Euro against the Serbian Dinar.

During the half year under review, no impairment indicators were identified leading to a reduction in value of goodwill compared to the book value existing at December 31, 2011, already subjected to impairment tests as per IAS 36.

Other Intangible Assets

Other intangible assets amount to Euro 44,310 thousand (Euro 95,153 thousand at December 31, 2011) and are broken down by nature as follows:

(in Euro thousands)	Gross book value	Amortisation and impairment	Net book value at 30/06/2012	Net book value at 31/12/2011
Studies and Research expenses	200,655	(177,746)	22,909	25,516
Utilisation rights	21,656	(15,351)	6,305	6,511
Other intangible assets	167,157	(152,061)	15,096	63,126
TOTAL	**389,468**	**(345,158)**	**44,310**	**95,153**

None of the above intangible assets were generated internally.

At December 31, 2011, "Other intangible assets" included Euro 40 million for assets recognised on the financial statements of Atahotels: at June 30, 2012 the assets of the Atahotels Group were recognised under "Non-current assets or disposal group classified as held for sale".

The above intangible assets have a finite useful life and are therefore amortised over their duration. Studies and research expenses relate to the the costs incurred for the preparation of IT technology and applications of a long-term nature,capitalised in 2012 and in previous years.
They are amortised over a period of three or five years based on the characteristics and useful life of the assets.

These expenses are incurred mainly by the Consortium Fondiaria-SAI Servizi Group, which undertakes all the management of existing and newly acquired resources, assets and services relating to the operations of the Group.

The other intangible assets principally include the values relating to the customers portfolios acquired by some subsidiares (Value in Force and VOBA), recorded upon business combinations.

The values relating to the customers portfolios acquired are as follows:

(in Euro thousands)	At 30/06/2012	At 31/12/2011	Change
Liguria Assicurazioni S.p.A.	6,506	10,054	(3,548)
DDOR Novi Sad ADO	3,998	8,115	(4,117)
TOTAL	**10,504**	**18,169**	**(7,665)**

During the period no impairment indicators were identified leading to a permanent reduction in value.

The decrease is mainly due to the amortisation for the period.

The changes related to DDOR, in addition to the amortisation for the period, also include the effect of the appreciation of the Euro against the Serbian Dinar.

2. PROPERTY AND EQUIPMENT

This item totalled Euro 375,925 thousand (Euro 401,744 at December 31, 2011), with a decrease of Euro 26 million.

Property and equipment was broken down as follows:

(in Euro thousands)	Buildings at		Land at		Other property and equipment at		Total at	
	30/06/2012	31/12/2011	30/06/2012	31/12/2011	30/06/2012	31/12/2011	30/06/2012	31/12/2011
Gross book value	332,461	333,821	23,591	25,832	164,141	212,950	520,193	572,603
Depreciation and impairment	(45,495)	(44,153)	-	-	(98,773)	(126,706)	(144,268)	(170,859)
Net Book Value	**286,966**	**289,668**	**23,591**	**25,832**	**65,368**	**86,244**	**375,925**	**401,744**

At December 31, 2011 the contribution of the Atahotels Group was broken down as follows:
- Land: Euro 2 million;
- Other property and equipment: Euro 18 million.

At June 30, 2012 the assets of the Atahotels Group were recognised under "Non-current assets or disposal group classified as held for sale".

The buildings included under propertyt and equipment are those serving the operating activities (i.e. buildings for own use). These buildings are recorded at cost and are depreciated over their useful lives only in relation to the definite useful life of each component.
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The item also includes the buildings held by the subsidiaries of Immobiliare Fondiaria-SAI (excluding the subsidiary Societa Edilizia Immobiliare Sarda S.E.I.S.) which were considered as inventories and therefore valued in accordance with IAS 2.

During the period no impairment indicators were identified leading to a permanent reduction in value of property owned.

With the exception of the area earmarked for construction at Garibaldi Repubblica owned by the subsidiary Meridiano Secondo, held under a mortgage, the other properties of the Group under the item were not subject to restrictions on title, nor has any significant amount been recorded in the Income Statement for reductions in value, losses, disposal or damages.
The residual "Other property and equipment" relates mainly to assets of the Group utilised in the exercise of its activities, such as furniture, and office equipment, as well as the inventory of the companies operating in the agricultural sector valued in accordance with IAS 2.

3. REINSURANCE ASSETS

These totalled Euro 759,453 thousand (Euro 701,880 thousand at December 31, 2011) with a positive change of Euro 57,573 thousand. They were broken down as follows:

(in Euro thousands)	**At 30/06/2012**	**At 31/12/2011**	**Change**
Non-Life reinsurance assets	676,274	608,617	67,657
Life reinsurance assets	83,179	93,263	(10,084)
Class D reinsurance assets	-	-	-
TOTAL	**759,453**	**701,880**	**57,573**

Of these, Euro 433 million refer to reinsurance (Euro 423 million at December 31, 2011), while Euro 327 million concern share of retrocessionaires (Euro 279 million at December 31, 2011).

4. INVESTMENTS

These are broken down as follows:

(in Euro thousands)	At 30/06/2012	At 31/12/2011	Change
Investment property	2,449,163	2,759,245	(310,082)
Investments in subsidiaries, associates and joint ventures	107,490	116,558	(9,068)
Investments held to maturity	725,783	599,713	126,070
Loans and receivables	3,873,274	3,688,865	184,409
Financial assets available-for-sale	18,033,249	17,598,287	434,962
Financial assets recognised at fair value through profit or loss	7,141,422	9,026,664	(1,885,242)
TOTAL	**32,330,381**	**33,789,332**	**(1,458,951)**

Investment property

This item includes all the properties owned by the Group for rental or for capital appreciation.

The investment property is recorded at purchase cost in accordance with IAS 16 (which IAS 40 refers to in the case of adoption of the cost model).
The part of the property referring to buildings is depreciated systematically with regard to the useful life of the components therein. Of the significant components, the building's systems are depreciated separately.

The composition of investment property and the changes in the period are shown below.

(in Euro thousands)	At 30/06/2012	At 31/12/2011	Change
Gross book value	**2,892,739**	**3,187,016**	**(294,277)**
Depreciation and impairment	(443,576)	(427,771)	(15,805)
Net Book Value	**2,449,163**	**2,759,245**	**(310,082)**

The change in "Investment property" is mainly due to the followings:

- As a consequence of the declaration of bankruptcy of the related parties IMCO S.p.A. and Sinergia HdP S.p.A., the Group reversed the credit positions towards the said companies and their subsidiaries for "Assets under construction and advance payments". At the same time, these positions, amounting to Euro 150 million approximately at December 31, 2011, were recorded as "Other receivables", net of impairments;
- reclassification under "Non-current assets or disposal group classified as held for sale" of the book value of the property located in Turin at Galleria San Federico owned by the Tikal Real Estate Fund following the preliminary sale agreement entered into by the end of the half-year: at December 31, 2011 this amount was Euro 68 million;
- disposal of the property located in Milan at Piazza S. Maria Beltrade owned by the subsidiary Milano Assicurazioni.

During the period, rental income on investment property amounted to approximately Euro 54 million (Euro 40 million for the six months ended June 30, 2011).
There are no significant limits on the sale of the investment property due to legal or contractual restrictions or restrictions of any other nature, except for the complexes owned by the Tikal Fund, Società Edilizia Immobiliare Sarda S.E.I.S. and Meridiano Secondo S.r.l., which are mortgaged to secure the loans received. In addition, there is the court-ordered sequestration of the Castello Area in Florence owned by the subsidiary NIT.

During the first half of 2012, permanent losses on investment property of Euro 2 million were recognised: such impairment refers to three properties owned by the Tikal Real Estate Fund, for which the book value was higher than the market value and which was therefore considered evidence of permanent losses.

Investments in subsidiaries, associates and joint ventures

The item includes the book value of investments whichare not significant in terms of size and nature of the activities to ensure the accuracy of the present interim financial statements.

Associates, on the other hand, include entities owned by the Group and valued in accordance with the equity method. The breakdown is as follows:

(in Euro thousands)	At 30/06/2012	At 31/12/2011	Change
Subsidiaries	12	1,405	(1,393)
Associates and joint ventures	107,478	115,153	(7,675)
TOTAL	**107,490**	**116,558**	**(9,068)**

The decrease in the amount for subsidiaries is due to the reclassification under "Non-current assets or disposal group classified as held for sale" of the investments maintained at cost and held by the Atahotels Group.

The table below sets forth most significant investments in associates:

(Euro millions)	At 30/06/2012	At 31/12/2011	Change
Garibaldi S.C.A.	59.5	56.1	3.4
Fin. Priv.	15.8	20.5	(4.7)
Isola S.C.A.	11.3	11.1	0.2
Other	20.9	27.5	(6.6)
Total	**107.5**	**115.2**	**(7.7)**

The changes in value recognised in the Income Statement for the period as a result of the valuation of the investments in associates amount to Euro 7.6 million and are mainly due the contribution of the associates Garibaldi S.C.A. and Isola S.C.A.

Investments held to maturity

These amounted to Euro 725,783 thousand (Euro 599,713 thousand at December 31, 2011) and were broken down as follows:

(in Euro thousands)	At 30/06/2012	At 31/12/2011	Change
Debt securities	725,783	599,713	126,070
Total	**725,783**	**599,713**	**126,070**

The financial instruments included in this category are in accordance with the requirements of paragraph 9 of IAS 39. Therefore, they relate solely to debt securities with fixed maturities and fixed and determinable payments which the group has the intention and capacity to hold until maturity.
The category only includes financial instruments from the Life sector held for policies with specific provision as defined by the current sector regulations.
This category exclusively includes listed securities whose current value amounts to Euro 759,493 thousand.

Loans and receivables

These amounted to Euro 3,873,274 thousand (Euro 3,688,865 thousand at December 31, 2011) and were broken down as follows:

(in Euro thousands)	30/06/2012	31/12/2011	Change
Due from banks for interbank deposits and from bank customers	868,005	665,462	202,543
Debt securities	2,423,883	2,465,849	(41,966)
Loans on Life insurance policies	41,181	44,140	(2,959)
Deposits held by reinsurers	24,415	24,895	(480)
Receivables from successor agents for indemnities paid to agents terminated	249,899	238,569	11,330
Other loans and receivables	265,891	249,950	15,941
TOTAL	**3,873,274**	**3,688,865**	**184,409**

Due from banks for interbank deposits and from bank customers include the credit of the subsidiary BancaSai toward other credit institutions for deposits of Euro 285,887 thousand (Euro 29,147 thousand at December 31, 2011) and the credit towards the bank customers of Euro 582,118 thousand (Euro 636,315 thousand at December 31, 2011), of which Euro 12.8 million relates to bad debt positions of the bankrupted companies Imco and Sinergia.

Debt securities, with a fair value totalling Euro 2,287 million, include:

- the book value of some secuirities (in particular the ANIA special issue securities) measured at amortised cost, rather than fair value, due to the absence of an active reference market. These are financial assets for which it is believed that the respective fair value cannot be calculated in a reliable manner.
- some non-public (i.e. private placement) issues of Italian government debt securities, for Euro 1,511 million, which serve the purpose both of ensuring stable returns to the Group and eliminating the effect of

volatility in the valuation of such instruments if underwritten in traditional market contexts. Classification in this category follows therefore from the lack of an active reference market.

- Securities issued by corporate entities: these are mainly financial structures with subordination clauses transferred to this category in 2009. There was no permanent loss in value on any security included in this category, and the effect of the amortised cost has been recognised as income in the Income Statement for Euro 6,151 thousand. The negative AFS reserve on the securities at January 1, 2009 amounted to Euro 75,222 thousand and was amortised according to the rules provided for in IAS 39. The residual negative AFS reserve amounted to Euro 49,132 thousand.

For further details on the classification refer to the section Accounting Principles..

"Other loans and receivables" mainly includes Euro 239.5 million (Euro 221.5 million at December 31, 2011) related to consumer loans held by the subsidiary Finitalia, in respect of customers.

At December 31, 2011, "Other loans and receivables" included Euro 4 million recognised on the financial statements of the companies in the Atahotels Group: at June 30, 2012 such assets have been entered under "Non-current assets or disposal group classified as held for sale".

Financial assets available-for-sale

Financial assets available for sale include debt and equity securities, as well as investment unit funds, not otherwise classified.
These financial assets are broken down as follows:

(in Euro thousands)	**30/06/2012**	**31/12/2011**	**Change**
Equity securities	1,101,850	1,171,370	(69,520)
Mutual fund units	779,500	788,143	(8,643)
Debt securities	16,149,801	15,636,678	513,123
Other financial investments	2,098	2,096	2
TOTAL	**18,033,249**	**17,598,287**	**434,962**

Equity instruments include listed securities for Euro 838 million, while debt securities include listed debt securities for Euro 16,111 million.

The book value of the listed financial instruments is consistant with market prices on the last day of the half-year.

It should be noted that, the debt and equity securities included in the category are mainly valued at fair value.

Among the equity securities, it should be noted the investment, amounting to 2%, held by the Group in the Bank of Italy: we note that the valuation made at the end of 2011 has not changed.

During the half year, there was no movements of financial assets available for sale involving level 3 fair value.

With reference to the reduction in values of the financial assets available for sale recorded in the Income Statement, the application of the Group "impairment policy" (for a detailed description of the policy refer to the 2011 consolidated financial statements) led to a loss of Euro 75.2 million (for the six months ended June 30, 2011 the amount was Euro 77.6 million). Of this amount, Euro 68.6 million refers to equity securities and Euro 6.6 million to mutual fund units.

With reference to the breakdown of the unrelaised gain or loss on financial assets available for sale (for the Group share and not including either tax effects or what is retroceded to Life policyholders in accordance witb the shadow accounting technique), the gross amount, negative by Euro 821 million, includes a negative component of Euro 794 million, with reference to debt securities, a positive component of Euro 10 million with reference to mutual fund units and, finally, a negative net component of Euro 37 million for equity securities (positive by Euro 104 million for the investment held in the Bank of Italy).

Measurement of the fair value of financial instruments
The fair value represents the payment for which an asset may be exchanged or a liability settled in an arm's length transaction between willing and knowledgeable parties, at a certain date; therefore, this consists of the price that would be paid in an ordinary transaction, or a transaction which concerns market participants or transactions between willing market participants, therefore excluding forced transactions. The determination of the fair value of the financial instruments is based on the going concern of the business.

The criteria to determine the hierarchy of fair value, based on market parameters, are the followings:

Level 1: Quotations taken from active markets
The valuation is the market price of identical financial instrument that have quotations on an active market.

Level 2: Valuation methods based on observable market parameters
The valuation of the financial instrument is not based on the market price of the financial instrument subject to valuation, but on prices available from market quotations of similar assets or through valuation techniques for which all the important factors (such as credit and liquidity spreads) are taken from observable market data.

Level 3: Valuation methods based on non observable market parameters
The determination of the fair value is based on valuation techniques which are prevalently based on significant input not available on the market and results, therefore, in estimates and assumptions by management. Where the fair value may not be determined in a reasonable manner, the financial instrument is valued at cost.

As previously reported, the Rho Real Estate Fund was reclassified in the financial assets available for sale category for Euro 96.4 million: the fair value of the fund was calculated based on a financial income valuation technique whose parameters, in the absence of comparable transactions, are not linked to market criteria. Consequently this value was classified at level 3 of the hierarchy of fair value. In this regard, no other transfers were made in the period.

Government debt securities issued by Spain, Portugal, Ireland, Italy and Greece

The tables below set forth the exposures of the Fondiaria-SAI Group to government debt securities issued by other "peripheral" countries in the Eurozone recognised under assets measured at fair value. As recently requested by the European Securities and Markets Authority (ESMA), the table also includes debt securities issued by the Italian government.

1) Financial assets available for sale (Fair value) – Euro millions

Country	Maturing within 12 months	Maturity in 1 to 5 years	Maturity in 6 to 10 years	Maturity in over 10 years	Total Fair value (level 1)	AFS Reserve (gross)	AFS Reserve (net)
Spain	-	14.8	-	37.0	51.8	(18.1)	(5.8)
Portugal	-	3.5	-	-	3.5	(0.6)	(0.2)
Ireland	-	1.2	19.1	-	20.3	(1.6)	(0.3)
Italy	1,411.2	4,533.4	4,241.2	1,668.5	11,854.3	(959.9)	(369.8)

2) Financial assets held for trading (Fair value) – Euro millions

Country	Maturing within 12 months	Maturity in 1 to 5 years	Maturity in 6 to 10 years	Maturity in over 10 years	Total Fair value
Spain	-	-	-	-	-
Portugal	-	-	-	-	-
Ireland	-	-	-	-	-
Italy	-	0.03	0.54	-	0.57
Greece	-	-	-	8.0	8.0

The table below sets forth the exposure of the Fondiaria-SAI Group to Greek government debt securities, now classified in the category "held for trading".

	Nominal amount at 30/06/2012	Fair value at 30/06/2012
Assets held for trading	111.6	8.0
TOTAL	**111.6**	**8.0**

The portfolio at June 30, 2012 also included:

- Euro 1,510.9 million of debt securities issued by the Italian government classified under "Loans and Receivables" (whose Euro 277.5 million maturing in 1 to 5 years and Euro 1,233.4 maturing in 6 to 10 years), whose the fair value totalling Euro 1,436.8 million;
- Euro 79.8 million of debt securities issued by the Italian government classified in the "Held to Maturity" category (whose Euro 18.1 million maturing within 1 year, Euro 61.6 million maturing in 1 to 5 years and Euro 0.1 million maturing in over 10 years), whose the fair value totalling Euro 78.7 million.

Financial Assets Recognised at Fair Value Through Profit or Loss

These are broken down as follows:

(in Euro thousands)	At 30/06/2012	At 31/12/2011	Change
Equity securities	44,697	30,599	14,098
Mutual fund units	756,993	636,124	120,869
Debt securities	6,144,346	8,072,935	(1,928,589)
Other financial investments	195,386	287,006	(91,620)
TOTAL	**7,141,422**	**9,026,664**	**(1,885,242)**

The component relating to the financial assets designated at fair value through profit or loss amounted to Euro 7,040 million (Euro 8,973 million) and these include the investments where the risk is on policyholders and deriving from the management of pension funds for Euro 6,956 million (Euro 8,900 million at December 31, 2011).

It is recalled that the fair value of financial instruments traded on regulated markets is determined with the reference to the stock market prices recorded at the end of the final trading day of the half-year; it is also recalled that, in the case where the market price is not available, the reference price is the price available from the intermediairies.

For all the financial instruments for which no active market exists, the fair value is determined through valuation techniques based on:

- most recent transaction prices between independent parties;
- the current market value of a similar instrument;
- the analysis of the discounted cash flows, in which the estimated future cash flows are based on the best estimates of management and the discount rate utilised is correlated to the market rate utilised for similar instruments;
- valuation models of the options.

Where the fair value cannot be measured reliably, the financial instruments are measured at cost, considered as the fair value of the amount paid for the purchase of the investment. In this situation, all the transaction costs strictly attributable to the purchase are included in investment costs.

In the determination of the fair value, the Group uses market valuations directly obtained from independent sources, if available, as this is normally considered the best evidence of fair value. In this case the fair value is the market price of the same financial instrument subject to valuation, taken from quotations on an active market. A market is considered as active when the quotations reflect normal market operations, readily and normally available through the Stock Exchange, listing services and brokers, and express the effective and normal prices in the market.

The following are usually considered to be active markets:

- the regulated market of securities and derivatives, with the exception of the Luxembourg financial market;
- the secondary market of the mutual fund units, expressed by the official NAV (Net Asset Value) based on which the issuing asset management company must settle the units. This value may be

adjusted to take account of the scarce liquidity of the fund, or of the time between the request date of repayment and that of the actual repayments;

- the organised exchange systems;
- some over-the-counter electronic trading circuits (e.g. Bloomberg), in the presence of some qualitative and quantitative parameters (presence of a certain number of contributors, spread between bid and ask prices contained between a determined tolerance threshold range).

When a valuation is not applicable through Mark to Market, technical valuations must utilise information available on the market, based on the following valuation approaches:

- Comparable approach: in this case the fair value of the instrument is taken from the prices observed on recent transactions on similar instruments in active markets;
- Model Valuation: in the absence of observable transaction prices, relating to the instrument to be valued or on similar instruments, it is necessary to adopt a valuation model based on market data;

  - the debt securities are valued based on the expected cash flow method, adjusted to take account of the issuer risk and of the liquidity risk;
  - the derivative contracts are valued through several models, based on the input factors (i.e. risk rate, volatility, price risk, exchange risk, etc.) which impacts the related valuation;
  - the non-listed equity securities are valued with reference to transactions on the same security or, on similar securities observed in a defined period of time from the valuation date, based on the market multiples method of similar companies and, secondarily, through financial, profitability and asset valuation methods.

5. OTHER RECEIVABLES

These are broken down as follows:

(Euro thousand)	**At 30/06/2012**	**At 31/12/2011**	**Change**
Receivables from direct insurance operations	1,300,933	1,698,430	(397,497)
Receivables from reinsurance operations	86,751	78,637	8,114
Other receivables	823,799	563,674	260,125
TOTAL	**2,211,483**	**2,340,741**	**(129,258)**

The Group believes that the book value of trade receivables and other receivables approximates their fair value. Trade receivables are non-interest bearing and are generally due within 90 days.

With reference to receivables from direct insurance operations, their breakdown is shown below.

(in Euro thousands)	**30/06/2012**	**31/12/2011**	**Change**
Receivables from policyholders for premiums for the year	555,147	746,052	(190,905)
Receivables from policyholders for prior year premiums	65,127	32,656	32,471
Receivables from insurance intermediaires	436,358	639,447	(203,089)
Receivables from insurance companies	114,472	132,193	(17,721)
Amounts to be recovered from policyholders and third parties	129,829	148,082	(18,253)
TOTAL	**1,300,933**	**1,698,430**	**(397,497)**

The decrease in receivables from policyholders for premiums for the year is the result of the timing of the Group's policy portfolio which is less concentrated in the first six months of the year. On the other hand, receivables from policyholders for prior years mainly include positions still to be collected, primarily with corporate customers, arising at the end of the previous year.

Receivables from reinsurance transactions include Euro 65,585 thousand (Euro 76,714 thousand at December 31, 2011) in receivables from insurance and reinsurance companies for reinsurance operations and Euro 21,165 thousand (Euro 1,923 thousand at December 31, 2011) from reinsurance intermediaires.

The change in "Other receivables" is due for Euro 150 million approximately to the recognition of the Group's receivables with Imco-Sinergia, as mentioned already in the "Investment property" section.

Other receivables include:
- trade receivables of Euro 119 million mainly consisting of receivables from customers;
- receivables from the Italian tax authorities of Euro 128 million mainly for refund requests and VAT credits;
- receivables from the Imco-Sinergia Group, net of the write downs of approximately Euro 99 million.

With reference to receivables from policyholders for premiums, agents and other intermediires, as well as insurance and reinsurance companies, the Group does not have significant concentrations of credit risk, since its receivables exposure is spread out over a large number of counterparties and customers.

At December 31, 2011 "Other receivables" included Euro 22 million recognised on the financial statements of the companies in the Atahotels Group: at June 30, 2012 such assets were recognised under "Non-current assets or disposal group classified as held for sale".

6. OTHER ASSET

These totalled Euro 1,669,426 thousand (Euro 1,803,440 thousand at December 31, 2011) with a decrease of Euro 134,014 thousand compared to December 31, 2011.

These include:

(in Euro thousands)	At 30/06/2012	At 31/12/2011	Change
Non-current assets or disposal groups classified as held for sale	189,988	87,151	102,837
Insurance deferred acquisition costs	31,146	30,301	845
Deferred tax assets	887,328	1,155,060	(267,732)
Tax receivable assets	321,528	316,208	5,320
Other assets	239,436	214,720	24,716
TOTAL	**1,669,426**	**1,803,440**	**(134,014)**

Non-current assets or disposal groups classified as held for sale

At June 30, 2012 non-current assets or disposal group classified as held for sale amounted to Euro 189,988 thousand (Euro 87,151 thousand at December 31, 2011).
The item includes:

- Euro 115.2 million for assets attributable to the Atahotels Group;
- Euro 69.1 million related to the property located in Turin at Galleria San Federico owned by the Tikal R.E. Fund;
- Euro 3.8 million related to the property located in Grugliasco at Via Grandi 2, owned by the subsidiary Auto Presto e Bene;
- Euro 1.9 million related to the investment held in Domus S.p.A.

Insurance deferred acquisition costs

Insurance deferred acquisitions costs, amounting to Euro 31,146 thousand (Euro 30,301 at December 31, 2011), refer to acquisition commissions to be amortised on multi-year insurance policies of the Life Sector. These amounts are deferred and amortised for approximately six years, related to the traditional sales channel, following the analysis made on the average duration of the policies in the portfolio, while the average duration in the bancassurance channel is three years.

Deferred tax assets

The item amounts to Euro 887,328 thousand (Euro 1,155,060 thousand at December 31, 2011) and is calculated on the total amount of the temporary differences between the book value of the assets and liabilities in the financial statements and the respective tax value according to the “balance sheet liability method” as per IAS 12 in relation to the probability of their recovery related to the capacity to generate assessable taxable income in the future.
The balance at the end of the period takes into account the compensation, where possible, made by each company of the same tax assets with the corresponding deferred tax liabilities in accordance with IAS 12.

At December 31, 2011 this item included Euro 2 million recognised on the financial statements of companies in the Atahotels Group: at June 30, 2012 these assets were recognised under “Non-current assets or disposal group classified as held for sale”.

Tax receivables assets

The tax receivables assets, amounting to Euro 321,528 thousand (Euro 316,208 thousand at December 31, 2011), refer to the financial receivables for advanced payments, withholding taxes and income tax credits, before compensation, where permitted, of the current tax liabilities.

The account also includes the amounts paid in advance pursuant to Article 1, paragraph 2 of Decree Law 209/02, as converted by Article 1 of Law 265/2002, as amended.

At December 31, 2011 this item included Euro 10 million recognised on the financial statements of companies in the Atahotels Group: at June 30, 2012 these assets were recognised under “Non-current assets or disposal group classified as held for sale”.

Other assets

The other assets amount to Euro 239,436 thousand (Euro 214,720 thousand at December 31, 2011) and include other accrued assets for Euro 4 million, indemnities paid to agents for which the option to claim the reimbursement was not exercised for Euro 12 million and advance payments for guarantee provisions for policyholders, with particular reference to the contribution to the Road Victim Fund of Euro 26 million.

At December 31, 2011 this item included Euro 3 million recognised on the financial statements of companies in the Atahotels Group: at June 30, 2012 these assets were recognised under “Non-current assets or disposal group classified as held for sale”.

7. CASH AND CASH EQUIVALENTS

The item amounts to Euro 953,835 thousand (Euro 976,582 thousand at December 31, 2011).

It includes the liquidity held by the Group and deposits and bank current account with maturity of less than 15 days. They include highly liquid assets (cash and deposits on demand), cash equivalents and short-term financial investments, readily convertible into cash amounts and which are not subject to changes in value.

The book value of these assets closely approximates their fair value. The deposits and bank current accounts are remunerated at fixed or variable interest rates and bear interest recognised on a quarterly basis or in relation to the lower duration of the restrictions on the deposits.

At December 31, 2011 this item included Euro 11 million recognised on the financial statements of companies in the Atahotels Groups: at June 30, 2012 these assets were recognised under "Non-current assets or disposal group classified as held for sale".

Statement of financial position – Shareholders' Equity and Liabilities

1. SHAREHOLDERS' EQUITY

Consolidated shareholders' equity, amounting to Euro 1,850,282 thousand, including the result for the period and non-controlling interests, increased by Euro 293,574 thousand compared to December 31, 2011.

The breakdown of the shareholders'equity is shown below:

(in Euro thousands)	At 30/06/2012	At 31/12/2011	Change
Shareholders' Equity, attributable to the Group	**1,224,535**	**1,036,952**	**187,583**
Share Capital	494,731	494,731	-
Other equity instruments	-	-	-
Capital reserves	315,460	315,460	-
Retained earnings and other reserves	980,669	1,834,570	(853,901)
Treasury shares	(213,026)	(213,026)	-
Reserve for currency translation difference	(70,478)	(56,772)	(13,706)
Unrealised gain or loss on financial assets available for sale	(272,439)	(478,283)	205,844
Other unrealised gains and losses through equity	(17,947)	(7,009)	(10,938)
Profit (loss) for the period	7,565	(852,719)	860,284
Shareholders' Equity, attributable to non-controlling interests	**625,747**	**519,756**	**105,991**
Non controlling interest capital and reserves	722,804	903,659	(180,855)
Unrealised gains or losses through equity	(114,435)	(201,984)	87,549
Profit (loss) for the period	17,378	(181,919)	199,297
TOTAL	**1,850,282**	**1,556,708**	**293,574**

Changes in shareholders' equity are shown in the appropriate statement, to which reference should be made.

Shown below is the disclosures required by IAS 1.76 A:

	Ordinary at 30/06/2012	Savings at 30/06/2012	Ordinary at 31/12/2011	Savings at 31/12/2011
Number of shares issued	367,047,470	127,683,666	367,047,470	127,683,666

The table below summarises the changes in the share capital of the Parent Company Fondiaria-SAI occurred during the first half of the year.

	Ordinary	Savings	Total
Existing shares at 01/01/2012	367,047,470	127,683,666	494,731,136
Treasury shares (-)	14,382,557	-	14,382,557
Shares outstanding: balance at 01/01/2012	352,664,913	127,683,666	480,348,579
Increases:			
Sale of treasury shares	-	-	-
Conversion of stock options	-	-	-
Decreases:			
Acquisition of treasury shares	-	-	-
Shares outstanding: balance at June 30, 2012	352,664,913	127,683,666	480,348,579

At June 30, 2012 the ordinary and savings shares issued have both a nominal value of Euro 1.

It should be noted that by resolution of the Extraordinary Shareholders' Meeting of the Parent Company, starting from July 2, 2012 ordinary and savings shares have no nominal value.

Nature and purpose of the other reserves

Retained earnings and other equity reserves include the other shareholders' equity reserves of the Parent Company, decreased by the losses carried forward from the previous year and the distribution of dividends by the Parent Company.

The shareholders' equity attributable to non controlling interests, included in the result, increased by Euro 106 million.

The change in the consolidated shareholders' equity is shown in the statement to which reference should be made.

Treasury shares

These amounted to Euro 213,026 thousand (Euro 213,026 thousand at December 31, 2011). This item includes the book value of the instruments representative of capital of the Parent Company held by Fondiaria-SAI (Euro 64.4 million), Milano Assicurazioni S.p.A. (Euro 132.3 million) and Sai Holding S.p.A. (Euro 16.3 million).

The item is negative in accordance with the provisions of IAS 32. Following the disposal /purchases operations on shares and/or option rights undertaken during the year, no gains or losses were recorded in the income statement.

Reserve for currency translation difference

The balance is a negative amount of Euro 70,478 thousand (Euro -56,772 thousand at December 31, 2011) and includes the currency translation differences deriving from the conversion of the foreign subsidiaries' financial statements into Euro.

Unrealized gain or loss on financial assets available for sale

The item, amounting to Euro -272,439 thousand (Euro -478,283 thousand at December 31, 2011), includes the gains and losses deriving from the valuation of the financial assets available for sale. This is shown net of the related deferred tax liability, both for the part attributable to the policyholders and allocated to the insurance liabilities.

In particular the item includes a negative amount of Euro 821 million relating to the financial instruments available for sale in portfolio and a positive amount of Euro 394 million relating to the application of the shadow accounting technique. To this is added Euro 155 million (positive) relating to the fiscal effects of the two matters outlined above.

Other unrealized gains and losses through equity

The item, amounting to Euro -17,947 thousand (Euro -7,009 thousand at December 31, 2011) includes the reversal of the gains realised on subsidiary companies of Euro 54 million. In fact, the transactions of the shares of subsidiaries and which do not result in the loss or acquisition of control do not impact the consolidated results as they are considered only as modifications in the ownership structure of the Group.
The amount also includes the gains and losses on cash flow hedging instruments for Euro 42 million (net of the tax effect) while the residual amount principally includes the actuarial gains and losses due to the application of IAS 19.

2. PROVISIONS FOR RISKS AND CHARGES

These totalled Euro 296,504 thousand (Euro 322,310 thousand at December 31, 2011) and were broken down into:

(Euro thousand)	**At 30/06/2012**	**At 31/12/2011**	**Change**
Provisions for tax purposes	11	11	-
Other provisions	296,493	322,299	(25,806)
TOTAL	**296,504**	**322,310**	**(25,806)**

Other provisions include amounts for which there is no certainty regarding the payment date or the amount of the future expense required to meet the obligation.

The provisions made at December 31, 2011 for the main litigation to which the Group is a party did not undergo significant changes in that no situations arose during the first half year such as to justify significant provisions or the release of existing provisions, which are deemed to be adequate
The reduction of the total provisions for risks and charges was due to the regular release of underlying management elements.

At December 31, 2011 “Other provisions” included Euro 4 million recognised on the financial statements of companies in the Atahotels Group: at June 30, 2012 such assets were recognised under “Liabilities directly associated with non-current assets or disposal group classified as held for sale”.

Castello Area

In relation to the criminal proceedings pending before the Court of Florence in which Fondiaria-SAI S.p.A. is involved for the offences pursuant to Articles 319 and 320 referred to in Articles 5 and 25 of Legislative Decree 231/2001 with regard to the urbanisation of the Castello area in the municipality of Florence, it is announced that the investigation stage of the hearing has been completed and the discussion stage has begun.

The two prosecutors who brought the case before court prepared their conclusions and submitted the relevant requests at the hearings on March 26 and 28. As far as the charges involving the Company are concerned, it has been requested that the Company pay a fine equal to 400 units with a minimum value of approximately Euro 250 and a maximum value of Euro 1,549. It has also been requested that the Company receive a two-year ban from deals with the public sector and that the Castello Area plots for which the building permits were released be confiscated.

The Public Prosecutors have also requested that the entire area should remain under sequestration.

As far as the representatives of the Company or Group companies are concerned, an application was made for Mr Ligresti to be sentenced to three years and six months, for Mr Rapisarda to receive four years and four months and Mr Giombini to receive three years, while applications were made for the former Florence town planning officer Gianni Biagi to be given a prison sentence of four years and six months, and for the Deputy Mayor of Florence, Graziano Cioni, to receive two years and two months.

The discussion stage continued with the summings-up of the lawyers for the plaintiffs and the defendants.

With regard to the Company’s defence, an application was made for acquittal on the grounds that no crime had been committed and, as a secondary hypothesis, for the imposition of a fine only and not the other sanctions, because the Company adopted a suitable organisational and management model to prevent, among other things, the relevant offences against the public authorities. At the hearing on June 29, 2012, the Court of Florence did not pronounce sentence, but ordered an additional hearing to listen again to the evidence already discussed, pursuant to Article 507 of the Italian Criminal Code.

For these reasons, the case was adjourned until the hearings on October 4 and 12 and November 9, 2012.

The value of the inventories pertaining to the “Castello Area” as at June 30, 2012, was approximately Euro 169 million, as per the valuations given by the independent expert.

This amount is consistent with the scenario that construction can continue and, therefore, with the assumption of the operational continuity of the asset and does not reflect the risks associated with losing the case.

3. INSURANCE CONTRACT LIABILITIES

These amounted to Euro 33,535,319 thousand and showed a change of Euro 1,572,186 thousand compared to December 31, 2011.

The insurance contract liabilities are broken down as follows:

(in Euro thousands)	At 30/06/2012	At 31/12/2011	Change
Non-Life insurance contract liabilities	12,328,376	12,610,322	(281,946)
Life insurance contract liabilities	14,859,379	14,830,838	28,541
insurance contract liabilitieswhen the investment risk is on policyholders and derives from the management of pension funds	6,347,564	7,666,345	(1,318,781)
TOTAL INSURANCE CONTRACT LIABILITIES	**33,535,319**	**35,107,505**	**(1,572,186)**

The Non-Life insurance contract liabilities include premium provisions of Euro 2,647 million (Euro 2,742 million at December 31, 2011) and claims provisions of Euro 9,672 million (Euro 9,858 million at December 31, 2011).

The Life insurance contract liabilitiesinclude mathematical provisions of Euro 14,904 million and the payout provision of Euro 464 million. They are also reduced by deferred liabilities calculated on insurance liabilities relating to discretionary participation features: the provision is negative by Euro 581 million (negative by Euro 772 million at December 31, 2011).

In relation to the calculation of this provision, it is noted that for Segregated Funds, the reference return is nevertheless greater than the guaranteed minimum benefits.

4. FINANCIAL LIABILITIES

(in Euro thousands)	At 30/06/2012	At 31/12/2011	Change
Financial liabilities at fair value through profit or loss	716,578	1,303,886	(587,308)
Other financial liabilities	1,811,782	1,839,387	(27,605)
Total	**2,528,360**	**3,143,273**	**(614,913)**

The Financial liabilities at fair value through profit or loss are::

Financial liabilities held for trading

These totalled Euro 9,995 thousand (Euro 7,855 thousand at December 31, 2011).

Financial liabilities designated at fair value through profit or loss

These totalled Euro 706,583 thousand (Euro 1,296,031 thousand at December 31, 2011). As required by IAS 39, the item includes the investment contracts not falling under the scope of application of IFRS 4 and accounted for using the deposit accounting technique. The amount recognised totals Euro 613,979 thousand (Euro 1,239,609 thousand at December 31, 2011).

Other financial liabilities

These amounted to Euro 1,811,782 thousand (Euro 1,839,387 thousand at December 31, 2011).

This item includes the financial liabilities defined and governed by IAS 39 not included under "Financial liabilities at fair value through profit or loss".
These include deposits made to secure risks ceded under reinsurance of Euro 170,217 thousand (Euro 171,542 thousand at December 31, 2011) and subordinate financial loans of Euro 1,050,006 thousand (Euro 1,049,467 thousand at December 31, 2011).
Pursuant to CONSOB Resolution DEM/6064293 of July 28, 2006, we note that subordinate and/or hybrid loans have special contractual clauses safeguarding the lenders' rights and interests.

With reference to the **subordinated loan** agreement of **Euro 300 million** of June 22, 2006 (signed half by Fondiaria-SAI S.p.A. and for the other half by Milano Assicurazioni S.p.A.), Article 6.2.1 letter (e) establishes, as a general obligation, the permanent control (in accordance with Article 2359, paragraph 1, No. 1 of the Civil Code) of the direction and coordination of Milano Assicurazioni S.p.A. by Fondiaria-SAI S.p.A..

With reference to the **hybrid loan** agreement of **Euro 350 million** of July 14, 2008, the option to convert into shares of the Parent Company (or of the subsidiary Milano Assicurazioni for the portion issued by it amounting to Euro 100 million) is subject not only to any resolution by the Extraordinary Shareholders' Meeting of the Parent Company for a capital increase to service the conversion within the time periods indicated contractually, but also to the simultaneous occurrence (for three consecutive years) of the following conditions:

(i) the downgrade of the Standard & Poor's rating (or any other agency to which the Parent Company is voluntarily subject, no longer being subject to the Standard & Poor's rating) of the beneficiary companies to "BBB-" or a lower grade;

(ii) the reduction in the solvency margin of the beneficiary companies, as established by Article 44 of the Insurance Code, to a level below or equal to 120% of the solvency margin required by Article 1, paragraph hh) of the Insurance Code,

if (a) the situation causing the above stated events is not resolved, for both events, in the two fiscal years immediately subsequent, or (b) the solvency margin in the two subsequent fiscal years is not increases to at least 130% of the requested solvency margin, Fondiaria-SAI and Milano Assicurazioni may, over a period of additional two years, put in place measures to enable compliance with the requested parameters.

It should be noted that no covenants are in place in the Group loan agreements (other than those indicated above) which limit the use of significant financial resources for the activities of the Parent Company.

In consideration of the recent results of the share capital increase, priorly described in detail, this disclosure was made despite non-compliance of the above-stated clauses not being evident, with the consequent lack of possibility of verifying events contractually established for the protection of investors.

The features of the subordinated and/or hybrid loans relate in general not just to the repayment of such before the payment of any other debt owed by the borrower company at the settlement date, but also the need to obtain, in accordance with the applicable regulation, prior authorisation for repayment by ISVAP.

With reference to the other financial liabilities, amonting to Euro 592 million (Euro 618 million at December 31, 2011), the most significant amounts are described below, as already discussed in the Interim Directors' Report:

- Euro 111.2 million refer to the loan entered into by the closed-end Tikal R.E. Fund with Mediobanca as Agent Bank;

- Euro 90.5 million refer to the bonds issued in 2009 and 2010 by BancaSai;

- Euro 65.7 million are related to the debt of the subsidiary Immobiliare Fondiaria-SAI.

The item also includes customers deposits of the subsidiary BancaSai for Euro 206 million (Euro 232 million at December 31, 2011).

At December 31, 2011 "Other financial liabilities" included Euro 6 million recognised on the financial statements of companies in the Atahotels Group: at June 30, 2012 such liabilities were recognised under "Liabilities directly associated with non-current assets or disposal group classified as held for sale".

5. PAYABLES

These amounted to Euro 829,103 thousand and were broken down as follows:

(in Euro thousands)	At 30/06/2012	At 31/12/2011	Change
Payables from direct insurance operations	94,414	78,999	15,415
Payables from reinsurance operations	87,793	84,912	2,881
Other payables	646,896	628,179	18,717
Total	**829,103**	**792,090**	**37,013**

With reference to payables from direct insurance operations, their breakdown is shown below:

(in Euro thousands)	At 30/06/2012	At 31/12/2011	Change
Payables to insurance intermediaries	72,983	60,252	12,731
Payables to insurance companies	13,802	10,590	3,212
Payables for policyholder security deposits	1,692	118	1,574
Payables for guarantee provisions for policyholders	5,937	8,039	(2,102)
Total	**94,414**	**78,999**	**15,415**

Payables from reinsurance operations refer to reinsurance companies for Euro 69,254 thousand (Euro 62,733 thousand at December 31, 2011) and Euro 18,539 thousand with reinsurance intermediaries (Euro 22,179 thousand at December 31, 2011).

"Other payables" are broken down as follows:

(in Euro thousands)	At 30/06/2012	At 31/12/2011	Change
Trade payables	288,726	276,988	11,738
Employee leaving indemnity and other employee benefits	60,344	65,262	(4,918)
Policyholders' tax due	73,481	97,271	(23,790)
Other tax payables	142,198	150,990	(8,792)
Social security	17,694	23,300	(5,606)
Other payables	64,453	14,368	50,085
Total	**646,896**	**628,179**	**18,717**

At December 31, 2011 the following items included the amounts recognised on the financial statements of companies in the Atahotels Group listed below (at June 30, 2012 such liabilities were recognised under "Liabilities directly associated with non-current assets or disposal group classified as held for sale"): Trade payables, Euro 52 million; Employee leaving indemnity and other employee benefits, Euro 4 million; Social security, Euro 2 million; and Other payables, Euro 5 million.

Employee leaving indemnity and other employee benefits

The actuarial statistical and financial assumptions used to estimate the Employee leaving indemnity according to IAS 19 are not substantially different than those used in the consolidated financial statements for the year ended December 31, 2011.

The change for the period is shown below:

(in Euro thousands)	At 30/06/2012	At 31/12/2011
Balance at the beginning of the period	**65,262**	**77,588**
Provisions to income statement for Interest Cost	386	1,484
Provisions to income statement for Service Cost	23	63
Actuarial Gains/Losses	6,954	(1,468)
Utilisation	(5,083)	(13,371)
Other changes	(2,598)	966
Liabilities directly associated with non-current assets or disposal group classified as held for saleDiscontinued operations"	(4,600)	-
Balance at the end of the period	**60,344**	**65,262**

Health insurance post service

The principal statistical-actuarial and financial assumptions utilised for the determination of the Health insurance post service of employees as per IAS 19 is not substantially different from that utilised in the preparation of the consolidated annual financial statements of the previous year.
Reference should therefore be made to the 2011 financial statements for the assumptions made.
At June 30, 2012, the liabilities related to the health coverage for Executives amounted to Euro 20,449 thousand (Euro 23,131 thousand at December 31, 2011).

6. OTHER LIABILITIES

These are broken down as follows:

(in Euro thousands)	30/06/2012	31/12/2011	Change
Liabilities directly associated with non-current assets or disposal group classified as held for sale	103,940	-	103,940
Deferred tax liabilities	121,425	133,452	(12,027)
Tax payables	51,725	16,522	35,203
Other liabilities	373,835	404,749	(30,914)
Total	**650,925**	**554,723**	**96,202**

Liabilities directly associated with non-current assets or disposal group classified as held for sale
The item includes liabilities held by the Atahotels Group.

Deferred tax liabilities

Deferred tax liabilities, amounting to Euro 121,425 thousand, include the tax effect of all the temporary differences relating to statement of financial position or income statements items which will be reversed in future periods.
Where permitted, the balance is presented net of compensation with the corresponding deferred tax asset, in accordance with IAS 12.

At December 31, 2011 "Deferred tax liabilities" included Euro 5 million recognised on the financial statements of companies in the Atahotels Group: at June 30, 2012 such liabilities were recognised under "Liabilities directly associated with non-current assets or disposal group classified as held for sale".

Tax payables

These amounted to Euro 51,725 thousand (Euro 16,522 thousand at December 31, 2011) and referred to the Group's overall provision for income taxes on the date of preparation of the financial statements for the period, net of current tax assets, where offsettable, as per IAS 12.
Income taxes are calculated applying to the respective tax basis the theoretical tax rates in force at year-end to the taxable income.

At December 31, 2011 "Current tax liabilities" included Euro 1 million recognised on the financial statements of companies in the Atahotels Group: at June 30, 2012 such liabilities were recognised under "Liabilities directly associated with non-current assets or disposal group classified as held for sale".

Other liabilities

Other liabilities amounted to Euro 373,835 thousand (Euro 404,749 thousand at December 31, 2011) and were broken down as follows:

(in Euro thousands)	**30/06/2012**	**31/12/2011**	**Change**
Commissions on premiums being collected	87,570	109,753	(22,183)
Deferred commission assets for investment management services for life policyholders	98	1,604	(1,506)
Cheques issued because of claims and amounts to life policyholders after period-end	33,935	40,390	(6,455)
Transitory reinsurance accounts	-	3,850	(3,850)
Other liabilities	252,232	249,152	3,080
TOTAL	**373,835**	**404,749**	**(30,914)**

"Other liabilities" include half-year expense assessments of approximately Euro 50 million.

PART C – Information on the Consolidated Income Statement

NET PREMIUMS

Consolidated net premiums amounted to Euro 4,925,687 thousand (Euro 6,035,870 thousand for the six months ended June 30, 2011).
The Group's gross premium income amounted to Euro 4,993,755 thousand, a decrease of 19.67% compared to the first half of 2011, broken down as follows:

(in Euro thousands)	30/06/2012	30/06/2011	Change	31/12/2011
Gross Life Insurance premiums written	1,590,875	2,560,277	(969,402)	3,753,573
Gross Non-Life insurance premiums written	3,402,880	3,656,489	(253,609)	7,059,924
Change in gross premiums provision	-93,467	28,363	(121,830)	(36,761)
Total Non-Life Sector	3,496,347	3,628,126	(131,779)	7,096,685
Gross premiums written	**5,087,222**	**6,188,403**	**(1,101,181)**	**10,850,258**

"Gross premiums written" do not include cancellations of certificates issued in prior years, which were charged to "Other expenses". The above amounts are presented net of intra-group reinsurance.
For the breakdown of gross premiums written among different insurance classes and allotment between direct and indirect business, reference should be made to the tables included in the Directors' Report.

Premiums ceded, amounting to Euro 151,509 thousand, account for 3.0% of the total premiums issued (2.5% for the six months ended June 30, 2011).

(in Euro thousands)	30/06/2012	30/06/2011	Change	31/12/2011
Life Sector	4,969	11,032	(6,063)	18,285
Non-Life Sector	146,540	144,084	2,456	311,829
Change in reinsurers provision	10,026	(2,583)	12,609	(7,200)
Total Non-Life Sector	156,566	141,501	15,065	304,629
Premiums ceded to re-insurers	**161,535**	**152,533**	**9,002**	**322,914**

The Group reinsurance policy had a positive effect on the consolidated financial statements of Euro 30,714 thousand (Euro 33,683 thousand in the Non-Life Sector).
Pursuant to IFRS 4.37 b ii, we note that it is not the Group's practice to defer and amortise profits or losses from reinsurance transactions.

FEE AND COMMISSION INCOME

Fee and commission income for the six months ended June 30, 2012 amounted to Euro 4,987 thousand, a change compared to the first half of 2011 of Euro -8,758 thousand.

(in Euro thousands)	30/06/2012	30/06/2011	Change	31/12/2011
Fee and commission income	4,987	13,745	(8,758)	24,433

The item includes both the explicit and implicit loading related to investment contracts issued by the Group insurance companies and which, as such, do not fall under the scope of application of IFRS 4, as well as management commissions on internal funds.

In particular, Euro 2 million refer to the subsidiary Popolare Vita (Euro 5 million for the six months ended June 30, 2011).

Also included are approximately Euro 3 million in commission income earned by companies operating in the asset management and consumer credit sector (Euro 8 million for the six months ended June 30, 2011).

INCOME AND CHARGES FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

These amounted to Euro 325,515 thousand, an increase compared to the six months ended June 30, 2011 of Euro 241,451 thousand.

The table shows the breakdown:

(in Euro thousands)	Interest	Other net income	Realised Profits	Realised Losses	Valuation gains and recovery in values	Valuation losses and adjust. in values	Total 30/06/12	Total 30/06/11	Change	Total 31/12/2011
Result of investments from:										
Financial assets held for trading	1,068	(11)	1,907	(1,152)	18,927	(3,545)	17,194	17,716	(522)	3,103
Financial assets designated at fair value recorded trough profit and loss	67,368	64,401	142,566	(17,559)	116,728	(49,150)	324,354	83,206	241,148	321,280
Financial liabilities held for trading	-	-	-	-	324	(16,357)	(16,033)	(16,858)	825	(2,684)
TOTAL	**68,436**	**64,390**	**144,473**	**(18,711)**	**135,979**	**(69,052)**	**325,515**	**84,064**	**241,451**	**321,699**

The result of the investments from financial assets designated at fair value recorded through profit and loss includes Euro 308,077 thousand (Euro 99,830 thousand at June 30, 2011) related to investments for which the risk is on policyholders. The net income is offset by a similar decrease, in commitments to policyholders.

INCOME AND EXPENSES FROM INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, FROM OTHER FINANCIAL INSTRUMENTS AND FROM INVESTMENT PROPERTIES

These are summarised in the following table:

(in Euro thousands)	*Net interest*	*Other income*	*Realised Profits*	*Realised Losses*	*Valuation gains and recovery in values*	*Valuation losses and adjustment in values*	*Total 30/06/12*	*Total 30/06/11*	*Change*	*Total 31/12/2011*
Result from:										
Investment property	-	25,103	17,931	(35)	-	(37,472)	5,527	(28,449)	33,976	(252,042)
Investments in subsidiaries, associates and joint ventures	-	(7,570)	110	(440)	-	-	(7,900)	7,320	(15,220)	(21,306)
Investments held to maturity	18,108	49	824	-	-	-	18,981	18,025	956	35,554
Loans and receivables	86,635	24	326	(3,381)	6,754	(1,364)	88,994	75,162	13,832	141,797
Financial assets available for sale	292,415	33,474	110,465	(42,211)	-	(75,171)	318,972	300,508	18,464	321,171
Other receivables	3,472	(15)	-	-	-	-	3,457	3,171	286	13,803
Cash and cash equivalents	7,068	(267)	-	-	-	-	6,801	3,627	3,174	11,124
Other financial liabilities and other payables	(31,935)	(194)	46	-	-	-	(32,083)	(37,560)	5,477	(77,395)
TOTAL	**375,763**	**50,604**	**129,702**	**(46,067)**	**6,754**	**(114,007)**	**402,749**	**341,804**	**60,945**	**172,706**

Realised profits and losses show the economic effects deriving from the sale of different financial instruments.

The valuation losses and adjustments in value on investment property includes the depreciation rates recognised during the period of Euro 35 million (Euro 36 million for the six months ended June 30, 2011) and write-downs on properties for which the market value is lower than the book value of Euro 2 million (Euro 12 million at June 30, 2011), related to positions held through the Group's real estate funds.
Losses on financial assets available for sale refer to the impact on the Income Statement for the period of the impairment policy followed by the Group: of these, Euro 69 million refer to sharesand the residual amount refers to mutual fund units.
Interest expenses on other financial liabilities includes the expense on the Group's financial debt.

During the first half year, no interest income accrued on financial instruments written down due to impairment losses during previous years.

For the six months ended June 30, 2011 "Other financial liabilities and other payables" included Euro 0.9 million related to interest expense and other expenses on loans of the Atahotels Group.

OTHER INCOME

Other income amounted to Euro 175,724 thousand (Euro 316,979 thousand at June 30, 2011) and is summarised in the table below:

(Euro thousand)	30/06/2012	30/06/2011	Change	31/12/2011
Gains realized on non-current assets	15	4	11	16,523
Other technical income	30,086	41,280	(11,194)	54,291
Utilisation of provisions	32,565	77,053	(44,488)	164,768
Exchange differences	5,780	1,184	4,596	4,731
Non-recurring income	19,935	9,944	9,991	38,030
Gains realised on property and equipment	8	28	(20)	271
Other income	87,335	187,486	(100,151)	388,106
Total	**175,724**	**316,979**	**(141,255)**	**666,720**

In the table above, "Other income" includes the following income:

- Euro 31 million (Euro 37 million for the six month ended June 30, 2011) related to operating income of the subsidiary Auto Presto & Bene;
- Euro 25 million (Euro 23 million for the six month ended June 30, 2011) related to the income of retirement home subsidiaries;
- Euro 10 million (Euro 38 million for the six month ended June 30, 2011) related to the operating income of the subsidiaries Immobiliare Lombarda and of the Immobiliare Fondiaria-SAI and Immobiliare Milano;
- Euro 4 million (Euro 4 million for the six month ended June 30, 2011) related to income from agricultural business.

For the six month ended June 30, 2011 the item included Euro 58 million related to the operating income of the Atahotels Group.

NET INSURANCE BENEFIT AND CLAIMS

Claims paid, including Life Sector amounts and the respective expenses, reached a total, inclusive of portions ceded to reinsurers, of Euro 6,289,708 thousand, an increase of 28.08% compared to the previous year.

Insurance claims paid and changes in insurance contract liabilities

(in Euro thousands)	**30/06/2012**	**30/06/2011**	**Change**	**31/12/2011**
Non-Life Sector				
Claims paid	2,806,570	2,821,279	(14,709)	5,488,355
Change in recoveries	(67,326)	(88,177)	20,851	(167,944)
Change in other technical provisions	(302)	(194)	(108)	(269)
Change in claims provisions	(188,773)	(32,719)	(156,054)	751,863
Total Non-Life	**2,550,169**	**2,700,189**	**(150,020)**	**6,072,005**
Life Sector				
Amounts paid	3,483,138	2,089,557	1,393,581	4,393,334
Change in mathematical provisions and in other provisions	(218,309)	(333,184)	114,875	(918,433)
Change in technical provisions when the investment risk is on policyholders and derives from pension fund management	(1,320,352)	927,116	(2,247,468)	721,290
Change in payout provision	108,120	46,589	61,531	138,661
Total Life	**2,052,597**	**2,730,078**	**(677,481)**	**4,334,852**
Total Non-Life + Life	**4,602,766**	**5,430,267**	**(827,501)**	**10,406,857**
Amounts paid	**6,222,382**	**4,822,659**	**1,399,723**	**9,713,745**
Change in provisions	**(1,619,616)**	**607,608**	**(2,227,224)**	**693,112**

Insurance claims: quota ceded to reinsurers

(in Euro thousands)	30/06/2012	30/06/2011	Change	31/12/2011
Non-Life Sector				
Amounts paid by reinsurers	84,430	74,774	9,656	166,130
Change in recoveries	50,201	1,084	49,117	4,970
Change in other technical provisions	-	-	-	-
Change in claims provision	19,463	(1,685)	21,148	(23,912)
Total Non-Life	**154,094**	**74,173**	**79,921**	**147,188**
Life Sector				
Amount paid by reinsurers	11,162	9,678	1,484	24,226
Change in mathematical provisions and in other technical provisions	(8,180)	(61,700)	53,520	(6,319)
Change in payout provision	(1,853)	67,413	(69,266)	992
Total Life	**1,129**	**15,391**	**(14,262)**	**18,899**
Total Non-Life + Life	**155,223**	**89,564**	**65,659**	**166,087**
Amounts paid by reinsurers	**145,793**	**85,536**	**60,257**	**195,326**
Change in provisions	**9,430**	**4,028**	**5,402**	**(29,239)**

The change in net technical provisions in the Non-Life Sector amounted to Euro -208,538 thousand, a decrease of Euro 177,310 thousand compared to the six months ended June 30, 2011.

The net technical provisions of the Life Sector, including the payout provision, changed by Euro -1,420,508 thousand (Euro 634,808 thousand for the six months ended June 30, 2011).

FEE AND COMMISSION EXPENSE

Fee and commission expense for the first half of 2012 amounted to Euro 4,418 thousand, a decrease compared to the first half of 2011 of Euro -4,687 thousand.

(in Euro thousands)	30/06/2012	30/06/2011	Change	31/12/2011
Fee and commission expense	4,418	9,105	(4,687)	15,855

This item includes acquisition costs for investment contracts issued by insurance companies not falling under the scope of application of IFRS 4: the decrease is attributable to the contraction of the bancassurance business.

OPERATING EXPENSES

(in Euro thousands)	30/06/2012	30/06/2011	Change	31/12/2011
Non-Life Sector				
Acquisition commissions and change in deferred acquisition costs	510,300	556,990	(46,690)	1,108,433
Other acquisition expenses	99,548	106,704	(7,156)	213,502
Collection commissions	17,018	18,399	(1,381)	36,140
Reinsurers commissions and profit participation	(36,155)	(38,212)	2,057	(80,658)
Total Non-Life	**590,711**	**643,881**	**(53,170)**	**1,277,417**
Life Sector				
Acquisition commissions and change in deferred acquisition costs	39,762	75,663	(35,901)	97,982
Other acquisition expenses	13,088	11,874	1,214	24,485
Collection commissions	3,064	3,405	(341)	7,921
Reinsurers commissions and profit participation	(871)	(255)	(616)	(1,182)
Total Life	**55,043**	**90,687**	**(35,644)**	**129,206**
Asset management fees	7,085	6,797	288	16,016
Other administrative expenses	205,768	235,516	(29,748)	452,674
Total	**858,607**	**976,881**	**(118,274)**	**1,875,313**

For the six month ended June 30, 2011 "Other administrative expenses" included Euro 18 million for the Atahotels Group.

OTHER EXPENSES

Other expenses amounted to Euro 439,242 thousand (Euro 505,066 thousand at June 30, 2011) and the following table breaks them down by nature:

(Euro thousands)	30/06/2012	30/06/2011	Change	31/12/2011
Other technical expenses	203,854	209,551	(5,697)	247,015
Provisions for risks and charges	108,510	38,809	69,701	136,603
Write-downs of receivables	11,017	5,822	5,195	35,831
Non recurring expenses	6,389	18,242	(11,853)	38,523
Depreciation on property and equipment	5,445	7,894	(2,449)	14,959
Amortisation on intangible assets	15,372	21,039	(5,667)	43,093
Impairment losses on intangible assets	13,433	69	13,364	100,727
Exchange difference	1,407	4,338	(2,931)	2,867
Other expenses	73,815	199,302	(125,487)	418,981
Total	**439,242**	**505,066**	**(65,824)**	**1,038,599**

"Provision for risks and charges" includes Euro 73 million for write-offs during the period on receivables toward the Imco-Sinergia Group.

"Impairment losses on intangible assets" includes the decrease in value and the consequent resetting of goodwill recognised by the subsidiary Incontra Assicurazioni.

"Other expenses" in the table above includes the following expenses:

- Euro 31 million (Euro 37 million at June 30, 2011) related to the operating expenses of the subsidiary Auto Presto & Bene;
- Euro 21 million (Euro 18 million at June 30, 2011) related to operating expenses incurred by the retirement home subsidiaries of the Group for operating and personnel costs;
- Euro 12 million (Euro 38 million at June 30, 2011) related to operating costs of the subsidiaries Immobiliare Lombarda of the Immobiliare Fondiaria-SAI and Immobiliare Milano;
- Euro 3 million (Euro 2 million at June 30, 2011) related to operating costs of the subsidiary Saiagricola.

For the six months ended June 30, 2011 the item included Euro 36 million related to the operating costs of the Atahotels Groups.

INCOME TAXES

They are broken down as follows:

(in Euro thousands)	30/06/2012	30/06/2011	Change	31/12/2011
Current taxes	91,918	22,728	69,190	138,815
Deferred taxes	(43,153)	(472)	(42,681)	(530,962)
Total	**48,765**	**22,256**	**26,509**	**(392,147)**

Income taxes for the period amount to Euro 48,765 thousand (Euro 22,256 thousand for the six months ended June 30, 2011), due to the combined effect of current taxes of Euro 91,918 thousand, net of positive deferred taxes of Euro 43,153 thousand.

National income taxes (IRES and IRAP) and the income taxes of foreign subsidiaries are determined applying to the respective tax basis the theoretical tax rates applicable to annual results.

The positive effect of deferred taxes includes the reversal, in terms of higher expenses, of the deferred tax assets accrued in prior years on tax losses carried forward which, for the half-year, may be deducted from taxable income within the limits allowed by the tax laws.

The tax rate for the period, taking into account a positive result before taxes but of a limited size, is insignificant and not comparable with the tax burden for the same period of the previous year.

PROFIT (LOSS) FROM DISCONTINUED OPERATIONS

This item, amounting to Euro -11,144 thousand, includes Euro -13,455 thousand related to the result for the period of the Atahotels Groups and Euro 2,311 thousand related to the result from the disposal of the investment in IGLI S.p.A.

COMPREHENSIVE INCOME STATEMENT

The table shows the other components of the Comprehensive Income Statement.

PART D - Sector Information

In accordance with IFRS 8, sector information provides the readers of the financial statements with an additional tool for a better understanding of the financial results of the Group.
The underlying logic in the application of the principle is to provide information on the manner in which the Group results are formed, consequently providing information on the overall operations of the Group, and, specifically, on the areas where profits and risks are concentrated.

The Group reporting is by sector of activity. The companies of the Group are organised and managed separately based on the nature of their products and services, for each sector of activity which represents a strategic business unit which offers different products and services.
The sectors of activity are identified through the Group's Management Reporting system. The Non-Life sector provides insurance cover pursuant to Article 2, paragraph 3 of Legislative Decree 209/05. The Life sector offers insurance cover with payment of capital or an annuity against an event relating to human life, as well as the securitisation contracts with or without significant insurance risk (Article 2, paragraph 1 of Legislative Decree 209/05).

The Real Estate sector rents offices, buildings and residential homes which exceed the coverage requirements of the insurance contract liabilities of the Group and actively operate in the management of investment properties.

The Other Activities Sector, by its nature residual, offers products and services in asset management and the financial and agricultural sectors. The identification of the residual sector is based on a discretional valuation in order to illustrate the primary sources of risks and benefits for the Group.
The inter-sector operations are generally carried out under arm's length conditions.

The tables below show the Statement of financial position and the Income Statement broken down by sector.

Income statement by activity sector

(in Euro thousands)

		Non-Life Insurance Sector		Life Insurance Sector		Real Estate Sector		Other Sectors		Inter-sector eliminations		Total	
		30/06/2012	30/06/2011	30/06/2012	30/06/2011	30/06/2012	30/06/2011	30/06/2012	30/06/2011	30/06/2012	30/06/2011	30/06/2012	30/06/2011
1.1	Net premiums	3,339,781	3,486,625	1,585,906	2,549,245	0	0	0	0	0	0	4,925,687	6,035,870
1.1.1	*Gross premiums*	*3,496,347*	*3,628,126*	*1,590,875*	*2,560,277*							5,087,222	6,188,403
1.1.2	*Premiums ceded to re-insurers*	*-156,566*	*-141,501*	*-4,969*	*-11,032*							-161,535	-152,533
1.2	Fee and Commission income			1,963	5,557			11,591	11,668	-8,567	-3,480	4,987	13,745
1.3	Income and charges from financial instruments at fair value through profit or loss	16,009	-10,612	309,351	94,696	-319	-86	474	81		-15	325,515	84,064
1.4	Income from investments in subsidiaries, associates and joint ventures	*652*	*122*			*15*	*14,899*				*0*	667	15,021
1.5	Income from other financial instruments and investment properties	228,319	163,550	367,331	404,213	25,754	23,331	29,476	31,164	-14,362	-24,340	636,518	597,918
1.6	Other income	237,716	268,406	32,149	30,954	10,852	42,330	272,019	312,982	-377,012	-337,693	175,724	316,979
1	**TOTAL INCOME**	**3,822,477**	**3,908,091**	**2,296,700**	**3,084,665**	**36,302**	**80,474**	**313,560**	**355,895**	**-399,941**	**-365,528**	**6,069,098**	**7,063,597**
2.1	Net insurance benefit and claims	-2,396,075	-2,626,016	-2,051,468	-2,714,687	0	0	0	0	0	0	-4,447,543	-5,340,703
2.1.2	*Claims paid and changes in insurance contract liabilities*	*-2,550,169*	*-2,700,188*	*-2,052,597*	*-2,730,079*							-4,602,766	-5,430,267
2.1.3	*Reinsurers' share*	*154,094*	*74,172*	*1,129*	*15,392*							155,223	89,564
2.2	Fee and commission expenses			-1,411	-4,800			-3,007	-4,305			-4,418	-9,105
2.3	Expenses from investments in subsidiaries, associates and joint ventures	-8,001	-48			-198	-56	-368	-7,597			-8,567	-7,701
2.4	Expenses from other financial instruments and investment properties	-134,301	-126,926	-51,969	-99,565	-33,856	-35,412	-14,119	-12,898	8,376	11,367	-225,869	-263,434
2.5	Operating expenses	-736,178	-799,651	-93,315	-128,213	-100	-98	-151,926	-159,285	122,912	110,366	-858,607	-976,881
2.6	Other expenses	-467,918	-446,766	-54,152	-63,580	-27,954	-36,502	-157,871	-202,013	268,653	243,795	-439,242	-505,066
2	**TOTAL EXPENSES**	**-3,742,473**	**-3,999,407**	**-2,252,315**	**-3,010,845**	**-62,108**	**-72,068**	**-327,291**	**-386,098**	**399,941**	**365,528**	**-5,984,246**	**-7,102,890**
	PROFIT (LOSS) BEFORE TAXES	**80,004**	**-91,316**	**44,385**	**73,820**	**-25,806**	**8,406**	**-13,731**	**-30,203**	**0**	**0**	**84,852**	**-39,293**

Statement of financial position by activity sector

(in Euro thousands)

		Non-Life Insurance Sector		Life Insurance Sector		Real Estate Sector		Other Sectors		Inter-sector eliminations		Total	
		30/06/2012	31/12/2011	30/06/2012	31/12/2011	30/06/2012	31/12/2011	30/06/2012	31/12/2011	30/06/2012	31/12/2011	30/06/2012	31/12/2011
1	**INTANGIBLE ASSETS**	**773,622**	**803,797**	**587,675**	**587,761**	**1,109**	**1,204**	**27,584**	**70,128**			**1,389,990**	**1,462,890**
2	**PROPERTY AND EQUIPMENT**	**88,509**	**94,632**	**7,533**	**7,030**	**197,110**	**197,552**	**82,799**	**102,556**	**-26**	**-26**	**375,925**	**401,744**
3	**REINSURANCE ASSETS**	**676,274**	**608,617**	**83,179**	**93,263**							**759,453**	**701,880**
4	**INVESTMENTS**	**7,786,981**	**7,974,622**	**22,107,195**	**23,525,365**	**1,242,536**	**1,382,478**	**1,558,059**	**1,287,925**	**-364,390**	**-381,058**	**32,330,381**	**33,789,332**
4.1	Investment property	1,291,489	1,463,160	4,287	4,434	1,129,718	1,267,976	23,669	23,675			2,449,163	2,759,245
4.2	Investments in subsidiaries, associates and joint ventures	92,913	79,448		21,135	14,577	14,760		1,215			107,490	116,558
4.3	Investments held to maturity			727,861	601,755				0	-2,078	-2,042	725,783	599,713
4.4	Loans and receivables	738,055	716,893	2,063,105	2,118,511	27,197	41,286	1,344,425	1,128,490	-299,508	-316,315	3,873,274	3,688,865
4.5	Financial assets available-for-sale	5,635,803	5,689,702	12,266,589	11,793,990	68,169	55,581	119,072	115,565	-56,384	-56,551	18,033,249	17,598,287
4.6	Financial assets recognised at fair value through profit or loss	28,721	25,419	7,045,353	8,985,540	2,875	2,875	70,893	18,980	-6,420	-6,150	7,141,422	9,026,664
5	**OTHER RECEIVABLES**	**2,061,697**	**2,307,378**	**210,028**	**282,888**	**65,636**	**59,572**	**211,647**	**308,975**	**-337,525**	**-618,072**	**2,211,483**	**2,340,741**
6	**OTHER ASSETS**	**1,026,399**	**1,091,564**	**353,332**	**559,961**	**145,038**	**136,346**	**176,928**	**78,518**	**-32,271**	**-62,949**	**1,669,426**	**1,803,440**
6.1	Insurance deferred acquisition costs			31,146	30,301							31,146	30,301
6.2	Other assets	1,026,399	1,091,564	322,186	529,660	145,038	136,346	176,928	78,518	-32,271	-62,949	1,638,280	1,773,139
7	**CASH AND CASH EQUIVALENTS**	**1,139,236**	**965,478**	**312,888**	**279,784**	**108,549**	**42,391**	**103,815**	**73,102**	**-710,653**	**-384,173**	**953,835**	**976,582**
	TOTAL ASSETS	**13,552,718**	**13,846,088**	**23,661,830**	**25,336,052**	**1,759,978**	**1,819,543**	**2,160,832**	**1,921,204**	**-1,444,865**	**-1,446,278**	**39,690,493**	**41,476,609**
1	**SHAREHOLDERS' EQUITY**											**1,850,282**	**1,556,708**
2	**PROVISIONS FOR RISKS AND CHARGES**	**242,855**	**252,102**	**26,067**	**30,417**	**17,069**	**16,661**	**10,513**	**23,130**			**296,504**	**322,310**
3	**INSURANCE CONTRACT LIABILITIES**	**12,328,376**	**12,610,322**	**21,206,943**	**22,497,183**							**33,535,319**	**35,107,505**
4	**FINANCIAL LIABILITIES**	**1,107,322**	**1,090,310**	**1,066,072**	**1,684,858**	**187,951**	**211,958**	**1,233,642**	**911,113**	**-1,066,627**	**-754,966**	**2,528,360**	**3,143,273**
4.1	Financial liabilities at fair value through profit and loss	69,993	39,725	640,075	1,257,930	5,564	4,743	946	1,488			716,578	1,303,886
4.2	Other financial liabilities	1,037,329	1,050,585	425,997	426,928	182,387	207,215	1,232,696	909,625	-1,066,627	-754,966	1,811,782	1,839,387
5	**PAYABLES**	**784,353**	**833,971**	**105,839**	**132,350**	**41,579**	**38,200**	**237,659**	**413,563**	**-340,327**	**-625,994**	**829,103**	**792,090**
6	**OTHER LIABILITIES**	**366,586**	**386,719**	**180,680**	**172,418**	**15,879**	**31,169**	**125,851**	**29,893**	**-38,071**	**-65,476**	**650,925**	**554,723**
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES											**39,690,493**	**41,476,609**

PART E – Information on business combinations and discontinued operations

IGLI S.p.A.

On December 27, 2011, Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l. entered into an agreement with Argo Finanziaria S.p.A. related to the purchase by the latter of a total of 8,040,000 ordinary shares of IGLI S.p.A. held by Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l. and representing a 33.33% investment in the share capital of IGLI S.p.A. As is known, IGLI S.p.A. is the owner in turn of 120,576,293 ordinary shares of Impregilo S.p.A. representing a 29.96% investment in its share capital with voting rights.

The acquisition price for each share of IGLI S.p.A. subject to the agreement was Euro 10.89572 and was determined based on the forecast statement of financial position of IGLI S.p.A. at December 31, 2011 including a value of Euro 3.65 to each ordinary share of Impregilo S.p.A. held by IGLI S.p.A.

Argo Finanziaria S.p.A. then designated its subsidiary Autostrada Torino Milano S.p.A. as the purchaser of the IGLI S.p.A. shares owned by Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l.

On March 8, 2012 the transaction was completed with payment at the same time of the price of 43,800,794.40 for each seller.

Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l. agreed on their own behalves and on behalf of their associates not to acquire for any reason, directly or indirectly, shares, rights or participatory instruments of Impregilo S.p.A., financial instruments or bills of exchange convertible into shares or participatory instruments of Impregilo S.p.A., as well as any right of option for the subscription and/or acquisition of one of the said instruments for a period of 12 months from the date of execution of the transaction.

Atahotels Group

On May 3, 2012, the Board of Directors chose the private equity operator 21 Investimenti as the counterparty with which to proceed exclusively with an analysis of the disposal of the hotel business forming part of the business conglomerate under Atahotels.

The financial statements of the Atahotels Group as of and for the six months ended June 30, 2012 are reported below.

STATEMENT OF FINANCIAL POSITION - ASSETS

(in Euro thousands)		30/06/2012
1	**INTANGIBLE ASSETS**	**36,528**
1.2	Other intangible assets	36,528
2	**PROPERTY AND EQUIPMENT**	**18,419**
2.1	Building	2,383
2.2	Other property and equipment	16,036
4	**INVESTMENTS**	**3,885**
4.2	Investments in subsidiaries, associates and joint ventures	1,236
4.4	Loans and receivables	2,649
5	**OTHER RECEIVABLES**	**25,378**
5.3	Other receivables	25,378
6	**OTHER ASSET**	**17,836**
6.3	Deferred tax assets	2,469
6.4	Tax receivable assets	12,640
6.5	Other assets	2,727
7	**CASH AND CASH EQUIVALENTS**	**13,169**
	TOTAL ASSETS	**115,215**

STATEMENT OF FINANCIAL POSITION – SHAREHOLDERS' EQUITY AND LIABILITIES

(in Euro thousands)		30/06/2012
1	**SHAREHOLDERS' EQUITY**	**11,275**
1.1	**Shareholders' equity attributable to the Group**	**11,275**
1.1.9	Profit (loss) for the period	(13,455)
2	**PROVISIONS FOR RISKS AND CHARGES**	**3,249**
4	**FINANCIAL LIABILITIES**	**13,967**
4.2	Other financial liabilities	13,967
5	**PAYABLES**	**80,849**
5.3	Other payables	80,849
6	**OTHER LIABILITIES**	**5,875**
6.2	Deferred tax liabilities	4,835
6.3	Tax payables	693
6.4	Other liabilities	347
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**115,215**

INCOME STATEMENT

(in Euro thousands)		30/06/2012
1.5	Income from other financial instruments and investment properties	27
1.5.1	*Interest income*	*27*
1.6	Other income	54,160
1	**TOTAL INCOME**	**54,187**
2.3	Expenses from investments in subsidiaries, associates and joint ventures	(156)
2.4	Expenses from other financial instruments and investment properties	(791)
2.4.1	*Interest expense*	*(579)*
2.4.2	*Other expenses*	*(212)*
2.5	Operating expenses	(14,418)
2.5.3	*Other administrative expenses*	*(14,418)*
2.6	Other expenses	(52,170)
2	**TOTAL EXPENSES**	**(67,535)**
	LOSS FOR THE PERIODBEFORE TAXES	**(13,348)**
3	Income taxes	**(107)**
	LOSS FOR THE PERIOD AFTER TAXES	**(13,455)**
	LOSS FOR THE PERIOD	**(13,455)**

For the six months ended June 30, 2011, the Atahotels Group showed a loss of Euro 13.9 million.

PART F – Information on transactions with related parties

Introduction

Disclosure in the interim financial statements of information on “Related parties” is governed by both IAS 24 and the relevant CONSOB Communications, which should be referred to.

The Parent’s main financial relations with its subsidiaries (whether or not they fall within the scope of application of Articles 2497 *et seq*. of the Italian Civil Code) are set out in the Directors’ Report in the Parent Company’s separate financial statements.

Transactions between the Parent Company and its subsidiaries, and transactions between subsidiaries, were eliminated in these interim financial statements in accordance with the provisions of the principles of consolidation and therefore are not shown in these notes.

On December 23, 2011, the Board of Directors of Fondiaria-SAI approved the update to the previous document, dated November 30, 2010, named “Principles of conduct for carrying out significant transactions and procedures for carrying out transactions with related parties”, in compliance with the provisions of CONSOB Resolution 17221 of March 12, 2010 (“CONSOB Regulation”), as amended with Resolution 17389 of June 23, 2010. In assuming this resolution, the Board of Directors took into account the preliminary unanimous favourable opinion on the matter issued by the dedicated committee made up exclusively of independent directors. The new procedures were published on the Company’s website on December 23, 2011 and have been applied with effect from January 1, 2012. The old provisions remain in force for 2011 and previous years. In compliance with the above, the Board also approved the updated text of the guidelines for operations with related parties pursuant to ISVAP Regulation 25 of May 27, 2010, which refer to the aforementioned separate document for all procedural aspects of transactions with related parties.

The tables below show the statement of financial position, income statement and cash flow statement relating to transactions with related parties occurred in the first half of 2012 or, in relation to real-estate activities begun in previous years and not yet completed, resulting from transactions undertaken between the Group and its related parties.

Details of transactions between the Group and other related entities are set out below.

Financial and economic data

(in Euro thousands)	At June 30, 2012		At December 31, 2011	
COUNTERPARTY	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Parent Company	484	1,730	181	1,770
Associates	112,583	685	106,131	837
Group companies	7	8	7	8
Other related parties	402,243	24,843	460,221	18,572
TOTAL	**515,317**	**27,266**	**566,540**	**21,187**

(in Euro thousands)	At June 30, 2012		At December 31, 2011	
NATURE OF TRANSACTION	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Real-estate activities	202,747	6,478	272,123	7,827
Insurance activities	558	11,706	199	3,988
Financial activities	310,299	4,941	293,198	5,349
Services provided	1,628	73	949	-
Services received	85	2,452	63	2,319
Fees to corporate officers	-	1,616	8	1,704
Remuneration to managers with strategic responsibilities	-	-	-	-
TOTAL	**515,317**	**27,266**	**566,540**	**21,187**

(in Euro thousands)	June 30, 2012		June 30, 2011	
COUNTERPARTY	**Income**	**Expenses**	**Income**	**Expenses**
Parent Company	245	54	114	1,157
Associates	280	3	19,695	18,234
Group companies	-	-	-	-
Other related parties	23,027	125,677	22,832	40,127
TOTAL	**23,552**	**125,734**	**42,641**	**59,518**

(in Euro thousands)	June 30, 2012		June 30, 2011	
NATURE OF TRANSACTION	**Income**	**Expenses**	**Income**	**Expenses**
Real-estate activities	852	73,451	23,498	23,288
Insurance activities	22,034	33,585	18,591	11,987
Financial activities	430	4,863	391	53
Services provided	236	141	161	-
Services received	-	5,290	-	4,549
Fees to corporate officers	-	3,723	-	5,491
Remuneration to managers with strategic responsibilities	-	4,681	-	14,150
TOTAL	**23,552**	**125,734**	**42,641**	**59,518**

Cash flows

(in Euro thousands)	June 30, 2012		June 30, 2011	
COUNTERPARTY	**Inflows**	**Outflows**	**Inflows**	**Outflows**
Parent Company	49	35	131	720
Associates	122	8,856	19,784	27,479
Group companies	-	-	-	-
Other related parties	22,860	61,296	19,707	70,223
TOTAL	**23,031**	**70,187**	**39,622**	**98,422**

(in Euro thousands)	June 30, 2012		June 30, 2011	
NATURE OF TRANSACTION	**Inflows**	**Outflows**	**Inflows**	**Outflows**
Real-estate activities	644	14,304	20,025	54,128
Insurance activities	22,119	32,144	18,646	12,097
Financial activities	190	9,937	536	7,204
Services provided	54	121	335	-
Services received	24	6,506	80	5,962
Fees to corporate officers	-	2,494	-	4,881
Remuneration to managers with strategic responsibilities	-	4,681	-	14,150
TOTAL	**23,031**	**70,187**	**39,622**	**98,422**

The transactions detailed above were concluded under normal market conditions. The amounts receivable recorded under assets are not guaranteed and will be settled in cash. No provisions were made during the three-year reference period for any losses on receivables on the amounts receivable from related parties.

REAL-ESTATE ACTIVITIES

The table below shows the impact of real-estate transactions on the income statement and statement of financial position.

(in Euro thousands)			June 30, 2012			
COUNTERPARTY	**Assets**	**Liabilities**	**Income**	**Expenses**	**Inflows**	**Outflows**
Parent Company	175	-	174	-	-	-
Associates	245	-	91	-	53	-
Group companies	-	-	-	-	-	-
Other related parties	202,327	6,478	587	73,451	591	14,304
TOTAL	**202,747**	**6,478**	**852**	**73,451**	**644**	**14,304**

The amount recorded under **assets** essentially comprises:

Relations with **Other related parties**:

- Euro 92.4 million refers to the inventory valuation of the real-estate project involving the construction of the Loano tourist port. The amount capitalised by Immobiliare Fondiaria-SAI S.r.l., via subsidiary Marina di Loano S.p.A., is Euro 92.4 million and comprises the sums paid in previous years to Marcora Costruzioni S.p.A. The inventory valuation includes Euro 9.6 million paid to Sepi 97 S.r.l. for design works and Euro 2.6 million to I.C.E.IN. S.p.A. and Euro 1 million to Imco S.p.A. for construction works;
- the Milano Assicurazioni S.p.A. assets relating to other related parties comprise Euro 78.4 million of receivables due from Group company Imco-Sinergia (of which Euro 52.9 million from Avvenimenti e Sviluppo Alberghiero and Euro 25.5 million from Imco) resulting from advanced payments made to the aforementioned companies by Milano Assicurazioni in relation to two contruction plan real-estate purchases concluded in previous years. The amount is recorded net of an adjustment for the period equal to Euro 61.6 million, which was made following the bankruptcy ruling issued by the Second Civil Chamber of the Court of Milan on June 14, 2012.
  The aforementioned real-estate transactions were commented on in the previous financial statements and in the interim report. It should first be pointed out, however, that in the 2003 financial year, Milano Assicurazioni carried out a real-estate transaction that provided for the sale to Avvenimenti e Sviluppo Alberghiero of a buildable area located on Via Fiorentini, Rome, and the purchase by said company of the real-estate complex to be built on the area in question at a price of Euro 110 million, pursuant to the rider added in 2009.

  For this transaction, Milano Assicurazioni made advance payments to Avvenimenti e Sviluppo Alberghiero totalling around Euro 102 million. The payments all pertain to previous financial years, since the works have been suspended for some time in anticipation of the conclusion of a new agreement with the municipality of Rome to replace the agreement of August 8, 2000; in the 2005 financial year, Milano Assicurazioni carried out a similar transaction, which provided for the sale to Imco of the land located in Milan on Via Confalonieri and Via de Castillia (Lunetta dell’Isola) and the purchase by Imco of a

property for use by third parties to be built on the aforementioned land, at a total price of Euro 99.1 million, pursuant to the rider added in 2011. The advance payments recorded by Milano Assicurazioni for this transaction totalled Euro 77.4 million, of which Euro 7 million was paid in the half-year in question; in the 2011 financial statements these transactions, classified under real-estate investments, were subject to adjustments made based on updated valuations carried out by independent experts. Specifically, the book value of the Via Fiorentini, Rome project was reduced by Euro 29.9 million, while the adjustment carried out on the transaction concerning the area on Via Confalonieri and Via de Castillia, Milan amounted to Euro 12.6 million. In light of this, during the course of the first half of the year, the aforementioned related parties requested the payment of additional sums for alleged changes to the original plans. These requests were deemed to be unfounded, and the requests were therefore rejected at the time; on June 14, 2012, the Second Civil Chamber of the Court of Milan issued a declaration of bankruptcy against Imco and Sinergia. Following this ruling, the book value of these real-estate projects, which had been recorded under the Investment Property item until the 2011 financial statements, was reclassified under Other receivables. The aforementioned transactions provided for Milano Assicurazioni to become the owner of these properties only once they had been completed and undergone tests, and the contracts were not accompanied by specific guarantees. The declaration of bankruptcy therefore exposed the company to the risk of losing the right to delivery of the properties under construction, whilst still holding the sums paid in advance as receivables.
The valuation of the receivables at their presumed realisable value, carried out by an independent expert in accordance with the criteria mentioned under Other receivables, resulted in an adjustment of Euro 61.6 million in the income statement for the half-year period (of which Euro 20.8 million related to Avvenimenti e Sviluppo Alberghiero and Euro 40.8 million to Imco). Following this adjustment, receivables due from the aforementioned companies were recorded at the amount of Euro 78.4 million, against an original value of around Euro 179 million;

- Euro 7.8 million pertains to receivables due to Immobiliare Fondiaria-SAI S.r.l. from Imco S.p.A. for the advance payments made in connection with the off-plan purchase represented by the construction of the hotel complex, with fitness centre annexe, under construction in the municipality of S. Pancrazio Parmense (Parma). The Company assigned the valuation of the project at December 31, 2011 to an independent expert. As a result of this valuation, the Company wrote down the asset by a total of around Euro 11.7 million. A further write-down of Euro 3.8 million was recorded following the bankruptcy of the counterparty;
- the Euro 7.2 million paid by subsidiary Nuove Iniziative Toscane S.r.l. to Europrogetti S.r.l. for design works in the Castello area of Florence was transferred from current inventories to receivables due from suppliers for advance payments and was written down in full;
- Euro 5.8 million relates to the inventory valuation of the dismantling and reconstruction works in the area owned by subsidiary Meridiano Secondo S.r.l., in both the half-year in question and previous years, carried out by related party I.C.E.IN. S.p.A., in addition to Euro 2.2 million for design activities carried out by MI.PR.AV. S.r.l.;
- Euro 1.4 million pertains to receivables owed to the Tikal R.E. Fund from I.C.E.IN. S.p.A. for property improvement expenses.

The amount recorded under assets, although it refers to projects begun in previous years, will be eliminated only upon the completion or conclusion of the project under construction.
Similarly, the property improvement costs on existing and operational properties will be shown only in the financial year in which they are incurred.

The amount recorded under **liabilities** essentially comprises:

Relations with **Other related parties:**

- trade payables of Euro 1.2 million owed by subsidiary Marina di Loano S.r.l. to Marcora Costruzioni S.p.A. in relation to construction works at the Loano tourist port;
- trade payables of Euro 1 million owed by Immobiliare Lombarda S.p.A. to SO.GE.PI S.r.l. in relation to invoices to be received;
- payables of Euro 1.8 million owed by the Tikal R.E. Fund to I.C.E.IN. S.p.A.;
- payables of Euro 1.2 million owed by Milano Assicurazioni S.p.A. to Imco S.p.A. in relation to the real-estate project relating to the land located on Via Confalonieri and Via de Castillia, Milan (Lunetta dell'Isola), and for works performed on the property on Via Lancetti, Milan.

The amount recorded under expenses essentially comprises the write-downs carried out on receivables due from the Imco-Sinergia Group, as mentioned in the individual asset items.

Cash outflows relating to **Other related parties** refer to:

- Euro 11.2 million for the payment of invoices by Milano Assicurazioni S.p.A. to Imco S.p.A. in relation to the real-estate project relating to the land on Via Confalonieri and Via de Castillia, Milan (Lunetta dell'Isola), and for works performed on the property on Via Lancetti, Milan;
- Euro 1.7 million for the payment of invoices by Tikal R.E. Fund to I.C.E.IN. S.p.A.

INSURANCE ACTIVITIES

The table below provides a summary of the impact of insurance activities on the income statement and statement of financial position.

(in Euro thousands)	June 30, 2012					
COUNTERPARTY	**Assets**	**Liabilities**	**Income**	**Expenses**	**Inflows**	**Outflows**
Parent Company	-	-	35	-	35	-
Associates	-	4	19	3	19	4
Group companies	-	-	-	-	-	-
Other related parties	558	11,702	21,980	33,582	22,065	32,140
TOTAL	**558**	**11,706**	**22,034**	**33,585**	**22,119**	**32,144**

With regard to **liabilities of an insurance nature from Other related parties**, besides what is reported in the table, this item includes Euro 3.5 million relating to claims provisions enabled against the enforcement of several surety policies issued for Imco-Sinergia.

With effect from 2010, relations with the Group's pension funds are recorded under transactions with related parties.
As a result, in addition to premiums relating to Non-Life and Life policies worth Euro 3.2 million, **income of an insurance nature from Other related parties** includes the premiums that the Fondiaria-SAI Group employee pension fund and managers' pension fund pay to Fondiaria-SAI and to Milano Assicurazioni S.p.A., amounting to Euro 12.1 million and Euro 6.6 million respectively. These payments, which constitute contributions from the fund subscribers, are invested in Life policies.

Expenses of an insurance nature to Other related parties are due to:

- the payment of contributions worth Euro 7.7 million from Group companies to the Fondiaria-SAI Group employee pension fund and managers' pension fund. These payments are governed by the contractual agreements in force;
- the settlement of claims in connection with compensation paid for the redemption or maturity of Life policies totalling Euro 11.7 million;
- commissions paid to insurance intermediaries totalling Euro 14 million.
  This includes Euro 3.5 million relating to claims enabled against the enforcement of several surety policies issued for Imco-Sinergia.

Cash inflows of an insurance nature from Other related parties relate to the premiums that the Fondiaria-SAI Group employee pension fund and managers' pension fund have paid throughout the year, to both Fondiaria-SAI, in the amount of Euro 12.1 million, and Milano Assicurazioni S.p.A., in the amount of Euro 6.6 million. These payments, which constitute contributions from the fund subscribers, are invested in Life policies.

Cash outflows of an insurance nature to Other related parties refer to:

- the payment of contributions from Group companies to the Fondiaria-SAI Group employee pension fund and managers' pension fund in the amount of Euro 7.8 million. These payments are governed by the contractual agreements in force;
- the settlement of claims in connection with compensation paid for the redemption or maturity of Life policies totalling Euro 11.8 million;
- commissions paid to insurance brokers totalling Euro 12.2 million.

FINANCIAL ACTIVITIES

The table below provides a summary of the impact of financial transactions on the income statement and statement of financial position.

(in Euro thousands)	June 30, 2012					
COUNTERPARTY	**Assets**	**Liabilities**	**Income**	**Expenses**	**Inflows**	**Outflows**
Parent Company	-	303	-	-	-	-
Associates	111,459	681	1	-	50	8,852
Group companies	-	8	-	-	-	-
Other related parties	198,840	3,949	429	4,863	140	1,085
TOTAL	**310,299**	**4,941**	**430**	**4,863**	**190**	**9,937**

The amount recorded under **assets** essentially comprises:

Relations with **Associates** that refer to:

- Euro 70.5 million pertaining to Garibaldi S.c.s. and Euro 16.4 million pertaining to HEDF Isola S.c.s. in connection with investments made by Milano Assicurazioni S.p.A.;
- financial receivables due to Immobiliare Milano from, respectively, Borsetto S.r.l. (Euro 7.8 million), Sviluppo Centro Est S.r.l. (Euro 8.4 million), Metropolis S.p.A. (Euro 4.1 million) and Penta Domus S.r.l. (Euro 1.3 million);
- Euro 2.6 million pertaining to loans due to Immobiliare Fondiaria-SAI S.r.l. from Progetto Alfiere S.p.A. The gross value is Euro 6.3 million and the write-down recorded amounts to Euro 3.7 million.

Activities of a financial nature involving Other related parties are as follows:

- Euro 141.5 million pertaining to the subscription of bonds issued by UniCredit S.p.A. by Milano Assicurazioni S.p.A. and Fondiaria-SAI S.p.A., for Euro 84.2 million and Euro 57.3 million respectively;
- Euro 17.3 million, net of write-downs, in connection with the granting of credit lines by subsidiary BancaSai. Of this amount, Euro 8 million and Euro 4.8 million is owed by Sinergia Holding S.p.A. and Imco S.p.A. respectively, while the remaining Euro 4.5 million relates to the receivables owed by other legal persons and physical persons. In relation to these credit lines, guarantees have been given for Euro 0.4 million by Imco S.p.A. and for Euro 10.3 million by Sinergia Holding S.p.A. With regard to Sinergia Holding S.p.A., the pledge securing the current-account credit line and the bullet loan of Euro 7 million relates to units of the UNO-FONDO SVILUPPO closed-end speculative real-estate mutual fund managed by Zero SGR S.p.A.;
- Euro 15.1 million relating to the current-account relations that the Parent Company and other Group companies have with UniCredit S.p.A.;
- Euro 18.7 million relating to the receivables owed to Fondiaria-SAI S.p.A. for Euro 15.2 million and to Milano Assicurazioni S.p.A. for Euro 3.5 million by UniCredit S.p.A. in relation to the UniCredit margin call, paid to the counterparty in connection with market changes in the underlying derivatives;
- Euro 5.7 million from UniCredit S.p.A. concerning the capitalisation of expenses relating to the capital increase carried out in July 2011, to Milano Assicurazioni S.p.A. in the amount of Euro 5.2 million and to Fondiaria-SAI S.p.A. in the amount of Euro 0.5 million.

The amount recorded under **liabilities** essentially comprises:

Current-account relations that other related parties, whether physical or legal persons, have with subsidiary BancaSai, in the amount of Euro 3.9 million.

The amount recorded under **expenses** essentially comprises the write-downs carried out on receivables due from the Imco-Sinergia Group, for a total of around Euro 3.8 million.

Cash outflows of a financial nature to Associates concern:
the payments of Euro 6.5 million to Garibaldi S.c.a. and of Euro 1.8 million to HEDF Isola S.c.s. in connection with investments made by Milano Assicurazioni S.p.A.

SERVICES PROVIDED

(in Euro thousands)	June 30, 2012					
COUNTERPARTY	**Assets**	**Liabilities**	**Income**	**Expenses**	**Inflows**	**Outflows**
Parent Company	309	-	35	-	14	-
Associates	879	-	169	-	-	-
Group companies	7	-	-	-	-	-
Other related parties	433	73	32	141	40	121
TOTAL	**1,628**	**73**	**236**	**141**	**54**	**121**

This item mainly comprises receivables for invoices to be collected and revenues from ordinary activities in the diversified sector.

SERVICES RECEIVED

(in Euro thousands)	June 30, 2012					
COUNTERPARTY	**Assets**	**Liabilities**	**Income**	**Expensess**	**Inflows**	**Outflows**
Parent Company	-	1,427	-	54	-	35
Associates	-	-	-	-	-	-
Group companies	-	-	-	-	-	-
Other related parties	85	1,025	-	5,236	24	6,471
TOTAL	**85**	**2,452**	**-**	**5,290**	**24**	**6,506**

Liabilities for services received from Other related parties total Euro 1 million, in relation to invoices to be received.

The main **expenses for services received from Other related parties** include Euro 3.9 million for consultancy services, comprising Euro 1.2 million paid to Studio Legale Marco Cardia for legal consultancy, Euro 0.86 million to Parametrica Consulting for technical consultancy, Euro 0.55 million to lawyer Rapisarda Fausto for legal consultancy, Euro 0.67 million to Studio Gismondi & Associati for legal consultancy and Euro 0.63 million to Studio Legale D'Urso Gatti e Bianchi for legal consultancy.

Finally, the expenses include fees for corporate offices held in Group companies, totalling Euro 3.7 million, and the salaries of managers with strategic responsibilities, in the amount of Euro 4.7 million.

Residual outflows to Other related parties refer to the fees paid to directors for corporate offices held in Group companies, totalling Euro 2.5 million, and to the payment of salaries of managers with strategic responsibilities, in the amount of Euro 4.7 million.

At June 30, 2012, assets pertaining to related parties (including associates) accounted for around 1.3% of the assets in the consolidated financial statements, while the liabilities represented 0.07% of consolidated liabilities, excluding items relating to shareholders' equity.
Similarly, net cash flows represented 29.24% of net cash from operating activities, as seen in the consolidated statement of cash flows at June 30, 2012.

Società Immobiliare Costruzioni Imco S.p.A., I.C.E.IN. S.p.A., Marcora Costruzioni S.p.A., Avvenimenti e Sviluppo Alberghiero S.r.l., Laità S.r.l. and Gilli Communication S.r.l. are related parties in the sense that certain directors have declared that they have interests and investments in Sinergia Holding di Partecipazioni S.p.A., which controls them. Immobiliare Costruzioni Imco S.p.A., I.C.E.IN. S.p.A., Marcora Costruzioni S.p.A., Avvenimenti e Sviluppo Alberghiero S.r.l. and Gilli Communication S.r.l. are related parties of the Parent Company, since Jonella Ligresti, Giulia Maria Ligresti and Gioacchino Paolo Ligresti have declared that they have interests and investments in Sinergia Holding di Partecipazioni S.p.A., which either directly or indirectly controls these companies. With regard to the above, it should be pointed out that Sinergia Holding di Partecipazioni is controlled by Starlife S.A. ("Starlife"), which is headquartered in Luxembourg and has the following shareholder structure, according to the information published by the interested parties: 25% is held by Giulia Maria Ligresti, 25% by Jonella Ligresti, 25% by Gioacchino Paolo Ligresti and 25% by Salvatore Ligresti; no one party controls Starlife pursuant to Article 93 of the TUF.

Declaration of insolvency of Imco S.p.A. in liquidation and Sinergia Holding di Partecipazioni S.p.A. in liquidation

The Board of Directors of Fondiaria-SAI at its meeting on June 14, 2012, took note of the bankruptcy order issued by the second civil division against Imco S.p.A. in liquidation (*"Imco"*) as well as Sinergia Holding di Partecipazioni S.p.A. ("*Sinergia*") in liquidation. Existing relations of the Fondiaria-SAI Group at June 30, 2012 are as follows:

- Euro 101.7 million claimed by Milano Assicurazioni from Avvenimenti e Sviluppo Alberghiero S.r.l. in relation to the initiative in Via Fiorentini in Rome. This receivable, net of the provision for bad debts at June 30, 2012, amounts to Euro 52.9 million;
- Euro 77.4 million claimed by Milano Assicurazioni S.p.A. from Imco relating to the initiative in Via De Castillia in Milan. This receivable, net of the provision for bad debts at June 30, 2012, amounts toapproximately Euro 25.5 million;
- Euro 23.3 million claimed by Immobiliare Fondiaria-SAI S.p.A. from Imco relating to the San Pancrazio Parmense (PR) initiative. This receivable, net of the provision for bad debts at June 30, 2012, amounts to Euro 7.8 million;
- Euro 7.2 million claimed by Nuove Iniziative Toscane S.p.A. from Europrogetti S.p.A. for payments on account for design work. Note that at the end of the first half of 2012 the amount was completely written down;
- Euro 21.4 million relating to receivables claimed by BancaSai from the Imco-Sinergia Group, of which approximately Euro 10.7 million is represented by unsecured credit positions. This receivable, net of the provision for bad debts at June 30, 2012, amounts to Euro 12.8 million;
- approximately Euro 3.5 million, net of reinsurance, relating to surety policies for obligations undertaken by companies which are part of the Imco-Sinergia Group which have already been accounted for in the cost of claims.
  Regarding the level of exposure relating to surety policies, a further Euro 8.3 million is reported, net of reinsurance.

With regard to all transactions in place with related parties, no significant positions or transactions arising from atypical and/or unusual operations were recorded.

PART G - Other information

INFORMATION ON FINANCIAL RISKS

Derivative financial instruments

The Group makes a limited utilisation of derivative financial instruments. In fact the characteristics and the nature of the insurance activity requires that the utilisation of derivative financial instruments are regulated in accordance with Supervision Authority Provision 297/1996. On January 31, 2011, ISVAP issued Regulation 36 concerning guidelines in relation to investments, including derivative instruments and structured securities and repealed, among other provisions, also 297/1996.

In particular, Regulation 36 recalls that operations in derivative financial instruments with the purpose of managing so-called efficiency are contained at a tolerable level of the available solvency margin. Group operations in derivative financial instruments have the principal purpose to hedge against the price risk on equity securities (equity risk) through the utilisation of options designated as fair value hedge instruments and to hedge the risks deriving from changes in interest rates on bank loans through the utilisation of interest rate swap contracts (Interest Rate Swap, IRS) designated as cash flow hedge instruments.

OPEN POSITIONS

Fair value hedging instruments

Combined put-call options

At June 30, 2012, the Group, through the Parent Company Fondiaria-SAI S.p.A., holds the following combined put-call option contracts with the same contractual characteristics (underlying, notional, maturity, strike):

- 14,955,197 options (average strike price of Euro 7.091) to hedge the price risk of 14,955,197 Pirelli & C. ordinary shares of the Non-Life Sector classified as equity securities available for sale, amounting to 70.13% of total Group exposure (70.58% of Fondiaria-SAI's exposure);

- 1,736,567 options (average strike price of Euro 5.9375) to hedge the price risk of 1,736,567 UniCredit shares of the Non-Life Sector classified as equity securities available for sale, amounting to 17.18% of total Group exposure (48.30% of Fondiaria-SAI's exposure);

- 3,680,000 options (average strike price of Euro 0.2597) to hedge the price risk of 3,680,000 Banca Popolare di Milano shares of the Life Sector classified as equity securities available for sale, amounting to 7.24% of total Group exposure (11.36% of Fondiaria-SAI's exposure). The shares are subject to a share loan agreement with Banca IMI;

- 2,866,778 options (average strike price of Euro 11.4267) to hedge the price risk of 2,866,778 Generali shares of the Non-Life Sector classified as equity securities available for sale, amounting to 17.53% of total Group exposure (41.70% of Fondiaria-SAI's exposure);

- 1,360,000 options (average strike price of Euro 3.238) to hedge the price risk of 1,360,000 Mediobanca shares of the Non-Life Sector classified as equity securities available for sale, amounting to 4.12% of total Group exposure (5% of Fondiaria-SAI's exposure).

Through Milano Assicurazioni, the Group holds the following combined put - call option contracts, with the same contractual characteristics (underlying, notional, maturity, strike price):

- 1,278,070 options (average strike price of Euro 5.5415) to hedge the price risk of 1,278,070 UniCredit shares of the Non-Life Sector classified as equity securities available for sale, amounting to 12.65% of total Group exposure (19.76% of Milano Assicurazioni's exposure);

- 3,241,000 options (average strike price of Euro 11.3262) to hedge the price risk of 3,241,000 Generali shares of the Non-Life Sector classified as equity securities available for sale, amounting to 19.82% of total Group exposure (34.44% of Milano Assicurazioni's exposure);

- 821,000 options (average strike price of Euro 13.3315) to hedge the price risk of 821,000 Generali shares of the Life Sector classified as equity securities available for sale, amounting to 5.02% of total Group exposure (8.72% of Milano Assicurazioni's exposure);

- 2,846,020 options (average strike price of Euro 0.2638) to hedge the price risk of 2,846,020 Banca Popolare di Milano shares of the Life Sector classified as equity securities available for sale, amounting to 5.6% of total Group exposure (15.46% of Milano Assicurazioni's exposure). The shares are subject to a share loan agreement with Banca IMI;

- 3,882 options (average strike price of Euro 5.2430) to hedge the price risk of 3,882 UniCredit shares of the Life Sector classified as equity securities available for sale, amounting to 0.04% of total Group exposure (0.06% of Milano Assicurazioni's exposure);

- 290,000 options (average strike price of Euro 4.9867) to hedge the price risk of 290,000 Mediobanca shares of the Life Sector classified as equity securities available for sale, amounting to 0.88% of total Group exposure (9.33% of Milano Assicurazioni's exposure).

The following table provides a summary of these derivatives:

(in Euro thousands)

Put-call derivative hedging shares	Number of options	Number of options	Company	Hedging-derivative assets		Hedging-derivative liabilities		Total adjustment to book value of shares available for sale, hedged	
	June 30, 2012	December 31, 2011		June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011
Pirelli & C. ord. (Non-Life Sector)	14,955,197	13,855,786	Fondiaria-SAI	-	-	16,137	401	16,137	401
UniCredit (Non-Life Sector)	1,736,567	1,325,789	Fondiaria-SAI	5,410	2,221	-	-	-5,410	-2,221
Banca Popolare di Milano	3,680,000	23,176,040	Fondiaria-SAI	-	-	375	898	375	898
(Life Sector)									
Generali (Non-Life Sector)	2,866,778	6,250,107	Fondiaria-SAI	2,685	-		1,195	-2,685	1,195
Generali (Life Sector)	-	195,252	Fondiaria-SAI	-	146	-	-	-	-146
Mediobanca (Non-Life Sector)	1,360,000	-	Fondiaria-SAI	-	-	220	-	220	-
UniCredit (Non-Life Sector)	1,278,070	4,796,661	Milano Assicurazioni	3,476	7,480	-	-	-3,476	-7,480
Generali (Non-Life Sector)	3,241,000	5,091,014	Milano Assicurazioni	2,710	-		1,249	-2,710	1,249
Generali (Life Sector)	821,000	1,726,376	Milano Assicurazioni	2,333	2,495	-	-	-2,333	-2,495
Banca Popolare di Milano	2,846,020	9,376,040	Milano Assicurazioni	-	-	278	386	278	386
(Life Sector)									
UniCredit (Life Sector)	3,882	3,882	Milano Assicurazioni	9	6	-	-	-9	-6
Mediobanca (Life Sector)	290,000	-	Milano Assicurazioni	460				-460	-
Total				**17,083**	**12,348**	**17,010**	**4,129**	**-73**	**-8,219**

The fair value of the options at June 30, 2012 generated total assets of Euro 73 thousand (against total assets of Euro 8,219 thousand at December 31, 2011). As of the inception date of the hedge, the positive and negative changes in the period deriving from the measurement at fair value of the options are recorded in the income statement under the item “Income and charges from financial instruments at fair value through profit and loss”. Similarly, the book value of the hedged assets is adjusted as a result of the changes during the period in the fair value of the hedged shares, and the changes during the period are consequently recorded in the income statement under the item “Income and charges from financial instruments at fair value through profit and loss”. During the first half of 2012, the options underwent a negative change of Euro 8,146 thousand as a result of the fair value of the options in place at June 30, 2012, which was fully offset by the positive change during the period in the fair value of the hedged shares. The fair-value hedges through options were deemed effective and, at June 30, 2012, there were no ineffective hedges that needed to be recorded in the income statement.

Interest rate swaps

At June 30, 2012, the Group, via its wholly owned subsidiary BancaSai S.p.A., held interest rate swap contracts with a total notional value of Euro 25 million to hedge the interest rate risk arising from fixed-term loans to customers. Based on the valuation carried out on June 30, 2012, the hedging interest rate swaps have a negative fair value of around Euro 946 thousand (against a negative fair value of Euro 891 thousand at December 31, 2011).

The main contractual terms of these interest rate swaps are detailed below:

(in Euro thousands)

					Fair value at	
Company	**Notional value**	**Maturity**	**Fixed rate (%)**	**Floating rate**	**June 30, 2012**	**December 31, 2011**
BancaSai	25,000	Feb. 2, 2014	3.050	Euribor 6-month ACT/360	(946)	(891)
Total	**25,000**				**(946)**	**(891)**

Cash flow hedges

Interest rate swaps

With regard to cash flow hedges, at June 30, 2012, the Group held interest rate swaps to manage the risk arising from changes in the interest rates on its bank debts, converting part of these from floating-rate to fixed-rate loans.
The notional value of these instruments is Euro 1,125 million (unchanged from December 31, 2011).
The fair value of the interest rate swaps designated as cash flow hedges at June 30, 2012 amounted to a liability of Euro 62 million (compared with a liability of Euro 51 million at December 31, 2011). The shareholders' equity reserve in which the negative fair value of the hedges at June 30, 2012 is recognised, expressed net of the share pertaining to non controlling interests and net of tax, amounted to a negative reserve of Euro 42 million (compared with a negative reserve of Euro 35 million at December 31, 2011).

The main contractual terms of these interest rate swaps are detailed below:

(in Euro thousands)					Fair value at	
Company	**Notional value**	**Maturity**	**Fixed rate (%)**	**Floating rate**	**June 30, 2012**	**December 31, 2011**
Fondiaria-SAI	200,000	July 23, 2013	3.970	Euribor 6-month ACT/360	(6,450)	(7,993)
Fondiaria-SAI	100,000	July 23, 2013	3.930	Euribor 6-month ACT/360	(3,183)	(3,935)
Fondiaria-SAI	100,000	July 23, 2013	3.990	Euribor 6-month ACT/360	(3,246)	(4,027)
Fondiaria-SAI	150,000	July 14, 2016	3.180	Euribor 6-month ACT/360	(12,081)	(9,915)
Fondiaria-SAI	100,000	Dec. 30, 2015	3.080	Euribor 6-month ACT/360	(7,005)	(5,900)
Fondiaria-SAI	100,000	July 14, 2018	3.309	Euribor 6-month ACT/360	(10,476)	(7,963)
Fondiaria-SAI	150,000	July 14, 2018	2.145	Euribor 6-month ACT/360	(5,596)	(1,407)
Milano Assicurazioni	50,000	July 14, 2016	3.180	Euribor 6-month ACT/360	(4,030)	(3,306)
Milano Assicurazioni	100,000	July 14, 2018	2.350	Euribor 6-month ACT/360	(4,952)	(2,085)
Tikal	25,000	Dec. 30, 2016	3.185	Euribor 6-month ACT/360	(2,220)	(1,788)
Tikal	30,000	Dec. 30, 2016	3.140	Euribor 6-month ACT/360	(2,603)	(2,080)
Marina di Loano	20,000	Dec. 31, 2014	2.550	Euribor 3-month 30/360	(633)	(666)
Total	**1,125,000**				**(62,475)**	**(51,065)**

Non-hedging derivatives

The Group does enter into derivatives contracts on foreign currencies to hedge future transactions and cash flows, since its exposure to exchange rate risk is negligible and is already hedged through the congruence between assets and liabilities in foreign currency.

Credit default swaps

At June 30, 2012, the Group, via the Parent Company Fondiaria-SAI S.p.A., has credit default swaps in place to protect itself against the risk of insolvency of the issuers of the financial instruments acquired by the Group.
The costs of these hedges, which total Euro 372 thousand, have been recorded in the income statement as financial charges.

At June 30, 2012, the Group had the following credit default swaps in place:

(in Euro thousands)

Company	Notional value	Maturity	Counterparty	Hedged issuer	Cost	Market value at June 30, 2012
Fondiaria-SAI S.p.A.	25,000	Feb. 20, 2013	Morgan Stanley	Republic of Serbia	295.2 bps per annum	(265)
Total	**25,000**					**(265)**

Interest rate swaps

At June 30, 2012, non-hedging transactions include the following interest rate swaps:

(in Euro thousands)

Company	Notional value	Maturity	Fixed rate (%)	Floating rate	Fair value June 30, 2012	Fair value December 31, 2011
Immobiliare Milano	3,571	Dec. 31, 2012	3.770	Euribor 6-month 30/360	(52)	(103)
Immobiliare Milano	3,571	Dec. 31, 2012	3.695	Euribor 6-month 30/360	(51)	(99)
Total	**7,142**				**(103)**	**(202)**

Purchase of put options on the S&P 500 index

Fondiaria-SAI
The company purchased 1,650 put options on the S&P 500 index, with a strike price of USD 1,325. The premiums paid totalled Euro 48 thousand.

Milano Assicurazioni
The company purchased 1,650 put options on the S&P 500 index, with a strike price of USD 1,325. The premiums paid totalled Euro 48 thousand.

CLOSED POSITIONS

Fair-value hedges

During the first half of 2012, Fondiaria-SAI prematurely closed a number of put-call options designated to partially hedge investments in strategic shares, generating total capital gains of Euro 6,268 thousand and capital losses of Euro 7,316 thousand.
For Milano Assicurazioni, the capital gains made on this type of option totalled Euro 17,494 thousand, with capital losses amounting to Euro 1,923 thousand.

Non-hedging derivatives

Cash-settled bond forward transactions

During the first half of 2012, the Group entered into a number of cash-settled bond forward transactions in order to take advantage of the widening spread of Italian 10-year government bonds over German government bonds with the same maturity. The premature closure generated a positive impact of Euro 366 thousand on the income statement for Fondiaria-SAI, while Milano Assicurazioni recorded a positive impact of Euro 302 thousand on its income statement.

Interest rate swaps

(in Euro thousands)

Company	Notional value	Maturity	Floating rate paid	Floating rate received
BancaSai	97,562	Oct. 31, 2047	Euribor 6-month ACT/360+7 bps	Euribor 6-month ACT/360
BancaSai	11,950	Oct. 31, 2047	Euribor 6-month ACT/360+7 bps	Euribor 6-month ACT/360
Total	**109,512**			

The two interest rate swaps were closed during the first half of the year, with the payment to Banca Akros of Euro 620 thousand; the negative impact on the income statement was Euro 24 thousand.

Call and put options on shares and indices

A number of contracts to purchase and sell call and put options were closed during the first six months of the year.
The negative impact on the income statement for the first half of 2012 amounted to Euro 737 thousand for Fondiaria-SAI and Euro 186 thousand for Milano Assicurazioni, with a positive impact of Euro 321 thousand for Fondiaria-SAI and of Euro 282 thousand for Milano Assicurazioni.

DIVIDENDS

No dividends were distributed in the first half of 2012.

EARNINGS PER SHARE

The basic earnings (loss) per share was calculated by dividing the Group net result attributable to ordinary shareholders of the Parent Company by the weighted average number of shares outstanding during the period. The calculation of the number of shares took into account the reverse stock split carried out on July 2, 2012. The weighted average number of treasury shares held by the Fondiaria-SAI Group was subtracted from the weighted average number of shares outstanding.

Pursuant to IAS 33, the result and information on the shares were set out as follows for the purposes of calculating the basic and diluted earnings (loss) per share:

	June 30, 2012	June 30, 2011
Group operating result (in Euro thousands)	16,551,952	(61,911,092)
Dividends distributed to savings shareholders (in Euro thousands)	(8,299,438)	(2,766,479)
Net profit (loss) attributable to ordinary shareholders of the Parent Company (in Euro thousands)	8,252,514	(64,677,571)
Weighted average number of ordinary shares for calculating basic earnings (loss) per share	3,526,649	1,100,999
Basic earnings (loss) per share	2.34	(58.74)
Net gains (losses) on non-current assets attributable to ordinary shareholders of the Parent Company (in Euro thousands)	(8,986,984)	-
Weighted average number of ordinary shares for calculating basic earnings (loss) per share	3,526,649	1,100,999
Basic earnings (loss) per share	(2.55)	-
Total Group result (in Euro thousands)	7,564,968	(61,911,092)
Dividends distributed to savings shareholders (in Euro thousands)	(8,299,438)	(2,766,479)
Net profit (loss) attributable to ordinary shareholders of the Parent Company (in Euro thousands)	(734,470)	(64,677,571)
Weighted average number of ordinary shares for calculating basic earnings (loss) per share	3,526,649	1,100,999
Basic earnings (loss) per share	(0.21)	(58.74)
Dilutive effect:		
Adjusted weighted average number of ordinary shares for calculating diluted earnings (loss) per share	3,526,649	1,131,843
Diluted earnings (loss) per share	(0.21)	(59.67)

The net result attributable to ordinary shareholders of the Parent Company was obtained by subtracting the amount of the dividends theoretically pertaining to savings shareholders from the consolidated Group net result. This method is in line with the current best practice in interpreting the applicable accounting standard. Note that the potential internal reclassification of “Non-current assets or disposal group classified as held for sale” from contributions at June 30, 2011 of the Atahotels Group and IGLI S.p.A. had no significant effects.

SUBSEQUENT EVENTS

No significant events occurred after the end of the half-year that resulted in an adjustment to the amounts recorded in this report.
On July 12, CONSOB authorised the publication of the Prospectus for the offer of options on ordinary shares and new Category B savings shares to holders of ordinary shares and of Category A savings shares respectively, and for the admission to trading on the *Mercato Telematico Azionario* (screen-based market) organised and managed by Borsa Italiana S.p.A. of ordinary shares and new-issue Category B savings shares (the "Offer").
For the purposes of the Offer, Fondiaria-SAI was assisted by Goldman Sachs as financial adviser.
The Prospectus is available at the Group's registered offices, at Corso Galilei 12, Turin, and on its website, www.fondiaria-sai.it.

Following the subscription on July 19, 2012 of the Premafin reserved capital increase by Unipol Gruppo Finanziario, Premafin and Finadin subscribed the Fondiaria-SAI S.p.A. capital increase in proportion to their respective shareholdings. A total of 339,541,776 new-issue ordinary shares were subscribed and paid in at a price of Euro 339,541,776.
As a result of the above, Unipol Gruppo Finanziario acquired control of Premafin and, therefore, of the Fondiaria-SAI Group.

August 1, 2012 saw the conclusion of the offer to shareholders of options on up to 916,895,448 ordinary shares and up to 321,762,672 new-issue Fondiaria-SAI S.p.A. Category B savings shares, resulting from the paid capital increase, in one or more tranches, the terms of which were decided by the Board of Directors on July 5, 2012 pursuant to the powers granted to it by the Extraordinary Shareholders' Meeting of June 27, 2012.

During the offer period, which ran from July 16, 2012 to August 1, 2012 inclusive, a total of 2,484,113 options were exercised to subscribe 625,996,476 ordinary shares and 283,366 options were exercised to subscribe 71,408,232 new-issue Fondiaria-SAI S.p.A. Category B savings shares, equivalent respectively to 68.273% of the total ordinary shares and 22.193% of the total new-issue Category B savings shares offered, with a total value of Euro 666,342,127.08.

As a result of the above, the adjusted solvency ratio, which was calculated with reference to the prospective year-end margin required, gross of capital increase costs, is around 120%.

SELECTED EXPLANATORY NOTES

With reference to paragraph 16 of IAS 34, it is noted that:

- the insurance sector is not, per se, a seasonal type of activity. At present, there are therefore no indicators that would highlight cyclical elements in the preparation of the accounts;
- there are no unusual matters in the period considered that would significantly impact on the income statement, statement of financial position or cash flow statements;
- there are no changes in the estimates made in the period or previous periods that would result in a significant effect on the result for the period.

With reference to the provisions of IAS 37, it is reported that the Group is not aware of any significant contingent assets or liabilities of a significant size acquired since December 31, 2011 for which it is necessary to provide specific information, except for that stated in the "Disputes in progress" paragraph.

Milan, August 2, 2012

For the Board of Directors

Mr Erbetta Emanuele

Declaration of the Consolidated Financial Statements as per Article 81-*ter* of CONSOB Regulation 11971 of May 14, 1999 and subsequent modifications and integrations

The undersigned Emanuele Erbetta (as Chief Executive Officer of Fondiaria-SAI) and Massimo Dalfelli (as Executive responsible for the preparation of the corporate accounting documents of Fondiaria-SAI),

certify

pursuant to Article 154-*bis*, paragraph 3 and 4 of Legislative Decree 58 of February 24, 1998:
- the accuracy of the information on company operations and
- the effective application of the administrative and accounting procedures for the compilation of the condensed half-year financial statements in the first half-year of 2012.

The valuation of the adequacy of the accounting and administrative procedures for the preparation of the condensed half-year financial statements at June 30, 2012 is based on a Model defined by Fondiaria-SAI in accordance with the "Internal Control - Integrated Framework" and "Cobit" which represent benchmarks for internal control systems generally accepted at international level.

It is also declared that:

- the condensed half-year financial statements:
  a) were prepared in accordance with international accounting standards, recognised in the European Union pursuant to Regulation (EC) No 1606/2002 of the European Parliament and of the Council of July 19, 2002;
  b) corresponds to the underlying accounting documents and records;
  c) provide a true and correct representation of the economic, statement of financial position and financial situation of the issuer and of the companies included in the consolidation.
- the Interim Directors' Report includes an analysis of the significant events in the first six months of the year and their impact on the condensed half-year financial statements, with a description of the principal risks and uncertainties for the remaining six months. The Interim Directors' Report also includes a reliable analysis of the information on significant operations with related parties.

Milan, August 2, 2012

Chief Executive Officer of Fondiaria-SAI
Mr Emanuele Erbetta

Chief Financial Officer
Mr Massimo Dalfelli

Annexes

Independent Auditors' Report

ERNST & YOUNG

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Independent auditors' report on review of the interim condensed consolidated financial statements
(Translation from the original Italian text)

To the Shareholders of
FONDIARIA-SAI S.p.A.

1. We have reviewed the interim condensed consolidated financial statements, comprising the statement of financial position, the income statement, the comprehensive income statement, the statement of changes in shareholders' equity, the cash flow statement and the related explanatory notes, of FONDIARIA-SAI S.p.A. and its subsidiaries (the "FONDIARIA-SAI Group") as of June 30, 2012. The Directors of FONDIARIA-SAI S.p.A. are responsible for the preparation of the interim condensed consolidated financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union and with ISVAP Regulation no. 7 of July 13, 2007. Our responsibility is to issue this report based on our review.

2. We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of July 31, 1997. Our review consisted mainly of obtaining information on the accounts included in the interim condensed consolidated financial statements and the consistency of the accounting principles applied, through discussions with management, and of applying analytical procedures to the financial data presented in these consolidated financial statements. Our review did not include the application of audit procedures such as tests of compliance and substantive procedures on assets and liabilities and was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Accordingly, we do not express an audit opinion on the interim condensed consolidated financial statements as we did on the annual consolidated financial statements.

   With respect to the consolidated financial statements of the prior year and to the interim condensed consolidated financial statements of the corresponding period of the prior year, presented for comparative purposes, reference should be made to our reports issued, on March 31, 2012 and August 29, 2011, respectively.

3. Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements of the FONDIARIA-SAI Group as of June 30, 2012, are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

4. We draw your attention to the disclosures contained in the explanatory notes with respect to:
   - the initiatives for the capital strengthening described in the paragraph "Subsequent events";
   - the financial exposure towards the related parties Im.Co S.p.A. and Sinergia H.d.P. S.p.A. and their subsidiaries, as well as the relative provisions representing the Directors' best estimate of the contingent losses deriving from the declared bankruptcy of the two companies declared by the Milan Court on June 14, 2012.

Turin, August 3, 2012

Reconta Ernst & Young S.p.A.
Signed by: Ambrogio Virgilio, partner

This report has been translated into the English language solely for the convenience of international readers.