

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT OF THE BOARD OF STATUTORY AUDITORS OF FONDIARIA-SAI S.P.A. (THE “COMPANY”) PURSUANT TO ARTICLE 2408, PARAGRAPH 2, OF THE ITALIAN CIVIL CODE, DATED 16 MARCH 2012 AND RELATED TO THE COMPLAINT OF AMBER CAPITAL INVESTMENT MANAGEMENT (THE “REPORT”), IS FOR INFORMATION PURPOSES ONLY AND SHOULD NOT BE RELIED UPON.

IN THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION, ITALIAN LEGAL CONCEPTS ARE EXPRESSED IN ENGLISH TERMS AND NOT IN THEIR ORIGINAL ITALIAN TERMS. THE CONCEPTS CONCERNED MAY NOT BE IDENTICAL TO THE CONCEPTS DESCRIBED BY THE SAME ENGLISH TERM AS THEY EXIST UNDER THE LAWS OF OTHER JURISDICTIONS.

IN THE EVENT OF ANY AMBIGUITY ABOUT THE MEANING OF CERTAIN TRANSLATED TERMS OR OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION, THE ITALIAN REPORT (A COPY OF WHICH IS AVAILABLE ON THE COMPANY’S WEBSITE) SHALL PREVAIL.

THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF THIS ENGLISH LANGUAGE COURTESY TRANSLATION, AND NONE OF THE COMPANY OR NOR ANY OF ITS DIRECTORS, MEMBERS, OFFICERS, EMPLOYEES, AGENTS OR AFFILIATES ACCEPTS ANY RESPONSIBILITY WHATSOEVER FOR ANY LOSS HOWEVER ARISING FROM ANY USE OF SUCH TRANSLATION.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

REPORT OF THE BOARD OF STATUTORY AUDITORS OF FONDIARIA-SAI SPA
PURSUANT TO PARA. 2, ART. 2408 OF THE CIVIL CODE

On 17 October 2011, the Board of Statutory Auditors of Fondiaria-Sai S.p.A. (hereinafter Fonsai) received, in its capacity as the manager of the Amber Global Opportunities Master Fund Ltd. (a Fonsai shareholder), a complaint from Amber Capital Investment Management (hereinafter Amber) pursuant to para. 2, Article 2408 of the Italian Civil Code, concerning reprehensible acts specifically indicated therein, with a concurrent request to the Board of Statutory Auditors to perform any and all necessary investigations to confirm the grounds for the complaint.

In this report, the undersigned Board of Statutory Auditors will provide an account of the outcome of the investigation performed.

Table of Contents

1. COMPLAINT PURSUANT TO ART. 2408 OF THE ITALIAN CIVIL CODE	4
2. ATA HOTELS TRANSACTION	6
2.1 Purchase of Atahotels	6
2.1.1 Description of transaction	6
2.1.2 Safeguards adopted in accordance with the code of conduct and guidelines for related party transactions	7
2.1.3 Preliminary and final agreements	9
2.1.4 Subsequent developments involving the transaction	11
2.1.5 Conclusions and proposals of the Board of Statutory Auditors	12
2.2 Hotel lease agreements	15
2.2.1 Existing lease agreements between Fonsai Group companies and Atahotels	15
2.2.2 Lease payments as a percentage of Atahotels revenues	15
2.2.3 Criteria for quantification of lease payments	17
2.2.4 Reductions in lease payments	24
2.2.5 Conclusions and proposals of the Board of Statutory Auditors	25
3. REAL ESTATE TRANSACTIONS WITH RELATED PARTIES	29
3.1 Real estate project in Via Fiorentini, Rome	29
3.1.1 Description of original transaction	29
3.1.2 Safeguards adopted in accordance with the code of conduct and guidelines for related party transactions	30
3.1.3 Original agreements	31
3.1.4 Subsequent developments involving the transaction	32
3.1.5 Safeguards adopted in the course of the transaction in compliance with the code of conduct and guidelines for related party transactions	33
3.1.6 Payments made by Milano Assicurazioni	34
3.1.7 Current status of the investment and the Board of Statutory Auditors' proposals	34

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

3.2 Real estate project in Via Confalonieri - Via De Castillia (Lunetta dell'Isola), Milan	36
3.2.1 Description of the original transaction	36
3.2.2 Safeguards adopted in accordance with the code of conduct and guidelines for related party transactions	36
3.2.3 Original agreements	37
3.2.4 Subsequent developments involving the transaction	38
3.2.5 Safeguards adopted in the course of the transaction in compliance with the code of conduct and guidelines for related party transactions	40
3.2.6 Payments made by Milano Assicurazioni	41
3.2.7 Current status of investment and Board of Statutory Auditors's proposals	41
3.3 "Marina Porto di Loano" real estate project	43
3.3.1 Description of original transaction	43
3.3.2 Original agreements	43
3.3.3 Safeguards adopted in accordance with the code of conduct and guidelines for related party transactions	43
3.3.4 Subsequent developments involving the transaction	45
3.3.5 Safeguards adopted in accordance with the code of conduct and guidelines for related party transactions	46
3.3.6 Payments made by Loano Marina	48
3.3.7 Current status of investment and Board of Statutory Auditors's proposals	48
3.4 "Area Castello" real estate project	50
3.4.1 Description of original transaction	50
3.4.2 Safeguards adopted in accordance with the code of conduct and guidelines for related party transactions	51
3.4.3 Original agreements	51
3.4.4 Subsequent developments involving the transaction	52
3.4.5 Payments made by Nit and Board of Statutory Auditors's proposals	52
3.5 "Area Garibaldi" (Hotel Gilli) real estate project	55
3.5.1 Description of original transaction	55
3.5.2 Safeguards adopted in accordance with the code of conduct and guidelines for related party transactions	56
3.5.3 Site preparation contract	57
3.5.4 Subsequent developments involving the transaction	57
3.5.5 Safeguards adopted in the course of the transaction in compliance with the code of conduct and guidelines for related party transactions	57
3.5.6 Payments made by Meridiano Secondo	58
3.5.7 Current status of investment and Board of Statutory Auditors's proposals	58
3.6 "San Pancrazio Parmense" real estate project	60
3.6.1 Description of original transaction	60
3.6.2 Safeguards adopted in accordance with the code of conduct and guidelines for related party transactions	60
3.6.3 Original agreement	61
3.6.4 Subsequent developments involving the transaction	62
3.6.5 Payments made by Progestim	63
3.6.6 Current status of investment and Board of Statutory Auditors's proposals	64

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

3.7 Real estate project in Via Lancetti, Milan	66
3.7.1 Description of original transaction	66
3.7.2 Safeguards adopted in accordance with the code of conduct and guidelines for related party transactions	67
3.7.3 The original contracts	67
3.7.4 Subsequent developments involving the transaction	68
3.7.5 Safeguards adopted in accordance with the code of conduct and guidelines for related party transactions	68
3.7.6 Payments made by Milano Assicurazioni	70
3.7.7 Current status of investment and Board of Statutory Auditors’s proposals	70
3.8 Conclusions	72
4. REAL ESTATE ADVISORY SERVICES OF ENG. LIGRESTI - COMPENSATION PAID TO COMPANIES RELATED TO LIGRESTI FAMILY - COMPENSATION PAID TO GILLI SRL AND GILLI COMMUNICATION SRL	76
4.1 Real estate advisory agreements with Eng. Ligresti	76
4.1.1 Advisory agreements entered into by Fonsai and Milano Assicurazioni	76
4.1.2 Compliance with principles of conduct for transactions with related parties	77
4.1.3 Information obtained and Board of Statutory Auditors’s proposals	80
4.2 Compensation paid to Codigest SpA and SoGePi Srl	83
4.2.1 Agreements with Codigest SpA and Sogepi Srl	83
4.2.2 Compliance with principles of conduct for transactions with related parties	85
4.2.3 Board of Statutory Auditors’s proposals	86
4.3 Compensation paid to Gilli Srl and Gilli Communication SpA	86
4.3.1 Existing contractual relationships with Gilli Srl	86
4.3.2 Existing contractual relationships with Gilli Communication SpA	87
4.3.3 Compliance with principles of conduct for transactions with related parties	89
4.4 Conclusions	90
5. COMPENSATION PAID TO BOARD MEMBERS	91
5.1 Compensation of the company's board members	91
5.2 Rules adopted by company concerning director compensation for 2008-2010	92
5.3 Compensation paid to directors in financial year 2008	93
5.4 Compensation paid to directors in financial years 2009-2010	96
5.5 Conclusions	98
6. NEW MONITORING PERFORMED BY FONSAI STARTING IN 2010 FOR THE EXECUTION OF TRANSACTIONS WITH RELATED PARTIES	98

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

1. COMPLAINT PURSUANT TO ARTICLE 2408 OF THE ITALIAN CIVIL CODE

In its complaint pursuant to Article 2408 of the Italian Civil Code (**attached to this report as Doc. 1**), Amber reported a number of facts that it had broken down into four categories: (i) the Atahotels SpA matter; (ii) real estate transactions carried out with related parties; (iii) fees for real estate advisory services paid to Salvatore Ligresti and companies related to the Ligresti family, and fees paid to Gilli Srl and Gilli Communications Srl; (iv) compensation paid to board members.

With regard to the transaction involving Atahotels SpA (hereinafter, Atahotels), first Amber disputed the decision of Fonsai's Board of Directors to purchase Atahotels under terms, which, in its opinion, were completely inconsistent with the financial and operating position of the company purchased. This was due to the fact that from 2008, the losses reported by the latter were well in excess of those projected.

Thus, Amber asked the Board of Statutory Auditors to confirm, among other things, the substantive and procedural propriety of the purchase transaction concerned, and to confirm compliance with regulations concerning conflicts of interest of directors and provisions regarding related party transactions.

Secondly, Amber pointed out that in its opinion there were irregularities in the existing lease contracts between companies of the Fonsai Group (as lessor) and Altahotels (as lessee). In essence, these irregularities consisted of leasing terms that were more onerous for the lessee than those imposed by market conditions, and thus, Amber objected to the conduct of Fonsai which consisted of completing transactions with a subsidiary under terms that could alter Fondiaria's actual results.

Then Amber asked the Board of Statutory Auditors to perform a number of investigations on the lease contracts concerned and their impact, and to confirm Fonsai's directors' compliance with the principles of proper administration.

With respect to the real estate transactions with related parties (which are specifically listed in the complaint pursuant to Article 2408 of the Civil Code) Amber disputed the fact that these transactions were completed under normal market conditions, and that, in addition to specific anomalies reported from time to time by Amber, in nearly all the transactions, the following operating structure was allegedly used:

1. Sale by Fonsai (or by one of its direct or indirect subsidiaries) of a buildable site to one of the related parties;

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

2. Purchase by Fonsai (or by one of its direct or indirect subsidiaries) of the real estate complex that the company purchasing the buildable site built on the same land;
3. Payment of an amount, as a pre-payment, for the purchase price of the real estate complex, which was higher than the price that the aforementioned related parties were to pay to the seller to purchase the buildable site;
4. Modifications of real estate projects during the work in progress and near the projected dates for the delivery of the real estate complexes. These modifications were again made to increase the purchase price of the property under construction, and to postpone, in certain cases indefinitely, the deadline for delivery.

With regard to these transactions, Amber objected to the constant and significant imbalance between services rendered and received, and asked the Board of Statutory Auditors to confirm, among other things, the substantive and procedural propriety of these transactions, and to confirm compliance with regulations on the conflict of interests of directors and provisions concerning related party transactions.

In terms of the fees paid to Salvatore Ligresti, to companies related to the Ligresti family and to Gilli Srl and Gilli Communication Srl, Amber objected to the company's use of related parties to purchase goods and services and asked the Board of Statutory Auditors to confirm, among other things, the substantive and procedural propriety of the transactions for the purchase of the goods and services concerned, and the advantage gained by the company in completing such purchases, and in generally, compliance with regulations on conflicts of interest of directors and provisions concerning related party transactions.

Finally, with regard to compensation paid to the company's board members, Amber provided a table summarizing compensation as reported in the financial statements from 2008 - 2010, and asked the Board of Statutory Auditors to confirm, especially for financial years 2009 and 2010, the reasons why the vast majority of compensation was approved during board meetings (specifically for directors from the Ligresti family and the chief executive officer/CEO), and whether the determination of this compensation was actually in the company's interest. It also asked it to confirm the existence of "specific duties" assigned to individual board members that would justify the compensation allocated, as well as the position taken by the Board of Statutory Auditors some time ago regarding this compensation.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

2. ATAHOTELS TRANSACTION

2.1 Purchase of Atahotels

2.1.1 Description of transaction

The transaction called for the purchase of 100% of the share capital of Atahotels held by Sinergia Holding di Partecipazioni SpA, a related party of Fonsai (hereinafter, Sinergia, owner of 97.92% of share capital) and by Raggruppamento Finanziario SpA (hereinafter Raggruppamento Finanziario, owner of the remaining 2.08%).

Fonsai allegedly purchased 51% of the share capital and its subsidiary, Milano Assicurazioni, the remaining 49%.

The acquisition allegedly also included all equity investments held by Atahotels with the exception of the equity investment held by Atahotels in Fin. G.It SpA (amounting to 45% of share capital) since it was sold to Sinergia.

The Fonsai Group's interest in completing this acquisition was described at length by Fonsai's CEO/CEO during the board meeting of 17 December 2008.

With regard to whether it was appropriate to make the investment concerned the CEO/CEO indicated that the acquisition represented "*an opportunity for vertical integration in the tourism sector, by combining, under the aegis of the insurance companies, which already owned a part of the hospitality facilities, management activities which are currently outsourced.*"

In fact, it was acknowledged that in recent years the Fonsai Group had substantially increased the portion of its real estate investments in the tourism sector with a portfolio of properties, which in subsequent years, would be valued at over EUR 500 million, and a portion of which was already managed by Atahotels. During the same board meeting, it was actually pointed out that the hotel facilities managed by Atahotels were not owned by the latter company but by institutional investors who leased them to Atahotels. To be specific, 14 of the facilities leased were owned by the Fonsai Group, while 10 of the facilities leased were owned by other institutional investors. In addition, in 2008 Atahotels opened 3 new hospitality facilities, once again in properties owned by the Fonsai Group, and in later years, three other new openings were planned, also in facilities owned by the Group.

Thus, the CEO/CEO believed that "*the significance and value of these assets now warranted the direct oversight of the company in managing these assets in the context of maximizing the value of these facilities using a unified strategy, and thus optimizing the timing and methods for making them profitable, and internalizing the value created by these assets going forward.*"

Naturally, the performance of the reference market and operating performance of Atahotels were reviewed as well as the company's outlook as reported in the 2009-2015 business plan prepared

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

by the management of Atahotels (these issues will be covered in greater detail in the paragraph below).

On the other hand, now turning to an analysis of the assessments completed as to whether it was appropriate, and in the Fonsai Group's best interest, to make the investment, it should be noted that the CEOCEO pointed out to the Board of Directors that the difficulties associated with the economic situation would, on the one hand, impose upon the purchaser *financial and economic pressures (in view of capital requirements and projected losses in the business plan of Atahotels) to oversee, sustain, expand and enhance the value of its investments in the hotel sector,*" and on the other hand, represented *"an opportunity to purchase one of the largest domestic hotel chains at a very attractive price..."*

Thus, the CEO concluded that the acquisition of Atahotels *"represents a development consistent with the Group's long-standing investment policy in the tourism/hotel sector...in the context of creating a captive manager which could also be used to concentrate the assets of several owned facilities that are currently leased to third parties..."*

2.1.2 Safeguards adopted in accordance with the code of conduct and guidelines for related party transactions¹

In accordance with the code of conduct in effect at that time for related party transactions, before the approval of the transaction (which occurred on 17 December 2008) the following were obtained:

- the (accounting, tax, legal and labour law) due diligence of KPMG regarding Atahotels²;
- the opinion of KPMG Advisory for the determination of a range of values attributable to the economic capital of Atahotels;
- favourable opinion of the Internal Control Committee that reviewed the transaction during the meetings of 11 and 16 December 2008;

¹ For related party transactions of the type concerned, the code of conduct adopted by Fonsai in 2008 called for, among other things, the review and approval, usually in advance, by the Board of Directors or Executive Committee, subject to the opinion of the internal control committee and obtaining fairness and/or legal opinions when deemed necessary in terms of the nature, size and characteristics of the transaction. With specific regard to the type of transaction and the amount above which it was necessary to apply the aforementioned code of conduct, it should be noted that Article 3.5 of the guidelines in effect in 2008 specifically called for the "purchase and sale of equity investments other than controlling interests" at a price in excess of 2 million, and the "purchase and sale of controlling interests " of any amount.

² in this due diligence, which was obtained in December 2008, KPMG in particular indicated that the Atahotels group had a very rigid fixed cost structure, as a result of which any increases or decreases in sales would have had a very significant impact on the group's profitability.

In particular, profitability was mainly affected by:

- lease costs (paid, for the most part, to companies of the Fonsai Group as owners of the properties) which represented 20.9% of revenues in 2006 and 21.4% of revenues in 2007;
- personnel costs, which amounted to 34.9% and 35.8% of revenues respectively in 2006 and 2007.

KPMG also indicated that six hotel facilities of Atahotels had non-current assets of about EUR 14.5 million at 30 June 2008. KPMG noted that on the basis of historical results and the financial plan prepared by the management of Atahotels, these facilities produced losses through the entire period concerned with the result that since the value of non-current assets could not be covered by the cash flows projected in the business plan, this value could be written down since it was the result of a permanent loss in value.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

- legal opinion of the offices of Urso Gatti e Associati, which, on 17 December 2008 confirmed that the provisions of the preliminary agreement prepared contained *"provisions that were not unusual or that differed from those that could be plausibly and reasonably negotiated between unrelated companies in similar situations."*

In terms of quantifying compensation, the KPMG Advisory consultant estimated the equity value of Atahotels at 31 December 2008 as within a range of between EUR 42.5 and 47.8 million. This appraisal was done *"on the basis of the unlevered discounted cash flow (DCF) method. For the purposes of a control comparison, the multiples method for companies in the sector was applied. The analysis was prepared as at the reference date of 31.12.2008 on the basis of operating and financial projections developed by the management of Atahotels."*

In addition, KPMG Advisory acknowledged the fact that a capital increase of EUR 12 million in 2009 was projected, and that this amount corresponded to the capital increase (of EUR 20 million) already approved by the shareholders' meeting of 2007 of which only 8 million (of the 20 approved) was paid in. In addition, it was assumed that the company would have to conduct two subsequent capital increases in 2012 and 2013 of EUR 4.2 million and EUR 2 million respectively. Projected investments, concentrated mainly between 2009 and 2013, were also taken into account.

Despite the appraisal of KPMG Advisory (which, as noted, projected a value within a range of between EUR 42.5 and 47.8 million), a significantly lower price of EUR 30 million was proposed to the sellers with the latter amount corresponding to the estimated value of the shareholders' equity of Atahotels at 31 December 2008. As clarified at the Board of Directors meeting, this was due to *"the random nature and timeframe in which certain components of the value of Altahotels, tied to the results of future periods, will unfold."*

Prior to the resolution adopted by the management body, at the meeting of 17 December 2008, certain information was provided to the Fonsai Board of Directors, the most important of which appears below:

- The share capital of Atahotels was raised from EUR 20 to 28 million as a part of a capital increase of up to EUR 20 million under the board's authorisation. This increase was carried out through a first call for funds by the Board of Directors in the amount of EUR 8 million; the second call in the amount of EUR 12 million was instead scheduled to take place by 30 June 2009;
- Atahotels had an attractive competitive position since it was a mixed operator with large hospitality facilities throughout Italy;

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

- In recent years, the hotel market had stagnated, due primarily to the decline in Italian occupancy and the drop in trade reported in holiday destinations and art cities;
- In terms of the operating performance of Atahotels, recent financial years showed a sharp decrease in normalised EBITDA due to the increase in leasing costs, registered office costs and advertising; EBIT declined sharply due to the increase in the amortisation of investments in leasehold improvements made in previous years to facilities under management and an operating loss that was getting much worse;
- The business plan prepared by the management of Atahotels for the 2009-2015 period specified, among other things, a return to profit in 2013 with requirements in terms of capital reinforcements of around EUR 18 million mainly to replenish capital during the period under review;
- The assumptions made in the Atahotels business plan seemed to be in line with those of other operators in the hotel sector.

During the same board meeting, a copy of the aforementioned due diligence reports of KPMG and KPMG Advisory was distributed, and comments were made on their content with the contributions of a partner of KPMG who was present at the meeting. Among other things, KPMG clarified that it considered the financial impact of the Atahotels capital increase (approved but not yet implemented) to be necessary for the purposes of complying with provisions of the Italian civil code, but not essential for ensuring the performance of operations since the losses making the capital increases necessary were brought about by amortisation.

In addition, with the assistance of the company's lawyers, the draft of the preliminary agreement was described indicating the following:

- An adjustment in price was specified in the event shareholders' equity at 31 December 2008 was significantly higher (or lower) than the estimated figure³;
- The agreement included standard representations and warranties of the sellers made to purchasers with a duration of eighteen months from the execution date of the preliminary agreement.

The purchase transaction was then approved at the end of the Fonsai Board of Directors meeting on 17 December 2008 following a declaration of interest by directors Jonella, Giulia Maria and

³ Similar adjustments were stipulated in the event of a significant change in the net financial position.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

Gioacchino Paolo Ligresti⁴ (as stakeholders and shareholders of Synergia, the parent company of Atahotels) and their subsequent abstention from voting.

2.1.3 Preliminary and final agreements

Thus, on 29 December 2008, the preliminary purchase and sale agreement was signed subject to, among other things, authorisations from the appropriate authorities.

The most significant conditions specified in this contractual obligation can be summarised as follows:

- The price for Atahotels shares was provisionally set at EUR 30 million, but could be modified on the basis of the clause in Article 5.2, in the event the actual balance sheet and income statement figures, on the reference date of 31 December 2008, differed from those stated in the agreement;
- Advance payment of the final price amounting to 10% of the provisional price;
- An earn out provision for sellers upon the occurrence of the conditions specifically stipulated in the agreement;
- The validity of the agreement subject to the fulfilment of certain conditions including the issuance of authorisations by the appropriate authorities;
- The final contract would be entered into by the tenth day following the fulfilment of the conditions precedent;
- Payment of the balance of the price when the final agreement is entered into;
- Issuance of the usual representations and warranties by the selling companies.

On 29 January 2009, an application was made for the authorisation of the acquisition. During the preliminary investigation initiated by the Supervisory Authority, the latter noted that: (i) the company being purchased had reported significant losses during the period 2006-2008, and that other losses, of an additional amount of about EUR 30 million, were projected for 2009-2012, with the resulting need to increase capital; (ii) the hotel operations carried out by this company were not instrumental to the insurance business. Thus, the Supervisory Authority asked to know the economic and financial reasons why it was decided to buy Atahotels, and to be shown the company's business plan. In response to the requests of the Supervisory Authority, Fonsai:

- obtained a sensitivity analysis from the independent expert KPMG Advisory concerning the internal rate of return (IRR) of the transaction on the basis of two alternative theoretical

⁴ In addition, prior to the voting, Antonio Talarico and director Salvatore Spiniello acknowledged that they participated in the Supervisory Board of Atahotels.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

scenarios that reflected a deterioration in sales revenues from 2010-2015 totalling about EUR 20 million. The results of the analysis showed that the projected composite annual return of the investment would still be attractive (IRR greater than 12%);

- made a request in April 2009 to Roland Berger Strategy Consultants to "validate" the business assumptions underlying the 2009-2015 Atahotels business plan⁵;
- gave the Supervisory Authority the economic, financial and strategic reasons to justify the decision to purchase Atahotels.

On 20 May 2009, Fonsai entered into an agreement to amend the preliminary agreement with the two selling companies. Pursuant to this amendment, as a partial application of the sales price revision mechanism, the final price was set at EUR 25 million and the earn out mechanism for the sellers was eliminated.

The reduction of the original price of EUR 30 million was based on the fact that on 31 March 2009, Atahotels had approved the financial statements at 31 December 2008 which reported a loss of EUR 5,638,000 with a resulting reduction in shareholders' equity to EUR 25.6 million compared to the original projection of EUR 30 million.

Based on the documentation obtained and the agreed price reduction, on 27 May 2009, "*based on the fact that the transaction would not jeopardise the stability of this company, and there are no issues that would be prejudicial to sound, prudent management,*" ISVAP authorised the purchase of the controlling interest in Atahotels.

Thus, on 29 May 2009, the final purchase and sale agreement was signed and the shares were transferred.

2.1.4 Subsequent developments involving the transaction

Despite the fact that the business projections, on the basis of which the consultants' assessments were made, were not positive (in fact, it was known that until 2013 there would be losses, and it would be necessary to replenish share capital), the actual performance of Atahotels was much worse, and the aforementioned projections were exceeded on the downside. Thus, the

⁵ Roland Berger also prepared a new version of the business plan with an even more conservative scenario projecting a further decline in demand over the short term and the implementation of an efficiency improvement programme by the company. Roland Berger concluded that "*...the business assumptions underlying the business plan used for the assessment are essentially correct over the medium term.*" The firm added that the new version of the business plan showed that the cost efficiency programme would allow the company to effectively offset any unexpected continuation of the impact of the macroeconomic situation, and that this new scenario would, in any event, ensure that the cash generation targets specified in the business plan prepared by the management of Atahotels were achieved with a potential delay of up to 12-18 months.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

recapitalisation of the subsidiary was in a much greater amount than projected, and this was taken into account at the time of the purchase.

To be specific, it was known that Fonsai's Board of Directors approved the following recapitalisation transactions:

- a total of EUR 12 million (between Fonsai and Milano Assicurazioni) in 2009; however, this capital increase was already specified at the time of the acquisition since it was a part of the larger increase in share capital of up to EUR 20 million which was acknowledged at the meeting of the Fonsai Board of Directors in December 2008;
- a total of EUR 30 million (between Fonsai and Milano Assicurazioni) in 2010;
- a total of EUR 36,783,000.000 million [sic] (between Fonsai and Milano Assicurazioni) in 2011.

In financial year 2010, the operating, balance sheet and financial situation of Atahotels was reviewed on several occasions by the parent company's Board of Directors, and specifically, at meetings on 16 February 2010, 26 March 2010, 22 June 2010 and 21 December 2010.

To be specific, at the meeting of Fonsai's Board of Directors on 26 March 2010, it was reported that *"The current economic crisis has significantly affected the hotel sector, and more generally, the sector of hospitality facilities not only with respect to the decline in summer demand, but also due to the significant drop in conventions held by institutional customers."* The new business plan for 2010-2012 approved by the Atahotels Board of Directors was reviewed, and the text of a letter was approved that was shared with Deloitte, which was hired to do the audit of Atahotels, in which Fonsai confirmed its obligation to ensure, at the request of the Atahotels Board of Directors, capital-strengthening measures in the form of capital increases and/or capital contributions and/or the coverage of losses in an amount sufficient to allow for the continuation of the assumption of the business as a going concern.

In 2011, the new Atahotels business plan for 2012-2014 was reviewed, and the firm Roland Berger was also hired to verify the consistency of the assumptions of the above plan, and specifically, the projected operating results and their impact on cash flows from operations.

The business plan was reviewed during the meeting of the Board of Directors of 10 November 2011, which acknowledged that the above plan specified the impact of the policies already launched and those that would be implemented. Based on unchanged lease payments, the plan also provided an estimate of the need to replenish capital due to losses incurred of about EUR 15 million in 2012, EUR 15 million in 2013 and EUR 10 million in 2014. The plan also assumed a significant increase in operating profit (before leasing costs and amortisation and depreciation) and a net profit before leasing costs starting in financial year 2012. In addition, a simulation of

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

pre-tax profit was presented for total leasing costs of 20% of revenues, which would result in a pre-tax profit starting in 2012 and significant growth in future years.

On the other hand, the analysis performed by Roland Berger showed, among other things, that the EBITDA of Atahotels for 2005-2011 was impacted by particularly high operating costs and leasing costs, and that this measure would have been positive if leasing costs had been 20% of revenues.

At present, Atahotels' position is also being constantly monitored through monthly meetings between the management of Atahotels and the parent company's general management. The most recent objective of the Board of Directors is to set a proper value for the equity investment using solutions that are currently being analysed and that will be brought to the attention of the management body.

2.1.5 Conclusions and proposals of the Board of Statutory Auditors

Based on the above, the undersigned Board of Statutory Auditors concludes as follows with regard to the purchase of 100% of the share capital of Atahotels.

The company Atahotels was covered in detail in due diligence performed by a leading auditing firm, and its value was also determined by an independent expert. In addition, in April 2009, the assumptions of the business plan prepared by the management of Atahotels were the subject of a validation opinion prepared by an independent third party, Roland Berger.

The losses of Atahotels, at least until 2012, were reported in the business plan prepared by the management of Atahotels and reviewed by KPMG. Specifically, future financial requirements, including in connection with the adjustment of share capital to cover likely losses, were taken into account by the expert KPMG and reviewed by the Internal Control Committee and Board of Directors. By way of example, the internal control committee meeting held on 11 December 2008 was attended by a partner of KPMG to describe all activity carried out and to acknowledge the projection of losses until 2013, the assumed EUR 19 million in capitalisation, in addition to the EUR 8 million already contributed by the sellers, and outlays for projected investments of EUR 20 million.

Thus, prior to passing the resolution that approved the purchase of Atahotels, all the standard analyses and checks were performed for a transaction of this nature. In particular, the following were obtained:

- legal, tax, corporate and labour law due diligence of the expert KPMG;
- independent expert opinion (KPMG Advisory) of the value of Atahotels shares;

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

- legal opinion on the content of the preliminary agreement that confirmed that the contractual provisions were not inconsistent with those normally seen in transactions of the same type and nature with third parties, including a mechanism to adjust the price as a result of any deviations in shareholders' equity and the net financial position as reported in the financial statements at 31 December 2008 compared to estimates made at the time the preliminary agreement was entered into;
- favourable opinion of the Internal Control Committee.

In terms of compliance with regulations on the conflict of interests of directors and with the codes of conduct adopted by the Fonsai Group for the execution of transactions with related parties, it should be noted that before discussing the topic of the "Atahotels acquisition," at the meeting of the Fonsai Board of Directors, the members of the Ligresti family noted that they had interests and equity investments in the company Sinergia, the parent company of Atahotels. In addition, at the time of the resolution, members of the Ligresti family abstained from the vote.

In terms of compliance with codes of conduct adopted by the company for transactions with related parties, note that the acquisition was approved by the company's Board of Directors subject to the opinion of the Internal Control Committee and after obtaining the fairness and legal opinions noted above.

Furthermore, during Fonsai's Board of Directors meeting on 17 December 2008, the reasons for the transaction were described and discussed at length, and were essentially based on the need to enhance the value of Fonsai's real estate assets by combining management activities, which at the time were outsourced, under the aegis of the insurance companies which already owned a large part of the hospitality facilities. During the board meeting it was also indicated that the financial and economic effort required of the buyers would be compensated by the ability to purchase one of the largest domestic hotel chains at a very attractive price, and with the proper capital levels, the chain would be able to compete more effectively⁶.

In short, by participating in all meetings of the Internal Control Committee and Board of Directors, the Board of Statutory Auditors verified that the latter assessed the advantage to the company of completing the transaction concerned and that this transaction was not contrary to Fonsai's interests.

Based on the above, and in view of the continuing economic crisis that has seriously affected the hotel sector, and on the basis of reports prepared by Atahotels and the consultant Roland Berger concerning leasing costs as a percentage of Atahotels revenues, the Board of Statutory Auditors

⁶ For a more detailed review of the reasons used to justify the company's interest and advantage in the transaction, see the beginning of section 2.1.1.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

asks the Board of Directors to consider performing, as soon as possible, a careful review of the above lease payments so that they will be sustainable for Atahotels, with the further effect of minimising the need for future recapitalisation transactions.

Furthermore, in light of: (i) the performance of Atahotels (which was worse than the performance projected by Atahotels management prior to the sale); (ii) the fact that in 2010 writedowns of EUR 12 million were applied to intangible and tangible fixed assets; and (iii) the fact that the shareholders' equity of Atahotels at 31 December 2008, which was used for the final price determination, could be affected by the failure to write down all, or a part, of this long-term asset, the Board of Statutory Auditors believes that the Board of Directors must carry out all related inquiries and checks that are necessary if, despite the current invalidity of contractual warranties, the conditions have been met to activate potential remedies under civil law that could mitigate the significant outlays made by Fonsai to recapitalise the subsidiary.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

2.2 Hotel lease agreements

2.2.1 Existing lease agreements between the Fonsai Group and Atahotels

The Board of Statutory Auditors has reviewed existing lease agreements between the Fonsai Group and Atahotels and has checked their execution dates, effective dates and maturities, the amount of lease payments and the existence of additional fees.

More specifically, of the thirteen existing agreements (of which 11 are leasing agreements and two are for the facilities of Golf Hotel Campiglio e Naxos under a business lease):

- One agreement (related to the Fiera Milano facility) was cancelled by the lessee, and the property has already been returned;
- Eight agreements call for a regularised lease payment corresponding to a percentage of revenues with a provision for a gradual rise in the lease payment as a fixed amount for the first few years of the lease and a guaranteed minimum payment in addition to the above percentage for the following period. The percentage of revenues is 16% for facilities at Capotaormina, Expo Fiera, Quark Due and The One; 20% for Golf Hotel Campiglio; 12% for the Naxos facility; 15% for Petriolo; and 18% for the hotel Principi di Piemonte;
- Four agreements (related to facilities at Varese, Big Residence, Contessa Jolanda and Linea Uno) call for a fixed payment with a gradual rise in the payment over the first few years of the lease.

With the exception of the agreements related to the facilities at Capotaormina, Big Residence, Contessa Jolanda and Linea Union, which call for the payment of a supplemental payment of between 5% and 8% of total costs incurred by the lessor to complete new projects or replace equipment, there are no other forms of reimbursements and/or charge backs between the lessor and lessee.

2.2 Lease payments as a percentage of Atahotels revenues

The Board of Statutory Auditors obtained a table from the corporate offices summarising lease payments made by Atahotels to companies of the Fonsai Group and specifically indicating the amount of these lease payments as a percentage of the revenues of each hotel facility.

A similar table was also provided for existing lease agreements with lessors that are not a part of the Fonsai Group (Fondazione Enpam).

A review of these tables showed that if all existing lease agreements are taken into account, the average lease payment as a percentage of Atahotels revenues was as follows:

- 20% of revenues for 2008;

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

- 28% of revenues for 2009;
- 29% of revenues for 2010.

With regard to 2011, during the Fonsai Board of Directors meeting on 10 November 2011 it was learned that on average, this percentage was equal to 33.9% of hotel revenues.

A detailed comparison between the average percentage of revenues represented by lease payments made to Fonsai Group companies and the average of payments made to third party companies (specifically, Empam) showed the following:

For payments due to third parties, the average percentage was as follows:

- 20% of revenues for 2008;
- 27% of revenues for 2009;
- 28% of revenues for 2010;

For payments due to Fonsai Group companies, the average percentage was as follows:

- 21% of revenues for 2008;
- 29% of revenues for 2009;
- 31% of revenues for 2010.

Thus, a comparison of this data shows that until 2010 there was no significant difference between the average lease payments as a percentage of revenues due to companies of the Fonsai Group and the lease payments due to third-party entities.

If the analysis is limited to the matter at hand concerning lease agreements between Atahotels and companies of the Fonsai Group, it should, however, be noted that the percentages indicated above represent the average taken from all the various hospitality facilities, and that in 2010 lease payments as a percentage of the revenues of individual hotels varied, in some cases significantly, depending on the type of facility, from a low of 12% (Naxos) to a high of 91% (Varese).

According to the Board of Statutory Auditors, the reasons for the significant size of lease payments as a percentage of revenues for certain hospitality facilities is to be found in the wording of provisions of lease agreements in which the lease payment is determined.

In fact, as noted above, in most cases the agreements call for a payment amounting to a relatively low percentage of revenues (usually 16%).

However, for the first few years of the agreement, these same agreements call for fixed payments (on a rising scale), and, starting on a specific date, the above percentage of revenues is to be

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

supplemented by guaranteed minimum payments (or for other agreements, the direct application of fixed lease payments), which, due in part to the economic crisis that has had a major impact on the tourism and hotel market, have turned out to be particularly burdensome for hotel facilities since they actually correspond to a percentage of revenues that is higher than the percentage specified in the agreement, and the 20-25%, which is recognised as appropriate according to business practice.

The above is confirmed in the financial statements of Atahotels at 31 December 2010 which state that *"All lease contracts described...are conducted at market conditions, although it should be noted that the serious crisis under way has made some of these contracts very costly in that lease payments are, for the most part, set as a fixed amount, which, as a percentage of revenues, grows as revenues decline."*

2.2.3 Criteria for quantification of lease payments

In terms of the criteria used for quantifying the above lease payments, the Board of Statutory Auditors has ascertained that in the Fonsai Group there are no set criteria for determining the pricing in lease agreements, and therefore this was negotiated on a case-by-case basis.

Following its investigations, the Board of Statutory Auditors ascertained that of the thirteen existing lease agreements between Atahotels and companies of the Fonsai Group, seven agreements were entered into or renegotiated by the parties between 2008 and 2009 before the signing of the final agreement to purchase Atahotels in May 2009 and, in at least five cases, at the time the property was purchased from companies that are related parties of the Fonsai Group or at the time of the property's sale within the Fonsai Group.

The Board of Statutory Auditors then conducted specific investigations concerning these seven agreements.

Below are the results of the inquiries performed.

Capotaormina:

This property was sold on 28 May 2009 by Immobiliare Lombarda to the Athens fund, which is managed by SAI Investimenti SGR.

In order to estimate the property's value, an expert appraisal was obtained from Praxi which was based on the lease payment indicated in a new agreement to be entered into with Atahotels, which was being executed on that date (and then actually entered into on 27 May 2009, i.e., the day before the sale of the hotel to the Athens fund, and just two days before the final agreement for the sale of Atahotels to Fonsai and Milano Assicurazioni).

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

The lease payment specified in the new agreement was 16% of revenues with a rising guaranteed minimum for the first two years, and in the amount of EUR 2 million once regularised starting in the third year.

The hotel's value was then determined by Praxi by capitalising the regularised guaranteed minimum lease payment of EUR 2 million at a rate of 5.10% (which the expert deemed to be appropriate for that type of investment), thereby arriving at the property's value of EUR 39.2 million.

An appraisal with the same content was obtained from Scenari Immobiliari (which was hired by the Athens Fund). In this case the value of the resort was also quantified largely by using the discounted cash flow method and based on the assumption of a lease agreement being entered into with a guaranteed annual minimum lease payment of EUR 2 million.

It should be noted that at the time the new lease agreement was signed, another agreement (signed in May 1998) was in effect between the parties and had not yet expired. The pricing of this agreement was more advantageous for the lessee (the lease payment was 11% of the hotel's revenues with a guaranteed minimum of about EUR 413,000.00), and this agreement was replaced by the one in 2009. With regard to this agreement, the undersigned Board of Statutory Auditors asked to know whether the lessor had ever sent a registered letter to cancel the agreement, but no response was given to this question.

Thus, with regard to the property concerned, the pricing of the new lease agreement was taken into consideration by the expert for the assessment of the property at the time of its sale and purchase.

Expo Fiera:

The property was sold by Im.Co SpA to SAI Investimenti SGR which was working on behalf of the Tikal real estate fund.

The off-plan sale contract dates back to September 2005, but from a review of the minutes of the meetings of the Fonsai Board of Directors for May 2008, it was determined that on that date, the property had not been completed.

In fact, while still under construction, several changes were made to the original project increasing the sale price from the original EUR 87 million to EUR 134 million.

From a review of the same minutes it was also determined that in 2005 SAI Investimenti had entered into a preliminary lease agreement with Atahotels that called for a lease payment of 16% of revenues with a guaranteed minimum of 6% of the purchase price.

In March 2008, when Im.Co SpA and SAI Investimenti SGR renegotiated the purchase price, increasing it, as noted, to EUR 134 million, an expert appraisal was obtained from Scenari Immobiliari whose fair valuation opinion was expressed "*...on the assumption that a lease*

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

agreement was entered into for the property with a qualified manager that called for an annual market rate lease payment, which we estimated to be at least EUR 8,000,000."

Following the above modification of the purchase price, the originally agreed lease payment was then also renegotiated (the related lease agreement was entered into on 5 November 2008). To be specific, the lease payment was revised to a level that would confirm the return, once regularised, at 6% of the updated sale price. The annual regularised guaranteed minimum lease payment from year five going forward was then set at EUR 8,040,000.

With respect to this guaranteed minimum, a fair valuation opinion was obtained from Scenari Immobiliari which indicated that a lease payment of between EUR 8 and 8.5 million was appropriate.

However, it should be noted that this fair valuation opinion was provided by Scenari Immobiliari on the basis of the assumption that the facility would produce revenues of EUR 32 to 34 million (in relation to which the lease payment, in fact, represented a percentage of about 25%). However, note that this assumption made by the expert turned out to be far too optimistic in relation to the revenues actually produced by the facility concerned in 2009, 2010 and 2011 when revenues were EUR 3.9 million, and approximately EUR 6.4 million and EUR 8.7 million respectively.

The pricing of the lease agreement was again taken into consideration by the expert with respect to the property concerned at the time of the property's valuation for sale.

Varese:

This property was sold by Im.Co SpA to Meridiano Risparmio Srl (Fonsai Group) on 24 September 2008.

To be specific, the transaction was reviewed during the meeting of the Fonsai Board of Directors on 27 August 2008 during which it was pointed out that the complex would be leased by the construction company Im.Co SpA under a lease agreement (to be entered into) with Atahotels, the annual regularised lease payment for which would be equal to 5.5% of the purchase price.

The opinion of Scenari Immobiliare was obtained in advance of this purchase and sale, and on the basis of the conditions of the future lease arrangement, this firm believed it was appropriate to assign a value of EUR 62 million to this real estate complex.

To be specific, this value was determined by the expert by applying the discounted cash flow criterion on the assumption that the regularised lease payment for the complex would be EUR 3.4 million.

As to whether this lease payment was appropriate, the expert confirmed that it was essentially consistent with market conditions since it amounted to 30% of the annual revenues of the

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

facility, once operational, which were estimated independently by the expert to be about EUR 11 million.

At the request of Fonsai's Internal Control Committee, Scenari Immobiliari was asked to supplement the appraisal completed by checking the value assigned using other valuation criteria. To be specific, the expert used the summary comparison criterion and the income criterion, which made it possible to confirm that the price requested by Im.Co SpA was appropriate.

Thus, on the basis of the estimate summarised above, the property was purchased by Meridiano Risparmio Srl (a Fonsai subsidiary) on 24 September 2008 at an agreed price of EUR 62 million, and the property came with a lease agreement with Atahotels which had been entered into in the meantime on 17 September 2008.

This agreement called for an initial gradual rise in the lease payment over the first three years (EUR 1,360,000 for the first year, EUR 2,040,000 for the second year and EUR 2,720,000 for the third year), and only in year four, a regularised lease payment of EUR 3.4 million.

However, it should be noted that despite this gradual rise (which was supposed to represent a concession for the lessee), the lease payment as a percentage of actual hotel revenues in 2009 (about EUR 1.8 million) and 2010 (about EUR 2.2 million) was 91% while normal business practice would dictate lease payments at 20-25% of revenues. In 2011, the lease payment as a percentage of hotel revenues (about EUR 2.8 million) was 93%.

In other words, the results of the facility were far from those (EUR 11 million) assumed in the valuation by Scenari Immobiliari, and even though the regularised lease payment of EUR 3.4 million had not come into effect, nearly all of the hotel's revenues were absorbed by leasing costs.

Thus, the pricing of the new lease agreement was again taken into consideration by the expert at the time the property was valued for sale.

The Big:

This property was sold on 31 July 2007 by Immobiliare Lombarda to the Immobiliare Tikal fund, which is managed by SAI Investimenti SGR.

The property was previously owned by Premafin Finanziaria SpA, which sold it to Immobiliare Lombarda (Fonsai Group) together with a lease agreement with Atahotels dating back to 1990.

In April 2008, since the previous agreement had expired as planned, there were discussions on entering into a new lease agreement with Atahotels with an annual lease payment of EUR 1,250,000 representing a gross return of 6% on the appraised value of the property.

In January 2008, Scenari Immobiliari gave its advance opinion on this lease payment and stated that it should be considered appropriate since it was equal to 20-22% of the revenue obtainable

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

by the facility, and this expert independently estimated that revenues should range between EUR 6 and 6.5 million.

However, it should be noted that this projection was made by the expert without taking into account the performance of the hotel over the last six years (2001-2007) when revenues ranged between EUR 2.5 and 3.5 million.

Thus, based on the historical performance of the facility, it was obvious that the new lease payment of EUR 1,250,000 would have represented a much higher percentage of revenues than that projected by the expert.

In fact, to corroborate this, from 2008 to 2011 lease payments as a percentage of revenues were 48%, 57%, 52% and 53% respectively.

Linea Uno:

This property was acquired in the assets of Fonsai following the merger with SAI SpA in 2002 and was already leased to Atahotels pursuant to an agreement of 27 December 1995 (with a term of six years and renewable) and a supplemental agreement dated 10 November 2005. The lessor sent a cancellation of these agreements effective 31 December 2007.

In March 2008, a new lease agreement was entered into effective 1 January 2008 with an annual lease payment of EUR 520,000. The agreement called for a gradual rise in the lease payment for the first four years of the lease.

It was verified that the signing of the new lease agreement was made known only after the fact during a meeting of the Board of Directors on 13 May 2008. In terms of the lease payment under the new agreement, the company had previously obtained the advance opinion of Scenari Immobiliari, which concluded that it was appropriate since it was equal to 17-18% of the revenue obtainable by the facility, which this expert estimated would be in a range of EUR 2.8 and 3.1 million.

However, it should be noted that the expert's projection was made without taking into account the hotel's performance over the last six years (2001-2007) when revenues ranged between about EUR 1 and 1.6 million.

Thus, based on the historical performance of the facility, it was obvious that the new lease payment of EUR 520,000 would have represented a much higher percentage of revenues than that projected by the expert.

In fact, to corroborate this, from 2008 to 2011, revenues were consistent with those in previous years with the result that the new lease payment represented 28%, 41%, 26% and 26% of revenues respectively. However, during those years it should be noted that the lessee benefited from the aforementioned gradual rise of the lease payment that reduced its impact on revenues.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

Assuming that revenues remain largely stable, at the time the lease payment levels out at EUR 520,000, the percentage will stabilise at a level of over 25% of revenues.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

Petriolo:

This property was sold to Progestim (part of the Fonsai Group; this company was later merged into Immobiliare Lombarda) by Icein SpA (an indirect subsidiary of Sinergia Holding di Partecipazioni SpA) in December 2002 through an agreement to purchase partially completed property, at an initially agreed-to price of EUR 24,275,000.

At the time of this purchase, Progestim also entered into a preliminary lease agreement with Atahotels.

During the final construction phase of the uncompleted property, a number of changes were agreed to by the parties with the resulting increase in the sale price of the hotel facility, which was then finally set at EUR 32,800,000, which was deemed appropriate based on an appraisal performed by Scenari Immobiliari (EUR 1.7 million was added on to the price for land and several small buildings).

With specific reference to the hotel complex, the expert determined that this value was appropriate by using the income capitalisation method assuming (i) annual revenue for the facility of EUR 10,648,085 and (ii) an affordable lease payment equal to 20% of such revenue, and thus, EUR 2,129,617.

This lease payment was then capitalised using a rate of 6.5% determined by the expert on the basis *"of the characteristics of the property being appraised, its intended use and current market conditions."*

Following the revision of the purchase price, Immobiliare Lombarda reached an agreement with Atahotels for a revision of the terms of the preliminary lease agreement originally entered into, and agreed that in the final agreement of 30 April 2008, there would be a lease payment amounting to 15% of revenues with a guaranteed minimum of EUR 2,242,500. However, for the first four years the lease payment would rise gradually until reaching the guaranteed minimum.

The hotel complex was later sold by Immobiliare Lombarda to the Tikal fund at a price of EUR 36.9 million (in addition to EUR 3.1 million for the other two lots). This price was deemed appropriate by the expert, Scenari Immobiliari (which also prepared the 2008 appraisal), and by the expert Acab.

Unfortunately, the revenue projections for the facility (with the resulting calculation of the possible lease payment), upon which the 2008 appraisal by Scenari Immobiliari was based, turned out to be far too optimistic. In fact, from 2008 to 2011 revenues did not exceed EUR 2,611,000 with the result that lease payments represented 29%, 35%, 41% and 41% of revenues respectively.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

It should also be noted that during these years, the lessee benefited from the aforementioned gradual rise in the lease payment that reduced its impact on revenues. In fact, Atahotels indicated that at the time the lease payment was regularised at EUR 2,242,500, this percentage would stabilise at about 73% of revenues.

As more fully described in the next section, the lessor granted a slight reduction in lease payments for this facility for 2010-2011.

Once again, the pricing of the new lease agreement was taken into account by the expert at the time the property was valued for sale.

The One:

This property was sold to Progestim (Fonsai Group; this company was later absorbed by Immobiliare Lombarda) by Icein in May 2009 under an off-plan sale contract at a price initially set at EUR 18,000,000.

At the time the off-plan sale contract was signed, an appraisal was obtained from Scenari Immobiliari which estimated the value of the asset to be sold to be EUR 18 million through capitalisation at of a possible lease payment of EUR 1,150,087 at a rate of 6.40% (amounting, in turn, to 16% of the facility's possible revenues).

Once again, at the time the off-plan sale contract was entered into, Progestim entered into a preliminary lease agreement with Atahotels with an annual regularised fixed lease payment set initially at EUR 1,150,000.

As a result of a number of changes agreed to by the parties during the construction of the property, Icein then made a request for the payment of an additional EUR 12.9 million, however this latter amount was not deemed appropriate by Scenari Immobiliari, being thought to be EUR 2,667,450.00 too high.

The parties then agreed to restrict the increase in the sale price to EUR 10.3 million, which, as noted, was deemed appropriate by the expert.

At the same time, a modification of the pricing terms was agreed with the promissory lessee of the property with the provision of a lease payment of 16% of revenues of the residence with a regularised guaranteed minimum lease payment of EUR 1,698,000. In addition, for the first four years the agreement called for a gradual rise in the lease payment, eventually reaching the above guaranteed minimum.

A fair valuation opinion was obtained from the expert, Scenari Immobiliari, in relation to the amount of this lease payment. Using the income capitalisation method, the expert concluded that a regularised lease payment of EUR 1,698,000 was appropriate.

Moreover, with respect to this regularised lease payment, it should be noted that the Atahotels facilities reported that this lease payment would in fact represent about 50% of the facility's

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

revenues, which was far higher than the 16% specified in the lease agreement and the 20-25% deemed appropriate by market practice.

Once again the pricing terms of the lease agreement were taken into consideration by the expert with regard to the property concerned at the time of the valuation of the property when it was sold.

2.2.4 Reductions in lease payments

In 2010, Atahotels requested a reduction in existing lease payments for the following facilities: Naxos, Principi di Piemonte, Linea Uno, Fiera Milano, Varese, The One, Golf Hotel Campiglio, Expo Fiera, the Big and Petriolo (the latter facilities are owned by two funds managed by SAI Investimenti SGR).

The proposal specifically covered the years 2010 and 2011 and was motivated by the continuation of the serious crisis affecting the entire sector.

The reduction request for the **Expo Fiera, The Big and Petriolo**⁷ facilities was approved by a resolution of the Fonsai Board of Directors of 27 January 2011. The resolution acknowledged that the reduction in lease payments had already been approved by the management body of the SGR (asset management company) of the funds that own the facilities concerned based on the assumption that *"failure to accept the request made by the lessee could have potential negative repercussions on the funds' financial and operating position. These include the risk of delayed payments or no payment at all. Another consequence taken into consideration by the subsidiary's board could be the lessee's withdrawal from the agreement due to the excessive cost of the agreements; in this case, the funds would be left with unleased hotel properties for an indefinite period of time..."*

In compliance with the principles adopted by the Fonsai Group for transactions with related parties, the following were obtained before issuing this resolution:

- three fair valuation opinions from the independent expert PRAXI on the amount of the reductions of the lease payments for the three agreements covering the facilities mentioned;

⁷ To be specific:

- For Expo Fiera, the lessee requested a reduction of EUR 500,000 for the 2010 lease payment and of EUR 500,000 for the 2011 lease payment;
- For The Big, the lessee requested a reduction of EUR 150,000 for 2010 and EUR 111,000 for 2011;
- For Petriolo, the lessee requested a reduction of EUR 77,455 for 2010 and EUR 119,821 for 2011.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

- a legal opinion from the law offices of Raynaud & Partners confirming that the terms of the agreements to modify the lease payments were consistent with those applicable between unrelated parties;
- the favourable opinion of the Internal Control Committee, which expressed its approval of the request to reduce the lease payments.

The reduction request for the **Fiera Milano** and **Linea Uno**⁸ facilities was approved by a resolution of the Fonsai Board of Directors of 23 March 2011 in light of the difficult situation faced by the two facilities due to the crisis affecting the entire hotel sector and problems associated with the location of the facilities and the presence of competing adjacent facilities.

In compliance with the principles adopted by the Fonsai Group for transactions with related parties, the following were obtained before issuing this resolution:

- opinion of the expert, PRAXI, regarding the Linea Uno facility;
- opinion of the expert, Scenari Immobiliari, regarding the Fiera Milano facility;
- appraisals from the expert, Avalon Real Estate SpA (hereinafter, Avalon), obtained at the specific request of the Internal Control Committee, which met on 3 March 2011, to confirm the conclusions of the two previous appraisals;
- opinion of the Internal Control Committee, which approved the lease payment reduction request, partly due to the fair valuation opinions issued by Avalon.

However, the Board of Directors did not believe it was necessary *"to obtain a legal opinion since, if the request was approved, it would merely be necessary for the parties to sign a simple agreement for the temporary modification of the lease payments which has no impact on the overall structure of the agreement."*

It should be noted that, to date, no decision has been made concerning the lease payment reduction requests for the **Naxos, Principi di Piemonte, Varese, The One** and **Golf Hotel Campiglio** facilities.

On the other hand, the Board of Statutory Auditors was notified of the existence of an agreement with the lessor Enpam with the aim of reducing lease payments.

2.2.5 Conclusions and proposals of the Board of Statutory Auditors

Upon the conclusion of the investigations performed, the Board of Statutory Auditors indicated that although, for the most part, the existing lease agreements between Fonsai and Atahotels

⁸ To be specific:

- For Linea Uno, the lessee requested a reduction of EUR 108,000 for 2010 and of EUR 152,500 for 2011;
- For Fiera Milano, the lessee requested a reduction of EUR 252,861.94 for 2010 and of EUR 248,575.58 for 2011.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

usually call for a lease payment calculated as a percentage of revenues, during the initial years of the lease, these same agreements provide for fixed lease payments that increase gradually, or in other cases, guaranteed minimums (in addition to the percentage of revenues), which, in practice, have resulted in essentially disregarding the criterion of the percentage quantification of the lease payment, which was transformed, in practice, into a true fixed lease payment.

As noted, the other lease agreements directly call for regularised fixed lease payments, usually with a gradual rise of the lease payment in the initial years of the lease.

This situation, together with the significant reduction in reported revenues due to the economic crisis, has resulted in the specific consequence that the lease payment made to the lessor represented a percentage of revenues that was higher than that projected in the agreement, and in most cases, also higher than the percentage of 20-25% recognised as appropriate by business practice, with a resulting negative impact on the performance of Atahotels.

Moreover, as noted above, Fonsai and/or its subsidiaries that own the properties, in certain cases granted Atahotels reductions in contractual lease payments in the amount, and for the time periods, requested by the latter.

All decisions concerning lease payment reductions were made in compliance with the code of conduct adopted by the company for related party transactions.

With the exception of agreements for the Capotaormina, Big Residence, Contessa Jolanda and Linea Uno facilities, which call for the payment of a supplemental payment of between 5-8% of total costs incurred by the lessor to complete new projects or replace equipment, there are no other forms of reimbursements and/or charge backs between the lessor and lessee.

With regard to the criteria used to quantify lease payments, the Board of Statutory Auditors notes that the determination of their amount seems to have been done on a case-by-case basis. The expert appraisals that assessed whether these payments were appropriate referred to the characteristics of the hospitality facility, its intended use and location.

As noted above, following the investigations performed, it was found that of the thirteen existing lease agreements between Atahotels and companies of the Fonsai Group, seven agreements were negotiated (or renegotiated) by the parties between 2008 and 2009, and in five cases, around the time the property was sold.

Based on the investigations performed, the Board of Statutory Auditors verified that in the above cases the determination of the pricing terms of the lease agreement was taken into consideration by experts who assessed whether the compensation agreed to at the time the properties were bought and sold was appropriate.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

In terms of the effect of the leasing agreements on the valuation of the properties, the Board of Statutory Auditors examined the appraisals of the properties leased by the Fonsai Group to Atahotels that were updated to 31 December 2011 and compared them to the valuations updated to 31 December of the previous year, and in certain cases, found differences in value that will be reflected as write-downs in the financial statements at 31 December 2011 which are being prepared.

In nearly all cases reviewed, it was found that the value of the property was assigned using the method of discounting cash flows to be generated by each hospitality facility, using as the basis for the calculation the lease payments specified in existing agreements, and, for the period following the expiry of the agreements, lease payments deemed to be at market levels by various experts.

The Board of Statutory Auditors also met with all the experts in order to obtain clarifications from them concerning the valuation methods applied.

In the opinion of the Board of Statutory Auditors, the valuation methods concerned, which the experts found to be appropriate from a technical standpoint, and found to be consistent with the practice usually followed by most experts, are limited, in the case in point, by not taking into consideration the specific situation faced by Atahotels.

In fact, as already noted above, for most of the hospitality facilities, the guaranteed minimums specified in the various agreements represent lease payments, which, at the present time, represent a significant percentage of revenues for some properties.

As noted, the fact that these lease payments represent a significant percentage of revenues has a negative impact on the performance of Atahotels, as a result of which, the recapitalisation transactions discussed earlier have been made necessary.

The management of Atahotels has projected further recapitalisations for the three-year period 2012-2014 (totalling EUR 40 million).

In a situation such as the one described above, in which the lessor is also the majority shareholder that is constantly recapitalising the lessee, the Board of Statutory Auditors is of the opinion that the experts' assessment of the market value of the properties leased by Fonsai to Atahotels must not be limited to the mere acknowledgement of the existence of the lease agreement (and its pricing terms), but must take into account the specific situation, as well as any other objective factors that would be appropriate for determining the above value. These include, irrespective of the agreements currently in place, the different market-based lease payments that an unrelated third party would, in the opinion of the experts, be willing to pay as a lease payment for the facilities concerned.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

Based on the above, the Board of Statutory Auditors has already asked the Board of Directors to assess whether it would be appropriate to ask the experts for more detailed valuation information that takes into account the factors noted above.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

In addition, in light of the above, the Board of Statutory Auditors asks the Board of Directors to perform an in-depth analysis (i) concerning the determination of the price of the properties to be used as hospitality facilities leased to Atahotels that Fonsai or other Group companies purchased from related parties; (ii) concerning the contractual terms agreed to in the lease agreements entered into with Atahotels; and (iii) as to whether the criteria and methodologies used by the entities that prepared the appraisals for the properties leased to Atahotels carried out on the occasion of the aforementioned purchases and sales were appropriate and reasonable.

It goes without saying that if the certifying experts are in some way found to be liable, appropriate legal remedies will also have to be assessed.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

3. REAL ESTATE TRANSACTIONS WITH RELATED PARTIES

As summarised above, in Amber's complaint of 17 October 2011, objections were raised regarding certain property transactions that were allegedly carried out by Fonsai with related parties.

Thus, the various transactions to which it raised an objection are reviewed individually below.

3.1 Real estate project in Via Fiorentini, Rome

3.1.1 Description of original transaction

The transaction can be summarised as follows:

- (i) the sale of a buildable site owned by Milano Assicurazioni SpA (hereinafter, Milano Assicurazioni), located on Via Fiorentini in Rome, to the company Avvenimenti e Sviluppo Alberghiero Srl (hereinafter, A.S.A.), which is a related party of Milano Assicurazioni and the parent company Fonsai⁹;
- (ii) the construction by the aforementioned related party A.S.A. of certain buildings that Milano Assicurazioni undertook to purchase, at the time of the land sale, using the off-plan purchasing formula¹⁰.

The interest of Milano Assicurazioni in completing this transaction was described at the meeting of the Board of Directors on 16 July 2003 as follows: *"in the transaction concerned...Milano...would transfer to any business risk to the construction company with the latter assuming all obligations of an organisational nature with regard to the building site, therefore limiting the role of Milano Assicurazioni to that of investor. In addition, the purchase price established originally guarantees the Company against any rise in prices of materials and labour. Thus, at the end of the transaction, the Company will be the owner of significant real estate assets at market value, without shouldering the business costs (and the related risks) that are typical of construction operations, thereby limiting its involvement to that of an institutional*

⁹ To be specific, during the meeting of the Board of Directors of Milano Assicurazioni on 16 July 2003, it was acknowledged that the sale of the land would be to a newly established special purpose vehicle controlled indirectly by the company Starlife S.A. through Premafin Finanziaria SpA, whose shareholders included Paolo Ligresti, a board member of Milano Assicurazioni, and certain directors of the direct parent company of Milano Assicurazioni, Fondiaria Sai SpA.

¹⁰ More specifically, this included:

- a building to be used for office space;
- a building to be used as a convention centre;
- a building to be used as a hotel and health spa;

a fourth building, which was also to be constructed on the aforementioned area, would instead continue to be owned by the contractor.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

investor with, in addition, the guarantee of income...from the lease of one of the buildings to Atahotels¹¹.

3.1.2 Safeguards adopted in compliance with the code of conduct and guidelines for related party transactions¹²

The following were obtained before the Board of Directors of Milano Assicurazioni approved the transaction on 17 December 2003:

- an initial expert appraisal from Scenari Immobiliari Srl, dated 3 October 2003, which stated that the total value of EUR 118,600,000.00 to be assigned to the real estate complex under construction in the second half of 2006, which was the scheduled delivery date, was the appropriate market value¹³. Of this amount, EUR 96,226,238 was to be assigned to the properties (building complex, business incubator, garages and hotel) that would be purchased by Milano Assicurazioni;
- a second appraisal by the independent expert Scenari Immobiliari Srl, dated 20 October 2003, which stated that the value of EUR 20,630,000.00 was the appropriate market value to be assigned to the area on that date;
- a third fairness opinion prepared by expert KPMG in December 2003 on the fairness of the economic and financial values of the two transactions (sale of the land and purchase of the properties). The consultant hired by the company identified a range of values of between EUR 94.3 and 100.4 million for the buildings, and a range of values of between

¹¹ During the meeting of the Board of Directors of 16 July 2003 at which the transaction was presented, it was in fact acknowledged that Atahotels, a hotel company forming a part of the Starlife Group at that time, was willing to lease the buildings under construction for an annual lease payment of 5.5% of the overall investment, estimated at about EUR 93 million.

¹² The code of conduct adopted by Milano Assicurazioni in 2003 for related party transactions specify that when the transaction (in terms of its purpose, pricing, terms or completion period) could jeopardise the company's assets or the completeness and correctness of accounting and other information, the transaction was to be approved by the Board of Directors after obtaining appropriate fairness and/or legal opinions when deemed necessary in relation to the nature, scope and characteristics of the transaction. However, the advance approval of the transaction by the Board of Directors of the parent company Fonsai was not required. At the meeting of the Board of Directors of Milano Assicurazioni on 16 July 2003, during which the transaction was reviewed for the first time, the Board accepted the conclusion of the Chairman, according to whom the transaction concerned did not "*in terms of its purpose, pricing, terms or completion period, jeopardise the company's assets or the completeness and correctness of accounting and other information related to the Company.*"

¹³ To define the concept of "market value," the expert stated that it used the definition contained in Article 2 of ISVAP Provision No. 1915-G of 20 July 2001 which states, "*Market value is defined as the price at which the real estate asset can be sold at the time of the appraisal under a private agreement between a seller and buyer, assuming that the sale occurs under normal conditions, meaning that:*

- *Both parties are acting freely, prudently, under conditions of equality and in an informed manner;*
 - *There is a reasonable period of time available, taking into account the nature of the asset, to attend to the business of marketing the property, conducting negotiations, setting the price and terms of payment and entering into an agreement;*
 - *Market conditions allow for a proper sale of the property;*
 - *The asset is on the market for a reasonable period of time;*
 - *The seller is not forced by circumstances related to its economic and financial position to complete the transaction;*
- The purchaser has no particular interest in the property tied to factors that are not economically relevant for the market."*

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

EUR 19.5 and 20.8 million for the land, based on the assumption that these properties would be delivered and start earning income by 30 June 2006. The criteria for preparing the fairness opinion concerned and its results were described by a representative of KPMG at a subsequent meeting of the Board of Directors on 17 December 2003 which was called to vote on the transaction;

- a legal opinion from Studio Associato Klegal, also of December 2003, on the legal profile of the entire real estate transaction under review in which, in particular, it was indicated that it would be possible to complete the transaction using a land sale scheme (under a mortgage in favour of the seller), and at the same time, to enter into a preliminary off-plan purchase contract, which was to be recorded in real estate registers pursuant to Article 2645-*bis* of the Civil Code. In the consultant's opinion, this was the best solution for protecting the company.

The transaction was then approved by the Board of Directors of Milano Assicurazioni on 17 December 2003:

- Subject to the approval by the directors of the valuation considerations expressed by KPMG and the legal opinions expressed by the legal advisor;
- With the abstention of directors Jonella, Gioacchino Paolo and Maria Giulia Ligresti as shareholders of Starlife, and Salvatore Rubino, since he is the managing director of Sinergia Terza.

3.1.3 Original agreements

To implement the resolution indicated in the section above, the following agreements were entered into on 23 December 2003:

- a purchase and sale agreement for the land between Milano Assicurazioni (seller) and A.S.A. (buyer) for a total price of EUR 20.6 million plus VAT which the seller has documented as having already been received;
- a preliminary off-plan purchase and sale contract between A.S.A. (seller) and Milano Assicurazioni (buyer) for a total price of EUR 96.2 million plus VAT. The purchaser undertook to pay this amount as follows: EUR 28,860,000.00 plus VAT at the time the document was signed, and the remaining EUR 67,340,000.000 plus VAT to be paid upon the periodic presentation of Work Progress Reports (hereinafter, W.P.R.). The delivery date and execution date for the final agreement were set at 31 December 2006 with a grace period of three months, after which a penalty of EUR 10,000.00 would apply for each day

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

of delay. Article 4 of the agreement specified that it was possible to make changes *"that do not substantially modify the overall valuation of the asset being bought and sold."* There was also a provision to record the preliminary agreement pursuant to Article 2645-bis of the Civil Code.

3.1.4 Subsequent developments involving the transaction

On 18 July 2007, the Board of Directors of Milano Assicurazioni acknowledged the fact that during the construction work on the real estate complex concerned, a number of changes were agreed to the original construction project with the aim of adding value to the real estate complex, and as a result, the delivery date for the properties under construction would be delayed from the date originally established.

However, the decisions regarding these changes were not made subject to the regulations established by the code of conduct for related party transactions in effect at that time. In July 2007, the Board of Directors acknowledged these changes, and in relation to them, after a declaration of interest by directors Giulia Maria, Gioacchino Paolo Ligresti and Salvatore Rubino, it gave its approval to extend the delivery date of the properties to 31 December 2008, and at the same time chose not to apply penalties to A.S.A.

At the same meeting, in case the changes caused a substantial modification in the price originally agreed, the Board of Directors asked Mr. Talarico to obtain a new fairness opinion. The undersigned Board of Statutory Auditors is still not aware of this new fairness opinion being obtained.

On the same date, the Board of Directors of the parent company Fonsai expressed its approval of the extension, again following the declaration of interest by directors Giulia Maria and Gioacchino Paolo Ligresti.

With regard to these circumstances, it cannot be left unsaid that the Board of Directors failed to obtain sufficient details on the specific reasons for the changes (which had already been made), their cost and the future profitability of the investment in view of the fact that the fairness opinion of KPMG, which was originally obtained, called for the delivery of the complex by June 2006, and this deadline had already passed.

On 4 August 2009, the Board of Directors of Milano Assicurazioni held a meeting. The related minutes show that the changes made to the property under construction largely concerned the structure of systems in an attempt to seek technologically advanced and highly efficient solutions, and awaiting the extension already granted, one of the properties, which at the time was largely completed, was given to a Fonsai Group company for use free of charge.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

At the meeting of 4 August 2009, it was also acknowledged that the higher costs for systems had already been agreed at EUR 13,775,000 plus VAT with a resulting increase in the overall price from the original EUR 96,200,000 to EUR 109,975,000 plus VAT.

3.1.5 Safeguards adopted in the course of the transaction in compliance with the code of conduct and guidelines for related party transactions¹⁴

In accordance with the code of conduct adopted for related party transactions, prior to the resolution of the Milano Assicurazioni Board of Directors of 4 August 2009, the following were obtained:

- a fairness opinion from Scenari Immobiliari on 20 July 2009, which concluded in favour of the fairness of costs for the modifications made;
- a legal opinion from the Ashurst law firm on the adequacy of the content of a supplementary private deed which the parties intended to sign, partly to postpone the delivery date for the properties until 31 December 2010, and the reckonable date for penalties under the contract to 1 April 2011. The said legal consultation concluded that the private deed in question *“may be considered in line with the contractual terms that may also be negotiated between unrelated companies in similar instances...”*

Moreover, it is noted that:

- during the course of the Milano Assicurazioni Board of Directors’ meeting of 4 August 2009, the members of the Ligresti family noted their interests and holdings in the company which controlled A.S.A. indirectly;
- a favourable opinion was obtained from the Milano Assicurazioni Internal Control Committee prior to the resolution of the Milano Assicurazioni Board of Directors of 4 August 2009;
- modifications to the transaction were also subject to review by the Internal Control Committee and the Fonsai Board of Directors, which – also meeting on 4 August 2009 – expressed an opinion in favour of signing the abovementioned private deed;

¹⁴ The code of conduct adopted in 2009 by Milano Assicurazioni for related party transactions of the type in question provided, among other things, for the examination and approval, as a rule in advance, by the Board of Directors, after receiving the opinion of the Internal Control Committee and obtaining a fairness and/or legal opinion where deemed necessary in light of the nature, scope and characteristics of the transaction; it also provided that the transaction would be subject to prior approval by the Board of Directors of the parent company Fonsai. At that date, the code of conduct adopted by Fonsai stated in paragraph 3.5 that a series of related party transactions (even where carried out through a subsidiary) would be “...however subject to the examination and approval, as a rule in advance, by the Board of Directors or the Executive Committee, after receiving the opinion of the Internal Control Committee...”, including – as in the case in point - procurement contracts with a value exceeding EUR 1 million and contracts of sales for property with a value exceeding EUR 4 million.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

- during the Fonsai Board of Director's meeting of 4 August 2009, members of the Ligresti family declared their interests and shareholdings in the company which controlled A.S.A. indirectly.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

3.1.6 Payments made by Milano Assicurazioni

Milano Assicurazioni had paid a total of EUR 103,505,667 to A.S.A. as at 31 December 2011.

At 31 December 2011, the outstanding commitment was EUR 8,309,333.50.

It should be noted, however, that by letter dated 23 February 2012, A.S.A. objected that the project modifications requested by the purchaser would result in an increase in overall value of approximately EUR 35 million and that the private deed of 4 August 2009, which – as mentioned above – included an increase in the price of EUR 13,775,000.00, only covered a portion of the higher value of the complex of buildings.

A.S.A. also claimed to have already completed works valued at EUR 7 million (included in the EUR 35 million mentioned above) and for which it had not yet received payment.

The company reported that it deems A.S.A.'s claims to be wholly unfounded and rejects them.

3.1.7 Current status of the investment and Board of Statutory Auditors's proposals

During the Fonsai Board of Directors' meeting of 2 August 2011, it was noted that work on the construction site was halted following a delay in the issuance of town planning and administrative permits for the changes requested by the purchaser.

In January 2012, at the request of the company's General Management, an internal audit was arranged to perform a detailed review of the transaction in question.

The audit confirmed that, at 31 December 2011, the final contract of sale had not yet been entered into as the complex of buildings to which the sale of uncompleted property related, had not yet been fully completed.

From the documentation examined by company departments and based on interviews that were conducted, it emerged that the construction site work had been suspended and was not proceeding in line with the agreement approved by the Municipality of Rome. Currently, the promissory seller, A.S.A., has not provided a completion date for the works, despite having stated, in November 2011, that the only element lacking in order to complete the administrative process was the examination and approval from the meeting of the Municipal Council of Rome.

Contractual penalties for the delay do not appear to have been enforced.

The audit department also noted that according to Article 7 of the off-plan sale contract, an *“architect or an engineer selected by the promissory seller”* was appointed to manage the works and noted that this decision – in assigning this important role to the party performing the works – did not adequately safeguard the buyer, who was thereby exposed to the risk that the certification for the works was provided by a party not wholly independent from the seller.

In this regard, the audit department suggested – in the event of the works being continued– the abovementioned management policy shall be removed, and management be entrusted to a party selected by Milano Assicurazioni. The Board of Auditors deem this suggestion to be acceptable.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

Lastly, it should be noted that the company recently appointed the expert, Patrigest, to provide an appraisal as at 31 December 2011 “*of the most probable market value of the completed building complex*”. The value it found was EUR 81,942,914.00, lower than the sum agreed in the original contract of 23 December 2003 and the supplementary contract of 4 August 2009 (by EUR 109,975,000.00), lower than the sum paid to the promissory seller as advance payment for the works, as well as more than EUR 21 million lower than the appraisal made in January 2011 by Scenari Immobiliari, which assessed the market value of the asset at 31 December 2010 as being equal to the down payments made by the purchaser on the final value of the asset (EUR 103.6 million).

The company will take this difference in value into consideration in the draft financial statements for the year ended 31 December 2011, currently being prepared.

In regard to the investment in question, the Board of Statutory Auditors suggests that the Board of Directors obtain: (i) a technical/legal opinion on the reason for the hold-up at the construction site, on the timeframe for extending the town planning agreement by the Municipality of Rome and the cost of completing the works; (ii) a current appraisal of the economic prospects for the real estate investment in question; (iii) an opinion on the value of the works to date; (iv) a legal opinion on the claim for payment recently made by A.S.A., as well as on the existence of any non-fulfilments attributable to the seller A.S.A. and any legal remedies brought; (v) an opinion on the fairness and reasonableness of the criteria and methods used by the expert appraisers of the asset which is the subject of the transaction in question; (vi) in light of the above findings, a legal opinion on the existence of non-fulfilments attributable to the appraisers and in regard to any legal remedies that may be brought.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

3.2 Real Estate Project in Via Confalonieri – Via De Castillia (Lunetta dell’Isola), Milan

3.2.1 Description of the original transaction

In brief, the transaction consisted in:

- (i) The sale of a plot of land (in via Confalonieri, for which the issue of building permits was pending) by Milano Assicurazioni to the company Im.Co. Spa (hereinafter Im.Co.), indicated as a related party to Milano Assicurazioni;
- (ii) the construction, by the abovementioned related party Im.Co., of a building that Milano Assicurazioni agreed to buy according to the off-plan purchasing formula.

Milano Assicurazioni’s interest in the transaction was outlined as follows during the Board of Directors’ meeting of 20 October 2005: *“through the transaction in question, Milano would transfer any entrepreneurial risk to the construction company, with the latter assuming all obligations of an organisational nature with regard to the site and with Milano Assicurazioni therefore maintaining a role as a mere investor. In addition, the purchase price established originally guarantees the Company against any revision of prices of materials or labour. The Company, therefore, at the end of the transaction will be the owner of a significant real estate asset at market value, without having to bear the entrepreneurial burdens (and associated risks) typical of construction activities, with its intervention limited to being an institutional investor only”*

3.2.2 Safeguards adopted in compliance with the code of conduct and the guidelines for related party transactions¹⁵

In compliance with the code of conduct adopted in the course of related party transactions, prior to the resolution on the transaction by the Milano Assicurazioni Board of Directors of 9 November 2005, the following were obtained:

- a fairness opinion on the sale price of the land. This opinion was prepared on 10 October 2005 by Scenari Immobiliari, which appraised the value of the land which was the subject of sale by Milano Assicurazioni to Im.Co. at EUR 28.8 million¹⁶;

¹⁵ The code of conduct adopted in 2009 by Milano Assicurazioni for related party transactions of the type in question provided, among other things, for the examination and approval, as a rule in advance, by the Board of Directors, after receiving the opinion of the Internal Control Committee and obtaining a fairness and/or legal opinion where deemed necessary in light of the nature, scope and characteristics of the transaction; the Board of Directors of the parent company Fonsai was also asked to provide a prior resolution on the transaction. As for the nature of the transaction and its value, paragraph 3.5 of the code of conduct adopted by Fonsai included procurement contracts of a value exceeding EUR 1 million and property transactions of a value exceeding EUR 4 million.

¹⁶ This opinion was noted in the Board of Directors’ meeting minutes, but it was not provided to the Board of Statutory Auditors.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

- a fairness opinion on the purchase price for the building to be constructed. This opinion was prepared on 10 October 2005 by Scenari Immobiliari, which appraised the value of the property to be constructed on the land sold at EUR 93.7 million¹⁷;
- a fairness opinion from KPMG on the fair financial and economic value of the two transactions (sale of land and purchase of the building). The consultant appointed by the company identified a value range of between EUR 27.4 million and EUR 29.1 million for the land; and between EUR 92 million and EUR 99.3 million for the building, based on the building being delivered by 31 December 2007. The criteria for the fairness opinion and its results were outlined by a representative from KPMG at the Board of Directors meeting of 9 November 2005;
- a legal opinion from the Ashurst law firm on the legal profiles of the overall property transaction and whose recommendations on the negotiating structure were accepted by the company.

The Milano Assicurazioni Board of Directors then deliberated upon the transaction on 9 November 2005;

- after outlining and sharing the conclusions of the abovementioned survey;
- after stating Im.Co.'s position as a related party;
- with the abstention of Board Members Jonella, Gioacchino Paolo and Giulia Maria Ligresti, as parties having an interest and shareholding in Im.Co.'s parent company, and Board Member Salvatore Rubino, in his role as Chairman of Im.Co..

Moreover, in compliance with the code of conduct described above adopted by Group companies in regard to related party transactions, the transaction was also subject to examination by the Fonsai Board of Directors at its meetings of 20 October 2005 and 10 November 2005. On the latter date, the Fonsai Board of Directors ruled in favour of the transaction, with the abstention of Jonella, Gioacchino Paolo and Giulia Maria Ligresti and the Board Member Salvatore Rubino.

3.2.3 Original agreements

In execution of the resolution mentioned in the previous paragraph:

- on 22 December 2005 a sales contract was signed by Milano Assicurazioni and Im.Co., for the building plot in question at the price of EUR 28.8 million (plus VAT), of which EUR 5,760,000.00 (the VAT amount) was paid upon signing the contract, and EUR 28,800,000.00 was due to be paid within 45 days of receiving the

¹⁷ The surveyor used the definition of market value provided in Article 2 of ISVAP Provision 1915-G of 20 July 2001.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

building permit and, in any event, no later than 30 June 2006. This contract specified, among other things, the delivery by Im.Co., as guarantee of payment of the purchase price for the property, of a guarantee payable upon first demand from Sinergia Holding di Partecipazioni Spa;

- on 22 December 2005 a preliminary off-plan sale contract was sign, under which Milano Assicurazioni promised to purchase the building that Im.Co. planned to build on the land, for the price of EUR 93.7 million, of which EUR 9,370,000.00 was paid as a down payment upon signing the contract. Signing of the final contract was subject to the issue of the building permit. The contract also provided for the building to be delivered by 30 April 2008 with a penalty of EUR 16,865.00 per day for late delivery for reasons attributable to the builder and not resulting from requests for changes. Lastly, the contract was conditional on obtaining a building permit by 31 December 2006.

3.2.4 Subsequent developments involving the transaction

On 11 September 2006, the Fonsai Board of Directors again addressed the property transaction in question, taking note that at 30 June 2006 (contractual deadline for payment of the balance of the price for the sale of land by Im.Co.) Fonsai had not paid the sum due to Milano Assicurazioni and that Milano Assicurazioni had not taken executive action for the compulsory recovery of the credit nor for execution of the guarantee (issued by the holding company Sinergia Holding), in observance of the request from Im.Co. to renegotiate the delivery date.

In particular, at that date, the building permit had not yet been issued (failure to obtain the permit within the next four months would have led to termination of the preliminary sales contact for the planned building), due essentially to the deadlock situation with the Municipal administration pursuant to the municipal elections held in May.

The agreement between Milano Assicurazioni and Im.Co. was noted, by which the deadline for payment of the balance of the price of the sale of the land was deferred until 31 December 2006.

On 30 October 2006, the Municipality of Milan issued Building Permit No. 204PG 1013004/2006 and by subsequent deed of 15 November 2006, the final off-plan sale contract was signed for the previously agreed price of EUR 93.7 million, plus VAT, of which:

- EUR 9,370,000 was paid on 22 December 2005 as a down payment;
- EUR 24,362,000 was paid at signing by means of bank transfer (and, therefore, after the building permit was issued);
- the remainder following issue of the Interim Payment Certificate.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

After commencement of the work, two applications were made to the Regional Court of Lombardy to cancel the original building permits and the ensuing administrative dispute concluded in favour of Im.Co by ruling of the Council of State on 10 April 2008. This administrative decision however suspended work at the construction site from July 2007 to April 2008.

Moreover, on 29 January 2009, work at the construction site was again suspended (from January to October 2009) following the issue of a provisional restraining order from the Examining Judge in Milan, an order later revoked by the Court at Appeal.

In consideration of the abovementioned judicial events, in addition to a series of changes agreed by the parties in order to boost the prestige, value and economic viability of the complex, Im.Co. and Milano Assicurazioni decided to extend the deadline for completing the works.

This agreement was noted in the minutes to the Fonsai and Milano Assicurazioni Board of Directors meetings of 18 February 2009, which moved in favour of negotiating a new delivery date.

However, this extension does not appear to have been formalised by the parties and a precise delivery date was not set to replace the original one, nor does the extension appear to have been subject to evaluation by the competent Internal Control Committees, nor was the need to update the fairness opinion considered in light of the fact that delivery of the completed asset by 2007 was an essential condition of the opinion provided by KPMG in 2005.

At the meeting of 22 February 2011, the Fonsai Board of Directors was informed of the changes to the original project agreed by the parties, as driven by the urban development occurring in 2009 in the area.

In particular, it was noted that, as an effect of the changes made to the project, the complex would consist of two buildings, the main one being a twelve-storey building and the other – the secondary structure – a two-storey building, in addition to the basements. The value of these changes was indicated at EUR 5.4 million (a sum that was also to be taken as full and final settlement of any reciprocal claims relating, on the one hand, to periods of suspended work on the construction site and, on the other hand, to the resultant postponement, to 31 December 2012, of the delivery deadline for the property).

The opportunity therefore arose for the interested parties to sign an agreement to amend the sales agreement of November 2006, an opportunity that was supported by the Fonsai Board of Directors who expressed an opinion in favour of signing the agreement.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

3.2.5 Safeguards adopted in the course of the transaction in compliance with the code of conduct and guidelines for related party transactions¹⁸

In accordance with the code of conduct adopted for related party transactions, prior to the resolution of the Milano Assicurazioni Board of Directors of 23 February 2011, the following were obtained:

- the opinion of the lawyer Umberto Tombari, who disputed that the materiality threshold had been met for application of the CONSOB disclosure obligations;
- a fairness opinion from Scenari Immobiliari, who – taking into account the changes made – estimated the overall value of the property to be EUR 99.1 million (a difference of EUR 5.4 million compared to the 2005 survey) on 31 December 2012;
- a legal opinion from the Raynaud & Partners law firm on the private deed the parties intended to sign. The legal advisor concluded in favour of the deed's compliance with models normally used in related party transactions.

In addition, please note that:

- the proposal to modify the purchase price was previously presented to the Fonsai and Milano Assicurazioni Internal Control Committees at the joint session of 17 February 2011. The said Committees examined all the documentation and opinions gathered, also requesting supplements to the text of the private deed, as well as clarifications from the consultant, Scenari Immobiliari, which on 21 February added a special addendum to the survey. The Committees also examined the changes to be made to the original real estate project, modifications that derived from the need to adapt the property and the use of some of its spaces to meet changing market needs and partly in order to prevent the lack of project revision resulting in the property falling short of market needs in terms of quality standards and distribution facilities. Upon concluding the analysis, the Fonsai Internal Control Committee expressed an opinion in favour of signing the agreement;
- the transaction was subject to prior resolution by the Fonsai Board of Directors at its meeting on 22 February 2011;
- Ligresti family board members declared an interest in the transaction at the abovementioned Fonsai Board of Directors meeting of 22 February 2011;

¹⁸ The code of conduct adopted in 2011 by Milano Assicurazioni for related party transactions of the type in question provided, among other things, for the examination and approval, as a rule in advance, by the Board of Directors or the Shareholders' Meeting, after obtaining the reasoned opinion of the Internal Control Committee, which was awarded the right to be assisted by one or more independent experts by obtaining a fairness and/or legal opinion; lastly it provided that the transaction would be subject to prior approval by the Board of Directors of the parent company Fonsai.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

- the board members Gioacchino Paolo and Jonella Ligresti and Salvatore Rubino declared an interest in the transaction at the abovementioned Milano Assicurazioni Board of Directors meeting of 23 February 2011.

It is noted that, following the meeting of the two abovementioned Internal Control Committees, Im.Co. submitted a request to modify the terms initially negotiated with Milano Assicurazioni, modifications comprising, in particular, the provision of an immediate payment of EUR 4 million in order to enable a rapid start to the works.

This request was acknowledged by the Milano Assicurazioni and Fonsai Board of Directors meetings, without being referred back to the respective Internal Control Committees.

3.2.6 Payments made by Milano Assicurazioni

Milano Assicurazioni had paid a total of EUR 70,971,292 for the project as at 31 December 2011. The outstanding commitment was EUR 29,686,706.00 as at 31 December 2011.

3.2.7 Current status of the investment and Statutory Board of Auditors' proposals

The delivery date for the real estate asset is currently expected to be 31 December 2012.

In March 2012, an internal audit was performed on the real estate project in question, commissioned by the General Management. In particular, the audit department found the following:

- *“a structured flow aimed at providing continual stream of information on the progress of the works, the current states of the works, changes identified during the course of the works and the progress of the project as a whole is not documented;*
- *the role of Europrogetti S.r.l. in managing the real estate initiative is not clearly outlined”*

It was only upon reading said audit, received on 15 March, that the Board of Statutory Auditors compiling this report learned that the real estate project was managed, in the design stage, by the company Europrogetti s.r.l. (a Fonsai related party), and whose contract was not provided to the Board of Statutory Auditors.

The audit report revealed that the appointment in question derived from a letter of appointment dated 4 April 2003, which provided for an overall payment of EUR 3,920,000 plus VAT and under which Milano Assicurazioni appointed the company to handle *“project management tasks, preparation of architectural, structural and plant engineering designs and construction supervision”*. The audit also reported that Europrogetti had issued three invoices for the performance of these works, amounting to a total of EUR 1,038,210, including VAT.

The Board of Statutory Auditors reserves the right to investigate this issue further.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

It should also be noted, lastly, that the company has recently asked the expert, Patrigest, for a current appraisal at 31 December 2011 “*of the most likely market value for the completed building complex*”. It found the value to be EUR 88,000,000.00, a sum lower than what was agreed by the parties in the original contract of 15 November 2005 and in a supplementary contract of 11 March 2011 (for a total of EUR 99,100,000.00).

The company will take this difference in value into consideration in the draft financial statements for the year ended 31 December 2011, currently being prepared.

In regard to the investment in question, the Board of Statutory Auditors recommends the Board of Directors acquires: (i) a detailed report from the subsidiary Milano Assicurazioni on the progress of the works and adherence to the abovementioned delivery date; (ii) a legal opinion on whether – in regard to the changes requested and negotiated by Milano Assicurazioni – Articles 3.5 and 4.4 of the contract signed on 22 December 2005 that provide for a fixed and invariable price, are applicable; (iii) a legal opinion on the existence of any non-fulfilments by the seller Im.Co. and on any legal remedies that may be brought; (iv) an opinion on the fairness and reasonableness of the criteria and methods used by the surveyors of the property to which the transaction in question relates; (v) in light of the above findings, a legal opinion on the existence of non-fulfilments attributable to the surveyors and in regard to any legal remedies that may be brought; (vi) a report by the subsidiary Milano Assicurazioni on the role played by Europrogetti in managing the real estate initiative, the tasks actually performed by the latter and compliance with provisions governing related party transactions.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

3.3 “Marina Porto di Loana” real estate project

3.3.1 Description of the original transaction

The transaction in question involved the extension and renovation of the port of Loano, with concession of public maritime domain for a period of 80 years. The project included, in particular, the construction of 1,057 moorings; 1,081 parking spaces and garages; approximately 4,600 sq m for shops and restaurants, 1,466 sq m for the harbour master’s office, 1,898 sq m for the shipyard; 2,092 sq m for the Yacht Club; 1,370 sq m for a multi-purpose building allocated to the Municipality and 420 sq m for the Marina di Loano offices.

Marina di Loano Spa (formerly Portobello Spa), an indirect subsidiary of Fonsai, entered the transaction, partly on the basis of the prospects set out in the Business Plan drawn up by the external consultant KPMG.

3.3.2 Original agreements

In order to perform the transaction outlined above, Marina di Loano Spa (hereinafter Marina di Loano) appointed the following related parties to carry out the construction works:

- ICEIN Spa (hereinafter Icein), with which, on 13 November 2006, it entered a procurement contract with a value of EUR 2.55 million;
- Marcora Spa (hereinafter Marcora), with which it entered: (i) on 20 February 2008, a procurement contract for the construction of so-called “land-based works” with a value of EUR 36 million; (ii) on 23 July 2008, a procurement contract for the completion of so-called “off-shore works” with a value of EUR 28 million; (iii) on 16 April 2010, a supplementary contract with a value of EUR 19 million;
- SEPI 97 Srl (hereinafter Sepi), with which it entered: (i) on 31 March 2008, a consultancy and design contract for the sum of EUR 3.9 million and (ii) on 30 April 2010, a subsequent additional consultation appointment for the sum of approximately EUR 1 million.

The transaction was financed, for the sum of EUR 60 million, by a pool of banks headed by Intesa Sanpaolo.

The Board of Statutory Auditors learned a few days ago of an additional contract dating back to July 2006 entered into with Im.Co. with a value of EUR 1,075,000.00.

3.3.3 Safeguards adopted in compliance with the code of conduct and guidelines for related party transactions

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

As mentioned above, a number of contracts with related parties were entered into over the course of the years in the context of the transaction in question.

In this regard, the following should be taken into consideration:

- the code of conduct adopted in 2006 by Fonsai for related party transactions of the type in question – even where carried out through a subsidiary - provided, among other things, for the examination and approval, as a rule in advance, by the Board of Directors or the Executive Committee and the acquisition of fairness and/or legal opinions when deemed necessary in light of the nature, scope and characteristics of the transaction¹⁹;
- the code of conduct adopted by Fonsai in 2008 (see Section 2 paragraph 2.1.2) and in 2010²⁰ for related party transactions of the type in question - even where carried out through a subsidiary - provided, among other things, for the examination and approval, as a rule in advance, by the Board of Directors or the Executive Committee, subject to obtaining an opinion from the Internal Control Committee and fairness and/or legal opinions when deemed necessary in light of the nature, scope and characteristics of the transaction.

Nonetheless, the signing of the contracts identified in paragraph 3.3.2 above, entered into with the related parties Im.Co., Icein, Marcora and Sepi were not subject to prior examination by the Fonsai Board of Directors, which was therefore not able to evaluate the various aspects of the investment, including interests in the transaction, associated risks, costs and the selection of the contracting companies.

However, the economic conditions of three of the five actionable contracts (with the exclusion of those with Icein and Im.Co.) did, however, prove to be subject to a prior fairness review by the independent expert Protos Spa²¹.

¹⁹ With reference to the nature of the transaction and its value, paragraph 3.5 of the code of conduct adopted by Fonsai included procurement contracts of a value exceeding one million.

²⁰ With reference to the nature of the transaction and its value, paragraph 3.5 of the code of conduct adopted by Fonsai included procurement contracts of a value exceeding one million.

²¹ In particular, the documentation examined showed that:

1. the value of the procurement contract to construct the so-called “land-based works” to be entered into with Marcora was the subject of a prior evaluation by Protos Spa (hereinafter Protos), on 20 December 2007, which estimated the value of the works to be EUR 30.9 million (compared to EUR 38 million initially indicated by Marcora); it should be noted that, in particular, a sum of up to EUR 34 million was however deemed fair by the expert (allowing for a 10% deviation from the estimate of EUR 30.9 million). It is also noted that the contract, however, was later entered into for an overall amount of EUR 36 million (and so for a higher amount than what was deemed to be the fair value);
2. the value of the first consultancy and design contract to be entered with Sepi was the subject of an evaluation by Protos in March 2008 which concluded for the fair value to be EUR 3,953,076.43;
3. the value of the procurement contract for the construction of the so-called “off-shore works” to be entered into with Marcora was the subject of a prior evaluation by Protos on 30 June 2008, which concluded that the amount was essentially fair, considering that the difference found (EUR 900,000 less than the Marcora contract) could be justified by the particular complexity of the works;

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

In any event, a legal opinion on the specific contractual clauses was not obtained.

The following also merits mention.

During the Fonsai Board of Directors meeting of 26 March 2010, in examining the subsidiary Marina di Loano's real estate expenditure budget for the year 2010, the company's management body noted that any appointments of related parties *"...would be conferred, on a case by case basis, in compliance with the guidelines and code of conduct governing related party transactions approved by the Company's Board of Directors and in particular, where the sums payable for the appointments are significant in the sense of the guidelines and code of conduct, by special resolution, on a case by case basis, of the Board of Directors or the Executive Committee, pursuant to the opinion of the Internal Control Committee."*

Despite this, the procurement contract entered with Marcora on 16 April 2010, with a value of EUR 19 million, was not submitted in advance to the Internal Control Committee and the Board of Directors of Fonsai.

3.3.4 Subsequent developments involving the transaction

The transaction as a whole was only brought to the attention of the Fonsai Board of Directors during the Board of Directors meeting of 10 November 2010, when an additional contract was entered into conferring an appointment upon the related party Marcora to perform additional modified works with the value of EUR 13,937,720 plus VAT.

The technical reasons for tasking Marcora to implement the project changes that had become necessary were outlined at this meeting. The changes could not be foreseen initially as they derived from technical reasons or from the need to obtain a better return on the investment.

Prior to this Board meeting, the question was put to the Fonsai Internal Control Committee, which met on 3 and 8 November 2010, and which noted the failure to apply the formal procedures for related party transactions (procedures described in brief in paragraph 3.3.3).

In this regard, the Internal Control Committee, in agreement with the Board of Statutory Auditors, performed an analysis of how the transactions were conducted, requesting, in particular, all related documentation, in addition to requesting verification of the real

-
4. the value of the supplementary contract with Marcora for the modified project, dated 16 April 2010, for a total of EUR 19 million, was the subject of a prior evaluation by Protos on 16 March 2010, which concluded that the sum of EUR 18,490,122.23 was a fair price;
 5. the value of the supplementary contract with Sepi, dated 30 April 2010, was subject to a prior estimation of value by Protos, which in the report of 30 April 2010 identified the fair value as EUR 928,681 (expressing however an opinion of the substantial fairness of the sums indicated by Sepi, amounting at the time to EUR 1,028,260 and then reduced, at the time the contract was entered into, to EUR 1 million).

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

independence of the expert Protos and of the correct entry (also pursuant to IAS 24) of data pertaining to said transaction in the financial statements.

Once the analysis – conducted with the help of the audit department – was complete, the Internal Control Committee noted that, despite the formal violation of the relative procedures for related party transactions: (i) fairness opinions were obtained from the expert Protos, whose independence was verified by the Internal Control Committee; (ii) the consolidated financial statements for 2008 and 2009 and the consolidated half year financial statement for 2010, contained disclosures, pursuant to IAS 24, relating to costs incurred in relation to the transaction in question; (iii) during the audit of these financial statements and the financial statements of the subsidiary Marina di Loano, no remarks were made by the auditing company in relation to the disclosure made regarding this transaction.

At the end of the meeting of 10 November 2010, the Fonsai Board of Directors therefore authorised the signing of the contract with Marcora to construct the modified works.

3.3.5 Safeguards adopted in the course of the transaction in compliance with the code of conduct and guidelines for related party transactions

In compliance with the code of conduct in place in 2010 for related party transactions of the type in question (code described in paragraph 3.3.3 above), the following were obtained:

- prior appraisal by the expert Protos of the fairness of the sum to be paid to Marcora to execute the additional modified works. In this regard, it is noted that the contractual amount for these changes was estimated by Marcora at EUR 13,937,720 plus VAT, while the expert Protos valued it at the lower sum of EUR 11,353,484. The valuation by Protos did not, however, include the construction of the jetty for the disabled, the information for which was not yet available and the value of which was quantifiable at approximately EUR 600,000;
- prior favourable opinion of the Fonsai Internal Control Committee, which, on the one hand, appointed the Audit department to perform an analysis of the transaction as a whole; and on the other hand, in order to avert the future danger of similar formal violations of related party transaction regulations, hoped that, when the new related party transaction regulations set out in CONSOB Regulation no. 17221/2010 were adopted, the Group would also adopt specific provisions on: (i) a collective body in all subsidiary companies to replace the sole director and limiting the powers conferred upon CEOs, with no right to conclude related party transactions exceeding a certain sum; (ii) the prior examination, by the General Secretariat and Group Company Management of the minutes of the Board of Directors meetings of subsidiaries; (iii) the keeping of a register

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

of related party transactions by the Administrative Management which would permit *“reconciliation of the accounting and financial aspects of related party transactions with aspects of an informative nature in respect of competent company bodies”*.

Moreover, it is noted that:

- the resolution of the Fonsai Board of Directors of 10 November 2010 was made after an interest was declared by the Ligresti family board members;
- the Fonsai Board of Directors, *“while having verified that the sums from previous appointments are in line with the fairness opinions issued on a case by case basis by Protos, and deeming that, as a result, the substantive fairness of the conduct followed and its compliance with the substantive content of the code of conduct adopted by the Board can be inferred, thereby qualifying the situation as an exception to the rule that, as mentioned, provides, as a rule, for prior examination and approval by the FONDIARIA-SAI Board of Directors”*, gave the CEO a mandate to enlist associated company departments to conduct *“appropriate investigations into the fact that the conferral of prior appointments to Marcora and Sepi as outlined above were not submitted by the subsidiary Marina di Loano for prior examination and approval by the Board of Directors of FONDIARIA-SAI , also evaluating the adoption of suitable measures – in addition to new procedures on the topic of related party transactions currently being prepared, to review special guidelines to be given to subsidiaries– in order for all transactions of this type in the future to be subject to advance examination and approval by the FONDIARIA-SAI Board of Directors, and reported at a subsequent meeting.”*

The contract in question was signed on 26 January 2011 for the sum of EUR 11,352,484.00, a sum deemed fair by the expert Protos.

This being said, it should be noted that, at the meetings cited above, neither the Internal Control Committee nor the Board of Directors of Fonsai noted the fact that the first procurement contract entered by Marina di Loano and Marcora (for the so-called “land-based works”) was for the sum of EUR 36 million, higher than the amount deemed fair by Protos (which, as mentioned, deemed the fair value to be EUR 30.9 million, with an upper limit of EUR 34 million).

This stemmed from the fact that the table drawn up by Immobiliare Lombarda (appointed by Marina di Loano to manage the project) and sent to all the above mentioned bodies, contained an error in reporting the result of the evaluation by Protos for the first contract entered with Marcora (of February 2008), as it included in its valuation of the procurement contract, costs and charges which, instead, related to a third procurement contract (the supplemental contract of 16 April 2010).

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

The error was later found (inferable from a note from Protos on 30 December 2010, which the Board of Statutory Audits was only able to review in draft form), and the Fonsai Internal Control Committee and the Fonsai Board of Directors meeting in February 2011 were informed of the suspension of payments relating to the contract “*up to the fair amount approved by the independent expert*”.

As for the analysis requested, the Group Audit Department prepared a report on the transaction as a whole in December 2010, which concluded – in regard to the interests of this instance – that the violations found with reference to the appointments given to Marcora and Sepi regarded aspects of formality while, in substantive terms, fairness opinions were obtained to guarantee the fairness of the sums included in the abovementioned contracts.

With regard, on the other hand, to the first contract with Icein (in November 2006), it was noted that, at that date, the regulation on submitting related party transactions to the Internal Control Committee was not yet in force (it is however noted that the transaction should have been subject to prior evaluation by the Board of Directors of the subsidiary Fonsai, as a related party transaction – as a procurement contract involving a sum exceeding EUR 1 million). On the other hand, nothing was said in regard to the contract with Im.Co., also entered into in 2006.

The Audit department also noted that the adoption of the new organisational guidelines drawn up for related party transactions should have prevented any new discrepancy between the disclosure on accounting and financial aspects of related party transactions and the disclosure provided to company bodies.

3.3.6 Payments made by Marina di Loano

Marina di Loano had paid a total of EUR 114,466,364.00 as at 31 December 2011. The outstanding commitment was EUR 1,928,000.00.

It should however be noted that, by letter dated 23 February 2012, Marcora submitted a request for payment of a further EUR 2,216,244.06 for additional works carried out.

The company held Marcora’s claim to be wholly unfounded and it rejects the claim.

3.3.7 Current status of the investment and Board of Statutory Auditors’s proposals

The real estate initiative in question concluded in December 2011.

The inspections are in the final stages and moorings are being made available for sale and rent.

It should also lastly be noted that, in January 2012, with the works completed, the independent expert Protos estimated the value of the work as at 31 December 2011, for the purpose of identifying “*the most probable market value*” of the finished complex.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

This value was identified as being in a range of between EUR 143,000,000 and EUR 153,500,000, or, at any rate, within a range of values lower than that estimated as at 31 December 2010 by Scenari Immobiliari in March 2011, of 158,500,000.

The company will take this difference in value into consideration in the draft separate financial statements for the year ended 31 December 2011 currently being prepared.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

With regard to the investment in question, the Board of Statutory Auditors recommends that the Board of Directors acquire an updated report from Marina di Loano: (i) on the state of the sales and rental transactions; (ii) on the situation with regard to the finance contract entered into to complete the transaction; as well as (iii) an opinion on the fairness and reasonableness of the criteria and methods used by the valuers of the asset to which the transaction in question relates; (iv) in consideration of the findings of the opinion pursuant to point (iii), a legal opinion on the existence of non-fulfilment attributable to the subjects in question and in regard to any legal remedies that may be brought.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

3.4 “Area Castello” Real Estate Project

3.4.1 Description of the original transaction

The “Area Castello” transaction is part of a large construction project that the Fonsai Group intended to carry out in an area on the outskirts of Florence, in the locality of Castello, via its subsidiary Nuove Iniziative Toscane S.r.l. (hereinafter referred to as ‘Nit’) and the Castello Consortium, which is controlled by the latter²².

In April 2005, once the Agreement with the Municipality of Florence had been signed, the Board of Directors of Fonsai stressed the importance, including in terms of future profitability, of the investment, which, together with that launched in Milan with CITYLIFE, “...constitutes, in terms of scale and significance for the city, one of the most important real estate projects under way in Italy at the moment”.

In order to launch the implementation phase of the project in question, Nit received from Europrogetti S.r.l. (hereinafter referred to simply as ‘Europrogetti’) a proposal to allocate to said company the role of general contractor, which was to involve planning and overseeing the works, being responsible for the safety of the works, and generally coordinating the entire execution of the project (the drawing up of the relevant contract was discussed during the Fonsai Executive Committee meeting of 21 March 2006 following a declaration of interest by the Directors belonging to the Ligresti family – in their capacity as shareholders in the parent company of Europrogetti – and by the building surveyor, Mr Talarico – in his capacity as Chairman of the subsidiary Nit).

Europrogetti’s proposal envisaged a total cost of around EUR 868 million, of which EUR 804.2 million would represent the cost of the works and EUR 63.9 million would be spent on professional fees.

²² More specifically, this area was the subject of a construction agreement signed in January 2000 by Nit and the Municipality of Florence for a total volume of 1,400,000 cubic metres.

The implementation of the construction project was entrusted to the Castello Consortium, which was owned by Nit and by a third-party consortium member, although the latter held a minority interest.

The Urban Implementation Plan (*Piano Urbanistico Esecutivo*, or PUE) relating to the area in question (including 168 hectares owned by the Company) was subject to certain amendments by the Council of the Municipality of Florence; these amendments were shown to be satisfactory during the meetings of the Board of Directors of Fonsai (in particular, the meetings held on 16 February 2005 and 27 April 2005) and to be suitable to allow for the real estate project to be launched.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

3.4.2 Safeguards adopted in compliance with the code of conduct and guidelines for related party transactions²³

In compliance with the code of conduct in force at the time for transactions with related parties, prior to the resolution of the Board of Directors of Fonsai of 28 March 2006:

- a fairness opinion was obtained from Ernst & Young Financial Business Advisory S.p.A. (hereinafter referred to simply as ‘Ernst & Young’) with regard to the fairness of the professional fees set out by Europrogetti, which were considered by the consultant – in its opinion dated February 2006 – to be in line with market values and professional rates. However, the matter of the fairness of the project cost quote issued by Europrogetti was not put to the consultant;
- the assistance of the Ashrust law firm was requested in drawing up the contract.

The Fonsai Executive Committee meeting of 21 March 2006 – as stated, with the abstention of Mr Talarico, as Chairman of Nit, and directors Jonella and Gioacchino Paolo Ligresti, having declared that they had an interest as stakeholders and holders of equity interests in the parent company of Europrogetti – expressed a favourable opinion on the signing of the contract, which was formally resolved upon by Nit’s Board of Directors on 21 March 2006.

The signing of the contract with Europrogetti was then also formally approved by the Board of Directors of Fonsai on 28 March 2006.

The draft of said contract was finally approved at the Fonsai Board of Directors meeting of 28 June 2006 (with the abstention of Mr Talarico) and the signing thereof was resolved upon by Nit’s Board of Directors on 14 July 2006, following an examination of the content of the contract, having also been reviewed by the legal advisor.

3.4.3 Original agreements

In execution of the resolutions mentioned in the previous paragraph, on 14 July 2006, the contract with Europrogetti was drawn up.

The main economic terms of the contract can be summarised as follows:

- a fee of EUR 63,888,210.43, amounting to 7.9% of the total costs that Nit would have had to “*reasonably incur to execute the PUE, estimated by Europrogetti at EUR 804,207,850.85*”;

²³ The code of conduct adopted by Fonsai in 2006 for related party transactions of the kind in question – even if concluded via subsidiary companies – provided for examination and approval, usually as a pre-emptive measure, by the Board of Directors or the Executive Committee and the acquisition of fairness and/or legal opinions, where deemed necessary in relation to the nature, scale and characteristics of the transaction.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

- the possibility of an adjustment to the fee based on the following mechanism:
 1. reduction in the percentage of the compensation (to between 7.9% and 5.9% of the cost actually incurred) in the event of the project costs initially estimated increasing by more than 25%;
 2. increase in the percentage of the compensation (to between 7.9% and 9.9% of the cost actually incurred) in the event of the project costs initially estimated dropping by more than 25%;
 3. maintenance of the agreed percentage of 7.9% in the event of an increase of no more than 25% in the cost actually incurred.
- staggered payment of the fee.

3.4.4 Subsequent developments involving the transaction

During the meeting of the Board of Directors on 19 December 2007, Fonsai's management body acknowledged the fact that: (i) there had been an increase of 1.2 million in the total amount of the works in connection with the need to clear the area of war ordnance; (ii) Nit had allocated the execution of certain works to the related party Icein, an appointment which was not subject to prior authorisation from Fonsai since the value of the works in question was below the threshold set out in the Group's guidelines for related party transactions²⁴.

As we know, the works involved in executing the complex real estate project were suspended due to a precautionary sequestration order filed on 18 November 2008 by the Public Prosecutor's Office with the Court of Florence, and the related criminal proceedings are currently under way. With regard to the matter and any possible implications for Fonsai's balance sheet, an opinion was immediately obtained from Prof. Ciro Pellegrino, who, with reference to the effects on Fonsai's balance sheet resulting from the application of Legislative Decree 231/2001, concluded that *"from the point of view of the balance sheet, given the status of the proceedings, no significant consequences can be definitively foreseen in the short term for Fondiaria Sai S.p.A."*. This opinion was updated on 3 February 2012, stating that the issuance of a fine in the amount of around EUR 1 million was the biggest risk for Fonsai, although the consultant considered it a remote possibility.

3.4.5 Payments made by Nit and Board of Statutory Auditors's proposals

²⁴ The signing of the contract with Icein for a fee of EUR 200 thousand was discussed and resolved upon by Nit's Board of Directors on 17 December 2007.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

With reference to the payments made by Nit to Europrogetti, with respect to which Amber complained of a lack of transparency in light of a comparison between the July 2011 Prospectus and the 2007, 2008 and 2009 consolidated financial statements, the Board of Statutory Auditors acquired the invoices issued by Europrogetti for the activity of coordinating the planning for the area in question.

An examination of these invoices and a consultation with the corporate entities revealed that Europrogetti received EUR 12,777,642.08 in 2006 by way of an advance on the total fee for the contract.

In the same year, Europrogetti issued another invoice, again for planning activities, for EUR 8,764,126.10²⁵. However, 20% was deducted from this amount (in consideration of the advance already paid), with the result that the final taxable amount of the invoice was EUR 7,011,300.88.

During the course of 2007, two further invoices were issued by Europrogetti: the first was for EUR 8,862,444.19, from which 20% was deducted – for the reasons mentioned above – giving a final taxable total of EUR 7,089,955.35; the second was for EUR 5,312,038.34, from which 20% was deducted, giving a final taxable total of EUR 4,249,630.67.

During the course of 2008, Europrogetti issued an additional invoice for EUR 1,723,087.61, from which 20% was deducted – for the reasons mentioned above – giving a final taxable total of EUR 1,378,470.09²⁶.

During the course of 2011, Europrogetti issued an additional invoice for EUR 3,256,825.07²⁷, from which 20% was deducted – for the reasons mentioned above – giving a final taxable total of EUR 2,605,460.06.

With regard to the figures appearing in the 2007, 2008 and 2009 financial statements, the Board of Statutory Auditors turned to the competent corporate entities in order to understand the discrepancies pointed out by Amber.

These entities pointed out that:

- as regards 2007, the amount of EUR 15 million appearing in Fonsai's consolidated financial statements refers to the amounts of the invoices issued in 2007 by Europrogetti;

²⁵ The invoice stated the following reason for payment: “*services related to the planning phase of the following units of work: units no. 1 and 2, advance (20%), unit R 1, advance (20%), unit S 1, advance (20%), unit A PARCO 1, advance (20%), in the Castello area of Florence, as per the contract dated 14 July 2006*”.

²⁶ All the invoices state the following reason for payment: “*services related to the planning phase*” for a series of units of work specifically listed on the invoices.

²⁷ The invoice in question states the following reason for payment: “*final services related to the planning phase*” for a series of units specifically listed on the invoice.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

- as regards 2008, the figure appearing in Fonsai's consolidated financial statements comprises the amount of the invoice issued by Europrogetti in that year, to which was added the amount of EUR 7,845,302.83, amounting to the residual portion of the initial advance of EUR 12.7 million paid to Europrogetti in July 2006 and progressively reduced by an amount equivalent to 20% of the invoices already issued;
- as regards the 2009 financial year, the amount of EUR 8 million appearing in Fonsai's consolidated financial statements takes account only of the amount – which remained unchanged that year – of the residual initial advance of EUR 12.7 million, net of the reductions already made, since no other payments were made to Europrogetti during the course of the 2009 financial year.

As at 31 December 2011, the residual commitments totalled EUR 28,775,751.30.

Finally, it should be pointed out that, in January 2012, the Company asked the expert, Praxi, for an up-to-date estimate of the most likely market value of the area as at 31 December 2011.

This value was identified at EUR 174,742,392.00.

The Company will take this value into account in its draft separate financial statements as at 31 December 2011, which are currently being prepared.

With regard to the investment in question, the Board of Statutory Auditors stresses that it is advisable for the Board of Directors to obtain: (i) an up-to-date opinion on the status of the construction project and on the real precautionary measures in place; (ii) a fairness opinion on the project costs, as quantified by Europrogetti; (iii) an opinion on the value of the works carried out to date and of the planning services rendered, on the existence of any breaches attributable to Europrogetti and on any legal remedies that may be brought; (iv) an opinion on the investment prospects in the area; (v) an opinion on the fairness and reasonableness of the criteria and methodology used by the parties that produced the valuations of the asset to which the transaction in question relates; (vi) in light of the outcome of the opinion referred to in the previous point, a legal opinion with regard to the existence of any breaches attributable to the companies that produced the valuations and with regard to any legal remedies that may be brought.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

3.5 “Area Garibaldi” (Hotel Gilli) Real Estate Project

3.5.1 Description of the original transaction

In short, the transaction’s objective was to develop an area of Milan owned by Meridiano Secondo S.r.l. (hereinafter referred to simply as ‘Meridiano Secondo’), a subsidiary of Fonsai, via the construction of a luxury hotel to be named ‘Hotel Gilli’.

The area in question was located in one of the most strategic urban areas of Milan.

It should be pointed out that this area was acquired by Meridiano Secondo from Im.Co. by means of a contract of sale drawn up on 29 November 2005. Since it was a transaction with a related party, this acquisition was resolved upon by Fonsai’s Executive Committee on 27 July 2005, after obtaining an estimate from Scenari Immobiliari and a fairness opinion from KPMG, which, in order to determine the value of the area in question and of the related construction rights, also pieced together the possible value of the hotel that was to be built on the area by 31 December 2008. This value was determined by applying the income-based method, by capitalising at a rate of 6% a possible lease payment that Scenari Immobiliari had quantified at around EUR 6.9 million, i.e. at a percentage amounting to 16% of the possible total turnover of the hotel.

For the purposes of implementing the transaction in question, in December 2007, Meridiano Risparmio commissioned Mi.Pr.Av. S.r.l. to carry out the planning, oversee the works, take responsibility for the works and generally coordinate the activities. The fee agreed totalled EUR 3.4 million.

Despite the mutual relationship that existed with Mi.Pr.Av. S.r.l.²⁸, it is not recorded that the aforementioned assignment of tasks was resolved upon by the Board of Directors of Fonsai, resulting in the non-application of the code of conduct which was in force at the time for related party transactions; furthermore, although the contract of December 2007 refers to a fairness opinion issued by Scenari Immobiliari in July 2007 on the contractual amount, this opinion could not be found by the corporate entities, and therefore it was not possible for the Board of Statutory Auditors to examine the opinion.

The transaction in question was not examined again by the Board of Directors of Fonsai until January 2009, when, in consideration of the terms imposed by the Construction Permit issued, Meridiano Secondo pointed out the need to have the site prepared for the construction of the hotel and, for this purpose, selected Icein, a related party of Fonsai.

²⁸ Mi.Pr.Av. S.r.l. is included in the list of related parties of Fonsai, as updated in February 2008.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

On 27 January 2009, therefore, the assignment to Icein of the aforementioned task was put to Fonsai's Board of Directors, with the clarification that said company had carried out part of the works as at that date.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

3.5.2 Safeguards adopted in compliance with the code of conduct and guidelines for related party transactions²⁹

In compliance with the code of conduct in force at the time for related party transactions, prior to the resolution of the Board of Directors of Fonsai of 27 January 2009, the following were obtained:

- a fairness opinion from the expert Scenari Immobiliari, which, on 15 January 2009, confirmed the fairness of the amount proposed³⁰;
- a favourable opinion issued by Fonsai's Internal Audit Committee on 26 January 2009, which examined the characteristics of the project and the reasons why it was urgent that the site be prepared, all of which were described by the architect, Mr Amore.

Furthermore, it should be pointed out that, during the Board meeting of 27 January 2009, directors Jonella and Giulia Maria Ligresti declared that they had an interest in the transaction – in that they held an equity interest in the indirect parent company of Icein – and abstained from voting.

Moreover, it should be pointed out that, although during the Board of Directors meeting of 27 January 2009 it was widely acknowledged that the overall real estate operation would involve – as already discussed in 2005 – the construction of a hotel facility, no arrangements were made to obtain – with regard to the overall operation – a new fairness opinion concerning, in addition to the strategic importance of the transaction, its costs and time frame for construction, considering that the fairness opinion produced in 2005 concerning the acquisition of the land provided for the hotel to be completed and to begin generating income by 1 January 2009, which date has now passed.

²⁹ The code of conduct adopted by Fonsai in 2009 for related party transactions of the kind in question, even if carried out via subsidiary companies, provided for, inter alia, examination and approval, usually as a pre-emptive measure, by the Board of Directors or the Executive Committee, after obtaining the opinion of the Internal Audit Committee and fairness and/or legal opinions, where deemed necessary in relation to the nature, scale and characteristics of the transaction.

³⁰ In its report, the aforementioned expert acknowledged that the fairness of the prices being valued had been verified via a comparison with the items “indicative prices of building works in Milan”, 2008 edition, published by the Milan Chamber of Commerce.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

3.5.3 The site preparation contract

In execution of the resolution mentioned in the previous paragraph, on 30 March 2009 the contract was signed with Icein concerning the setting up of the site and the other preparatory works required for the construction of the hotel complex.

The main terms of the contract in question can be summarised as follows:

- fee of EUR 6.4 million;
- payment of the fee upon presentation of interim payment certificate (SAL);
- deadline for completion of the works set at 29 January 2010.

3.5.4 Subsequent developments involving the transaction

During the meeting of Fonsai's Board of Directors on 22 June 2010 it was acknowledged that the works at the site in question had been suspended due to delays in the issuance of administrative permits and the fact that certain areas bordering the site were unfit for use.

It was therefore pointed out that these circumstances would result in additional costs being incurred by Meridiano Secondo, on top of those already agreed with Icein, due to the need to commission Icein to carry out the works necessary to make safe and maintain the site following the sudden stoppage of the works. The contract for these activities was to involve a fee of around EUR 900,000.00 (plus VAT), in addition to EUR 58 thousand in professional fees.

A subsequent meeting of Fonsai's Board of Directors, on 14 July 2010, examined the assignment by Meridiano Secondo of a further task to Icein concerning the containment and maintenance of a stretch of Via Del Sud, which bordered the Hotel Gilli site, for a total fee of EUR 494,500.00 (plus VAT).

The task in question needed to be assigned because the road would have to be used in the short term to connect the sites in the area to one another.

3.5.5 Safeguards adopted during the course of the transaction in compliance with the code of conduct and guidelines for related party transactions³¹

In compliance with the code of conduct in force at the time for related party transactions, prior to the resolution of the Board of Directors of Fonsai of 22 June 2010, the following were obtained:

³¹ The code of conduct adopted by Fonsai in 2010 for related party transactions of the kind in question – even if concluded via subsidiary companies – provided for, inter alia, examination and approval, usually as a pre-emptive measure, by the Board of Directors or the Executive Committee, after obtaining the opinion of the Internal Audit Committee and fairness and/or legal opinions, where deemed necessary in relation to the nature, scale and characteristics of the transaction.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

- two fairness opinions from the expert Scenari Immobiliari, which, on 22 May 2010, confirmed the fairness of the amount proposed;
- a favourable opinion issued by Fonsai's Internal Audit Committee on 14 June 2010, following an explanation of the reasons for the shutdown of the work site and the consequent need to make the site safe.

No legal opinion was obtained, however, since the management body deemed this unnecessary. Furthermore, it should be pointed out that, during the Board meeting of 22 June 2010, directors Jonella, Gioacchino Paolo and Giulia Maria Ligresti declared their interest in the transaction, as holders of an equity interest in the indirect parent company of Icein.

Prior to the Fonsai Board of Directors resolution of 14 July 2010, the following were obtained:

- a fairness opinion from the expert Scenari Immobiliari dated 5 July 2010, which confirmed the fairness of the amount proposed³²;
- a favourable opinion issued by Fonsai's Internal Audit Committee on 12 July 2010.

Once again, in this case, the Board deemed a legal opinion unnecessary.

Furthermore, it should be pointed out that, during the Board meeting of 14 July 2010, directors Jonella and Giulia Maria Ligresti declared their interest in the operation, as holders of an equity interest in the indirect parent company of Icein.

These assignments were subsequently formalised by orders issued on 5 and 15 July 2010 respectively by subsidiary Meridiano Secondo³³.

3.5.6 Payments made by Meridiano Secondo

As at 31 December 2011, EUR 8,012,319.20 had been paid (in total to Icein and Mi.Pr.Av.); the residual commitments as at that date totalled EUR 3,271,733.80.

3.5.7 Current status of the investment and Board of Statutory Auditors' proposals

During the meeting of Fonsai's Board of Directors on 2 August 2011, it was pointed out that – initially – real estate market conditions made the investment in a hotel facility on the land in

³² In its report, the aforementioned expert acknowledged that the fairness of the prices being valued had been verified via, inter alia, in comparison with the items “indicative prices of building works in Milan”, 2009 edition, published by the Milan Chamber of Commerce.

³³ Meridiano Secondo was run by a Sole Director until 25 July 2011.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

question potentially profitable and that the subsequent change in these conditions meant that the investment was “*limited simply to setting up the site and making the area safe*”.

In light of this new scenario, Meridiano Secondo deemed it necessary to suspend the construction work and request a change of use for the development from hotel facilities to residential accommodation, claiming that the latter option would make for a better investment.

In March 2012, an internal audit on the real estate project in question, commissioned by General Management, was concluded. The Audit Department found, in particular, the following:

”

- *no resolutions of the Board of Directors of Fondiaria-Sai were found in relation to the assignment of the contract to MI.P.RAV;*
- *on 27 January 2009, the Board of Directors of Fondiaria-Sai expressed a favourable opinion on the assignment of the site preparation work to I.CE.IN, a related party of the Company, having acknowledged that the works had already been begun by the subsidiary Meridiano Secondo;*
- *in relation to the site preparation work under analysis, no formal proof was found of any technical checks by Meridiano Secondo or by Immobiliare Lombarda with regard to I.CE.IN and MI.PR.AV in relation to the performance of the contracted activities and to the certification of the interim payment certificates. Moreover, there is no documentation of a structured flow of ongoing information towards the Parent Company with regard to the progress of the works, the relevant progress reports and the progress of the project as a whole”.*

Finally, it should be pointed out that the Company recently asked the expert DTZ to determine the market value, as at 31 December 2011, of the real estate assets of Meridiano Secondo comprising the real estate initiative in question. This value was quantified at EUR 37,100,000.00, more than EUR 14 million lower than the valuation carried out in January 2011 by Scenari Immobiliari, which quantified the market value of the finished property as at 31 December 2010 at EUR 51,500,000.00.

This difference in value will be taken into account in the draft separate financial statements as at 31 December 2011, which are currently being prepared.

With regard to the investment in question, the Board of Statutory Auditors stresses that it is advisable for the Board of Directors to obtain: (i) an opinion on the value of the works effectively carried out by Icein and on the activity actually carried out by Mi.Pr.Av. S.r.l., in order to verify the fairness of the amounts paid; (ii) a report on the status of the administrative proceedings and on the investment prospects; (iii) an opinion on the fairness and reasonableness

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

of the criteria and methodology used by the parties that produced the valuations of the asset to which the transaction in question relates; (vi) in light of the outcome of the opinion referred to in the previous point, a legal opinion with regard to the existence of any breaches attributable to the aforementioned parties and with regard to any legal remedies that may be brought.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

3.6 “S.Pancrazio Parmense” Real Estate Transaction

3.6.1 Description of the original transaction

In short, the transaction involved the signing by Progestim S.p.A. (hereinafter referred to simply as ‘Progestim’), a company indirectly controlled by Fonsai, of an off-plan purchase contract relating to a building intended for use as a four-star hotel with annexed fitness centre.

This building was to be built on land owned by the vendor, Im.Co., a related party of Fonsai³⁴.

The Board of Directors of Fonsai, at its meeting on 16 February 2005, was informed of the potential profitability – in the amount of 7% - of the real estate investment in question, which was guaranteed by the fact, which had been declared in the meantime by Atahotels to Im.Co., that the hotel facility was available for subsequent management.

During that meeting, the Board of Directors - following a declaration of interest in the transaction by Jonella, Giulia Maria and Paolo Ligresti, as well as by the building surveyor, Antonio Talarico – gave, inter alia, a mandate to Mr Talarico to proceed with the examination of the transaction, by obtaining the contractual proposals of Im.Co. and the necessary fairness and legal opinions.

3.6.2 Safeguards adopted in accordance with the code of conduct and guidelines for related party transactions³⁵

In compliance with the code of conduct in force at the time for related party transactions, prior to the resolution of the Board of Directors of Fonsai of 27 April 2005, the following were obtained:

- a fairness opinion from Scenari Immobiliari, which confirmed the fairness of the purchase price requested by Im.Co., on the assumption that the competent authorities would accept a change that would increase the surface area by around 1,700 square metres; moreover, this change was then effectively approved before the works began. It

³⁴ It should be pointed out that, in 2005, Progestim – the holder of the off-plan purchase contract – was merged into Immobiliare Lombarda S.p.A. – which also belonged to the Fonsai Group – (hereinafter referred to as ‘Immobiliare Lombarda’), to which the ownership of the transaction was therefore transferred until, following the partial spin-off of Immobiliare Lombarda on 1 October 2009, the latter maintained exclusively the role of Property Manager of the transaction, continuing to carry out the activities related to the overall management of the project on behalf of Immobiliare Fondiaria-Sai S.r.l. (created as a result of the partial spin-off of Immobiliare Lombarda), which is wholly owned by Fonsai and is the current contract holder.

³⁵ The code of conduct adopted by Fonsai in 2005 for related party transactions of the kind in question, even if carried out via subsidiary companies, provided for, inter alia, examination and approval, usually as a pre-emptive measure, by the Board of Directors or the Executive Committee and the acquisition of fairness and/or legal opinions, where deemed necessary in relation to the nature, scale and characteristics of the transaction.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

should be pointed out that, in order to calculate the market value³⁶, Scenari Immobiliari used the income capitalisation method, a method of calculating a property's value that takes into account the income (specifically the lease payments) that the property is capable of generating and the rate of capitalisation requested by investors;

- a fairness opinion from KPMG, which identified a range of values between EUR 24.5 and EUR 33.2, on the assumption that the property would start generating income by 31 December 2006. The criteria involved in drawing up the fairness opinion in question and the results thereof were explained to the Board of Directors on 27 April 2005;
- a legal opinion from law firm Ashurst, which was also shown to the Board, which expressed an opinion on the draft contract proposed, suggesting some additions that would bring the draft into line with market standards for similar transactions between unrelated parties.

The off-plan purchase operation, at the price of EUR 28,160,000.00, was then resolved upon during the meeting of Fonsai's Board of Directors on 27 April 2005, with the abstention of interested parties Jonella, Giulia Maria and Paolo Ligresti and Antonio Talarico.

3.6.3 Original agreement

The off-plan purchase contract was signed by Progestim and Im.Co. on 4 May 2005.

The main financial terms of the purchase contract can be summarised as follows:

- total price of the work amounting to EUR 28,160,000.00;
- advance of EUR 8,450,000.00 paid upon signing the contract;
- payment of EUR 16,894,000.00 upon production of interim payment certificates , following certification of related progress reports by the Works Manager;
- balance of EUR 2,816,000 to be paid – with regard to 50% of the amount - within five months of delivery and – with regard to the remainder - within 12 months of delivery, subject to a positive inspection outcome;
- delivery of the property scheduled for 31 December 2006;
- provision for a fine of EUR 5,000.00 for each day the delivery is delayed, starting from 1 April 2007.

It should be pointed out that, in the aforementioned legal opinion from Ashurst, the legal advisor – given the importance of the certification from the Works Manager in claiming the payments

³⁶ The consultant used the definition of market value mentioned in Article 2 of Provision 1915-G issued by ISVAP (the Italian insurance regulator) on 20 July 2001.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

linked to the progress reports – suggested that the Works Manager be appointed by mutual agreement between the parties.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

Also on 4 May 2005, Progestim signed a preliminary lease contract with Atahotels concerning the property to be built. The lease payment was to be staggered for the first five years of the lease, with a guaranteed minimum fee of EUR 2 million as of the fifth year.

3.6.4 Subsequent developments involving the transaction

According to the audit report of September 2011, the works, which were begun in 2006, were suspended in February of the same year as a result of an order issued by the Emilia-Romagna regional archaeological authorities, because the site where the digging was taking place had turned out to be of archaeological interest. The works were subsequently resumed in 2007 and continued without interruption from 28 February 2007 until 4 November 2010, also involving works carried out by way of fulfilment of the requirements of the aforementioned authorities.

The correspondence between the parties reveals that, during this period, a number of significant changes to the original project were agreed upon.

These modifications essentially concerned a change in the size of the area covered by the real estate complex under construction, significant changes to its intended use and an improvement in the overall energy classification of the accommodation complex³⁷.

The Audit Department also explained that Article 8 of the off-plan sale contract – in line with the suggestion put forward by the legal advisor – entrusted the management of the works (a role that also included the task of certifying the works described in the interim payment certificates) to an architect or an engineer chosen by mutual agreement between the parties and that, in spite of this, the individual chosen belonged to the organisational structure of Im.Co.

In relation to this – in the event that the works were to continue – it was pointed out that the aforementioned managerial problem needed to be resolved by assigning the role of Works Manager to an individual chosen by the purchaser.

The Audit Department, in concluding its report, therefore criticised the anomalies it had found, concluding that an opinion should have been obtained from an independent legal expert that should have carried out an “*examination of the parties’ obligations in light of the contracts drawn up and of the letters exchanged with a view to setting out factors that would be useful in*

³⁷ More specifically, this can be seen from: (i) the letter sent by Im.Co. on 25 February 2008, which presented the “*schedules for the agreed changes*”; (ii) the letter sent by Immobiliare Lombarda (which had in the meantime succeeded Progestim) on 17 March 2008, which acknowledged the aforementioned schedules and stated that it had no objections to them; (iii) the letter sent by Im.Co. on 29 February 2009, in which the latter, referring to Article 4 of the off-plan purchase contract (which provided for the possibility of making changes) presented “*a final analytical description, with relevant graphic representations, of the changes made to the original project with regard to the Hotel, the Fitness Centre and the Conference Centre*”.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

subsequently defining the overall operation". There is no record of this opinion having been obtained to date, although the corporate entities have confirmed that the task in question was assigned to the legal advisor.

On 19 May 2011, Im.Co. eventually sent the final copy of the amended project, together with the related final estimated metric calculations, putting the total amount for the construction of the real estate complex at EUR 46,853,543.00.

With regard to this request from Im.Co., the Audit Department pointed out in its September 2011 report that the total project cost had increased to EUR 55,303,543.00, which was arrived at by adding the initial advance of EUR 8,450,000.00 to the amount of EUR 19,710,000.00 relating to the "*works performed*" and to the additional amount of EUR 27,143,543.00 requested at that meeting by Im.Co.³⁸.

In addition to the above, none of the changes made to the project in question was ever made subject to the prior approval of the Board of Directors of Fonsai, nor were any reasoned fairness opinions obtained on the related works (in breach of the guidelines adopted by the Group for related party transactions for the years from 2008 to 2011 and mentioned during the examination of the previous transactions), which should have been necessary considering the long period of time that elapsed between the launch of the project and the expiry of the deadline originally scheduled for the delivery of the property.

Finally, it should be pointed out that, in November 2011, Atahotels stated that it was no longer interested in leasing the property.

3.6.5 Payments made by Progestim

³⁸ It should also be pointed out that the Audit Department, in the aforementioned September 2011 report, stated that interim payment certificate no. 27 of 4 November 2010 "*was not consistent with the previous ones: it provides a descriptive representation of the works that disregards any quantitative analysis of the percentage of the project completed, whereas previously the interim payment certificates were calculated, in accordance with Article 3 of the contract, as a summation of the percentage of works actually carried out applied to the price originally agreed. Furthermore, the aforementioned interim payment certificate lists works relating to the Conference Centre; this building is expressly identified for the first time in the design amendment dated 19 May 2011, which provides for the construction of three structures, each with a clearly defined independent function: the hotel, the fitness centre and the conference centre [the latter was not provided for by the original project]. The itemised description of the works carried out appended to interim payment certificate 27, which lists works carried out for a total amount of EUR 14,780,000, since it covers all the works carried out, certified and paid for based on the previous progress reports, is compatible with the works introduced in the aforementioned amendment of 19 May 2011, which was not subject to the approval of the Board of Directors*" of Fonsai.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

The amounts paid by Progestim (then Immobiliare Lombarda) to Im.Co. totalled EUR 23,230,000 as at 31 December 2011, and the residual commitment was quantified at EUR 2,000,000.00.

However, in a letter dated 23 February 2012, Im.Co. complained that the costs of some of the changes, which it claimed had been agreed with the purchaser for a total amount of EUR 38,098,923.77, had not been paid.

The Company reported that it considered Im.Co.'s claim to be totally unfounded and that it would be rejected.

3.6.6 Current status of the investment and Board of Statutory Auditors' proposals

To date, the real estate complex has not yet been completed and the works have been suspended because the prospects for profitability upon which the original operation was based have deteriorated.

It has also emerged that, in June 2011, Immobiliare Lombarda obtained an opinion drawn up by Avalon, an independent organisation, which concluded by identifying "... *the existence of great opportunities to invest in medium-to-high-end hospitality facilities (particularly four-star business facilities) in the city and its immediate surroundings*".

In spite of these conclusions, Immobiliare Lombarda – as pointed out to the Board of Directors of Fonsai on 2 August 2011 – would appear to be assessing whether to amend the terms of the original investment (and, possibly, to sell the assets in their current state of completion) because "*the altered tourism and conference scenario in the area since the beginning of the works has made the investment less appealing*".

Finally, it should be pointed out that the Company, in January 2012, asked Abaco, an expert, to provide an up-to-date valuation of the asset in question.

The expert stated that: (i) out of a total of more than EUR 46 million of works planned, works worth EUR 28,279,853.81 had been completed; (ii) the final weighted value of the complex in its current condition was EUR 11,800,000.00; (iii) the value as at that date of the finished product would be EUR 22,800,000.00; (iv) the prospective value of the finished product once in operation would be EUR 31,200,000.00.

This valuation will be taken into account in the draft separate financial statements as at 31 December 2011, which are currently being prepared.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

With regard to the investment in question, the Board of Statutory Auditors stresses that it is advisable for the Board of Directors to obtain: (i) an update from Immobiliare Lombarda (now Immobiliare Fondiaria-SAI) on the results of its valuations of the investment; (ii) an update on the fairness opinion from KPMG, in light of the postponement of the deadline for construction and delivery and the fact that the original fairness opinion was based on the assumption that the property would be delivered and start generating profit by 31 December 2006; (iii) a fairness opinion on the changes agreed by the parties after the contract was signed on 4 May 2005, which were not valued at the time; (iv) a legal opinion on the claim made most recently by Im.Co., the existence of any breaches attributable to the latter and any legal remedies that may be brought; (v) an opinion on the fairness and reasonableness of the criteria and methodology used by the parties that produced the valuations of the asset to which the transaction in question relates; (vi) in light of the outcome of the opinion referred to in the previous point, a legal opinion with regard to the existence of any breaches attributable to the aforementioned parties and with regard to any legal remedies that may be brought.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

3.7 Real estate project in Via Lancetti, Milan

3.7.1 Description of the original transaction

The transaction included, in brief:

- the acquisition by Im.Co, a related party of Fonsai and of Milano Assicurazioni, of a piece of land owned by the latter,
- the construction, by Im.Co, of a building complex³⁹ which Milano Assicurazioni, at the same time as the transfer of the land, was committed to purchase, through the off-plan purchasing formula.

The interest for Milano Assicurazioni in implementing this transaction was described, during the Milano Assicurazioni Board of Directors meeting on 3 July 2003, in the following terms: through the transaction in question *“Milano would transfer any entrepreneurial risk to the construction company, with the latter assuming all obligations of an organisational nature with regard to the site and with Milano Assicurazioni therefore maintaining a role as a mere investor. In addition, the purchase price established originally guarantees the Company against any revision of prices of materials or labour. The Company, therefore, at the end of the transaction will be the owner of a significant real estate asset at market value, without having to bear the entrepreneurial burdens (and associated risks) typical of construction activities, with its intervention limited to being an institutional investor only”*.

During the same Board Meeting it was stated that the Company had started to search for potential operators to construct this building and that preliminary agreements had been reached with an operator which was part of the Starlife/Premafin Group, later identified as the company Im.Co.

The Board of Directors, with Directors Paolo Ligresti (as a shareholder of Starlife) and Salvatore Rubino (as a Director of Sinergia Terza, indirectly controlled by Starlife) abstaining, gave the Chairman a mandate to continue negotiations with the counterparty and to obtain fairness and legal opinions on the transaction, putting it to the Board once again for final approval.

³⁹ More precisely, it involved a multi-storey building for service-sector use, comprising seven floors above ground and two underground floors with parking, amenities and storage.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

3.7.2 Safeguards adopted in compliance with the code of conduct and guidelines for related party transactions⁴⁰

Prior to the resolution of the Board of Directors of Milano Assicurazioni on 10 November 2003 regarding the transaction, the following were obtained:

- a fairness opinion from the expert KPMG, which identified a value for the land, ranging between Euro 8.55 million and Euro 9.21 million and for the building ranging between Euro 36.8 million and Euro 39.2 million, figures essentially in line with those identified by the Board of Directors⁴¹;
- a legal opinion from Prof. Piergaetano Marchetti, who gave several suggestions and additions for the content of the possible contract.

The transaction was then finally approved during the next Milano Assicurazioni Board of Directors meeting on 10 November 2003, with Directors Gioacchino Paolo and Giulia Maria Ligresti and Dr. Salvatore Rubino abstaining.

3.7.3 The original contracts

During the execution of the resolution in the previous paragraph, the following contracts were agreed with Im.Co on 19 November 2003:

- a sale agreement for the land at a price of Euro 9.6 million (plus VAT), indicated in the contract as previously paid to the vendor Milano Assicurazioni;
- an off-plan sale contract for a price of Euro 36.4 million (plus VAT), of which Euro 10.92 million was paid on account at the time the agreement was signed. The remaining payment was scheduled to take place on the presentation of the Interim Payment Certificate (S.A.L.), in the amount of approximately Euro 3.6 million following the handover of the building and the inspection being passed. The delivery date was established as 31 December 2005 with a penalty clause in the event of a delay in handing over the building, set at Euro 5,000,00 for every day after 31 March 2006.

⁴⁰ The code of conduct adopted in 2003 by Milano Assicurazioni for related party transactions of the type in question, state that, if the transaction (with regard to the subject, payment, implementation times or methods) could have an effect on the safeguarding of company equity and on the completeness and correctness of information, including accounting information, then the Board of Directors must approve the transaction, after obtaining fairness and/or legal opinions, where deemed necessary in relation to the nature, entity and characteristics of the transaction; the Board of Directors of the parent company Fonsai was not, however, asked for its prior approval of the transaction.

⁴¹ Specifically, the Board of Directors, following the meeting on 3 July 2003, had identified these figures (Euro 9.6 million with regard to the land and Euro 36.4 million for the uncompleted property) based on the two expert opinions of Scenari Immobiliari (Independent Institute of Analysis and Research) from 15 April 2003. The Board of Statutory Auditors was only given the expert opinion on the value of the building to be constructed and not that of the value of the land which it was therefore not able to examine.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

3.7.4 Subsequent developments involving the transaction

During the Milano Assicurazioni Board of Directors meeting on 20 December 2006 (when the deadline set out in the contract had already elapsed by quite some time) a modification to the original project was discussed, consisting of the construction of two structures connecting the building under construction (“building B”) and another existing adjacent building owned by the company (“building A”).

As this involved a related party transaction, the Board of Directors resolved to obtain a fairness opinion in support of the appropriateness of the hypothetical compensation, as well as a legal opinion in case the structure of the transaction agreement were to be significantly altered.

At this meeting the Milano Assicurazioni Board of Directors took note of the need to extend the delivery deadline of the building by one year, even though the contractual deadline had already expired by that date.

This decision was not submitted to the parent company Fonsai, for its consideration.

Also, the transaction was later submitted to the Fonsai Board of Directors meeting held on 27 August 2008 during which the Milano Assicurazioni proposal to increase the purchase price originally agreed for the building with Im.Co. by Euro 3.5 million (plus VAT) was discussed, as well as to extend the delivery date of the actual building, without the application of the penalties set out in the agreement.

The proposed increase was justified by agreed improvement and extension works, described in detail during the course of the board meeting.

3.7.5 Safeguards adopted in the course of the transaction in compliance with the code of conduct and guidelines for related party transactions⁴²

In compliance with the code of conduct in force at the time for related party transactions, prior to the approval of the Milano Assicurazioni Board of Directors on 18 July 2007 of the creation of the above-mentioned connecting structures, the following were obtained:

⁴² The code of conduct adopted by Milano Assicurazioni in 2007 for related party transactions of the type in question, included, inter alia, the examination and approval, usually in advance, by the Board of Directors or the Executive Committee and the obtaining of fairness and/or legal opinions, where required, of the nature, scope and characteristics of the transaction.

In addition, the code of conduct adopted by Fonsai in 2008 for related party transactions of the type in question, also concluded by means of subsidiaries, included, inter alia, the examination and approval, usually in advance, by the Board of Directors or the Executive Committee, following the advice of the Internal Control Committee and the obtaining of fairness and/or legal opinions, where required by the nature, scope and characteristics of the transaction.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

- an initial expert appraisal by Scenari Immobiliari (dated 27 December 2006) in which the entire complex under construction was valued in order to identify the value of the connecting structures;
- a second expert appraisal by Scenari Immobiliari (also dated 27 December 2006) in which, with reference to the existing building to be connected to the one under construction, was shown any drop in the value of this building as a result of the downgrading of the intended use of one of the floors in order to create the connecting structure⁴³;
- a third expert appraisal by Scenari Immobiliari (dated 16 July 2007) in order to quantify the advantage acquired by Milano Assicurazioni as a result of the changes made to the project, an advantage defined as approximately Euro 5 million⁴⁴.

On 18 July 2007, the Milano Assicurazioni Board of Directors approved the above-mentioned changes to the project costing Euro 6,415,000.00 (plus VAT).

The resolution was approved after a declaration of interest in the transaction by Directors Giulia Maria and Gioacchino Paolo Ligresti.

The Board of Directors did not feel it necessary to obtain a dedicated legal opinion because “...*the purchase agreement for the above-mentioned connecting structures does not appear to present problems that would require a special legal opinion*”.

Again on 18 July 2007, the Fonsai Board of Directors gave their approval for the purchase, after a declaration of interest in the transaction by Directors Giulia Maria and Gioacchino Paolo Ligresti.

The deed of sale for the connecting structure was signed on 31 October 2007.

With regard, on the other hand, to the further increase (of Euro 3.5 million) in the purchase price, discussed by the Fonsai Board of Directors on 27 August 2008, in accordance with the guidelines mentioned above, prior to the resolution of the Board of Directors, the following were obtained:

- two expert appraisals by Scenari Immobiliari on 6 August 2008 in which: (i) the market value on that date of the completed building complex was quantified as Euro 42 million;
- (ii) the proposed price of Euro 3.5 million for the alterations was deemed appropriate;
- the favourable opinion of the Fonsai Internal Control Committee on 26 August 2008.

⁴³ This difference was estimated at Euro 800,000.

⁴⁴ In making this valuation, the company Scenari Immobiliari took into account the original price of building B, the price of the connecting structures, the value of building B + the connecting structure, as assessed in December 2006, as well as the drop in value suffered by building A as a result of the downgrading. .

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

On 27 August 2008, the Fonsai Board of Directors, following a declaration of interest in the transaction by Directors Jonella, Giulia Maria and Gioacchino Paolo Ligresti, as shareholders in the company Sinergia Holding, the parent company of Im.Co., expressed unanimous approval for the payment to Im.Co. of a further Euro 3.5 million for the alterations made to the project and for the extension of the delivery deadline for the building until 31 December 2008.

No specific legal opinion was obtained in consideration of the fact that the notarial deed of acknowledgement to be stipulated with Im.Co. did not, in the judgement of the Board of Directors, present any problems that would require a legal opinion.

3.7.6 Payments made by Milano Assicurazioni

With reference to the sums paid by Milano Assicurazioni, they amount to Euro 47,485,000.00. There are no remaining commitments.

3.7.7 Current status of the investment and Board of Statutory Auditors' proposals

The property investment in question was concluded with the delivery of the completed property.

In March 2012, an audit on the real estate project in question, commissioned by the General Management, was concluded. The audit revealed the following, in particular:

- *the preliminary sales agreement of 19 November 2003 included the delivery of the building complex and the stipulation of the final sales agreement by 31 December 2005, with a leeway of three months. As a result of the alterations to the project in progress, this deadline was initially rescheduled as 31 December 2007. Later on, the building complex was completed and handed over on 17 September 2008. With regard to the alterations made during the works and the related additional works, it would appear that the Company's Board of Directors was not informed beforehand. These alterations were disclosed, for the first time, during the Board of Directors Meeting on 20 December 2006, after the deadline set out in the off-plan sale contract agreed in 2003;*
- *an agreement was entered into between the parties to appoint a professional, chosen by the promissory vendor, to oversee the works. This decision, moreover also taken for other real estate projects begun in this period, does not appear to offer sufficient safeguards for Milano Assicurazioni S.p.A. which was then exposed to the risk that the party certifying the completion of the works may not, in effect, be in possession of all the requirements of independence with regard to the vendor;*

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

- *a structured flow of data, aimed at providing constant information regarding the progress of the works, the progress status, the alterations identified during the course of the work and the progress of the project as a whole, was not documented”.*

It should be pointed out that the Company has recently asked the experts DTZ for an up to date assessment of the market value of the building as at 31 December 2011. This value was deemed to be Euro 63,700,000.00, a figure more than Euro 12 million less than the valuation made in January 2011 by Scenari Immobiliari, which quantified the market value of the asset as at 31 December 2010 as Euro 76,500,000.00.

The Company will take this difference in value into account in the preparation of the draft financial statements for the year as at 31 December 2011.

In the light of the above, the Board of Statutory Auditors believes it is advisable for the Board of Directors to obtain: (i) an opinion on the fairness and reasonableness of the criteria and methodology used by Scenari Immobiliari for preparing the valuations of the asset that is the subject of the transaction in question; (ii) in the light of what is likely to emerge from the opinion in the previous point, a legal opinion on the merit of the existence of non-fulfilment attributable to the company that gave the opinions and on the merit of any legal recourse.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

3.8 Conclusions

In the light of what has been reconstructed so far, the following should be noted.

Within the context of the real estate transactions examined by this Board of Statutory Auditors contractual counterparties never appear to have been selected by means of specific competitive procedures.

Specifically, alternative prices to those proposed by the related parties do not seem to have been carefully considered.

However, in all the transactions examined, with the exception of three cases, specialist opinions of independent experts on the appropriateness of the contractual sums paid always seem to have been sought (the three cases in which this did not take place are: (i) the contract with Icein for Euro 2.55 million and the contract with Im.Co for Euro 1.075 million as part of the “Marina Porto di Loano” transaction; (ii) the contract with Europrogetti as part of the “Aera Castello” transaction, with regard to which the fair valuation only involved the part relating to professional fees; (iii) the agreements on the alterations to the original project as part the “San Pancrazio Parmense” and “Via Fiorentini” transactions. In addition, the company does not seem to have received Scenari Immobiliari’s fairness opinion on the amount set out in the agreement with Mi.Pr.Av. Srl, an opinion which is, moreover, mentioned in the actual agreement).

With regard to the company Scenari Immobiliari, which appears to have prepared the majority of the expert opinions relating to the real estate transactions described above, on 23 October 2008 this Board of Statutory Auditors verified the independence of the expert with regard to Fonsai, making sure that none of the Partners or Directors of Scenari Immobiliari had a connection with Directors, Auditors or persons belonging to the Fonsai Group and that the fees paid by Fonsai in the years 2007 and 2008 were not significant with regard to the overall revenue of Scenari Immobiliari, as indicated in the financial statements of that company.

In addition, on that occasion the Board of Statutory Auditors expressly requested that the Scenari Immobiliari experts should provide a clear statement from the expert, signed by the legal representative, that they “*had proceeded correctly and in good faith and that they had no motive other than to make the truth be known*”.

In addition, during the Internal Control Committee meeting held on 12 July 2010, the Audit department was charged with gathering together all the functional elements for updating the evaluation, carried out at the time by the Board of Statutory Auditors in 2008, of the degree of independence of the above-mentioned expert. The Internal Control Committee and the Board of Statutory Auditors also pointed out the possibility of greater alternation between the independent experts.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

Under the scope of the above-mentioned transactions, the sums paid for the sale of the land (by Fonsai Group companies to related party companies) were always made on time.

The outcome of a comparison with the corporate structures revealed that similar transactions to those described so far were not undertaken by the Company with non-related parties.

Broadly speaking (and with reference to the examination of the individual transactions as far as the details are concerned), it was acknowledged that, on the Fonsai Board of Directors, the Directors involved (specifically the members of the Ligresti family and sometimes, where necessary, Antonio Talarico and Salvatore Rubino) declared their interest in the transaction (as shareholders in the related parties' parent companies) and until 2003 (and on a couple of occasions even after 2003) they abstained from voting.

However, the description of the interest of the Fonsai Group companies in the implementation of the transaction and the illustration of the expediency of the actual transaction was often only recorded in a summary fashion.

Usually, except in the case of the "Marina Porto di Loano" transaction (to which reference is made) and referring for certain details to the description of the individual transactions, the procedures adopted by the Fonsai Group with reference to related party transactions were observed with regard, in particular to: (i) obtaining of fairness and legal opinions; (ii) obtaining the opinion of the Fonsai Internal Control Committee in advance (necessary from December 2007 onwards); (iii) obtaining a favourable opinion from the Fonsai parent company in advance. In certain limited cases, however, transactions with related parties were not put to the Fonsai Board of Directors first for their careful consideration (this happened, specifically, in the case of the transactions involving "Marina Porto di Loano" for the contracts agreed up until April 2010; "San Pancrazio Parmense" and "Via Fiorentini" for the alterations agreed by the parties after the original contract had been signed), or this scrutiny only took place after the signing of the contract with the related parties (for example, see the "Area Garibaldi" transaction for the construction site agreement).

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

In addition, in many cases the fairness opinions obtained at the time were not updated even though the parties had agreed extensions to the delivery times for the properties and in spite of the fact that the original fairness opinions made assumptions that the buildings would be constructed and would be providing income by a precise date.

In the majority of cases, the signing of the agreements with the related parties was preceded by obtaining dedicated legal opinions, which, in the light of the inclusion of specific clauses suggested by consultants, ended up with the clauses in the agreements complying with those usually in place in contracts between non-related parties. In addition, in many cases, the above-mentioned contracts included penalty clauses for delays in the delivery of buildings to be constructed.

In spite of this, the payment of contractual penalties never seems to have been requested for the late delivery of properties. The reason behind this appears to have been the fact that the delivery times for the works depended on modifications requested by the purchaser or on circumstances that were beyond the parties' control.

With reference to the commitments still pertaining to the companies involved in the various transactions, please refer to the explanation given for each transaction.

With regard to Area Castello, according to the documentation available to the Board of Statutory Auditors, specific initiatives with regard to the judiciary authority's provisions do not seem to have been undertaken. On the question relating to the criminal proceedings in progress and the possible consequences for Fonsai, also pursuant to Legislative Decree 231/2001, the opinion of Prof. Ciro Pellegrino (Lawyer) was obtained (which was acknowledged earlier).

With regard to the San Pancrazio Parmense transaction, we refer to what has already been explained where the transaction in question has specifically been dealt with.

Specifically, it should be remembered that prior to the start of the building project and the terms thereof, a fairness opinion was obtained from KPMG and a legal opinion from the Ashurst Law Firm.

However, an independent expert does not seem to have examined the appropriateness of the alterations requested during the works, and the fairness opinion was never updated.

In June 2011, the purchaser, Immobiliare Lombardia, obtained the opinion of Avalon, which confirmed that the investment outlook with regard to the hotel industry in the city of Parma was still good. The site is still currently suspended.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

As far as the current status of the various real estate transactions is concerned, we ask you to refer to what was stated at the time of the specific examination.

We can confirm that, to date, no litigation has been instituted with contractor related parties.

However, the Board of Statutory Auditors, as already mentioned earlier, in order to also verify full compliance by related party companies with the contractual obligations undertaken by them, confirms that, with regard to the Via Fiorentini, Area Castello and Area Garibaldi transactions, it would be advisable for the companies to obtain expert opinions aimed at determining the specific value of the works actually carried out by the counterparty, also for the purpose of verifying the appropriateness and consistency of the sums paid to date to the construction companies.

We also confirm that it would be advisable, in certain cases, specifically those illustrated above, to obtain dedicated expert opinions, both technical and legal, in order to verify the compliance, by the related party construction companies, with their existing obligations.

Lastly, as pointed out at the end of the examination of each individual transaction, all the buildings involved have been the subject of a new valuation for the purpose of preparing the financial statements for the year ended on 31 December 2011. The expert opinions in question have led to the buildings being given different, lower values than those indicated in the previous valuations.

These circumstances suggest, in the Board of Statutory Auditors's opinion, an inquiry by the Company in order to ascertain whether the technical and/or market reasons which led the new experts to decide upon a lower valuation than the previous one were already in existence at the time the previous expert opinions were given.

Taking into consideration the extreme importance that the expert opinions have taken on under the scope of the real estate transactions in question and the trust placed in them by the company bodies of Fonsai, the Board of Statutory Auditors stresses the need for the Company to check whether, and to what extent, it should conceive of seeking claims for damages with regard to the previous expert opinions which gave the estimated valuations obtained during the course of the various transactions.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

4. REAL ESTATE CONSULTANCY SERVICES PROVIDED BY MR LIGRESTI – PAYMENTS MADE TO COMPANIES RELATED TO THE LIGRESTI FAMILY – PAYMENTS TO GILLI SRL AND GILLI COMMUNICATION SRL

4.1 Real estate consultancy agreements with Mr Ligresti

4.1.1 Consultancy contracts agreed by Fonsai and Milano Assicurazioni

The enquiries conducted by this Board of Statutory Auditors, showed that Salvatore Ligresti had held the following offices:

- on 20 October 2003, a position conferred by **Fonsai** which involved carrying out the activities of “.....*strategic and technical consultancy and support for our Company related to problems of a town planning, construction and administrative nature.....*” with special, but not exclusive, reference to the “Area Castello” and “Villa Ragionieri” real estate projects. His position consisted of “... *the preparation of studies, opinions and plans, their management and implementation including by means of coordinating various professional experts, assisting with negotiations, the organisation of and/or participation in meetings, including those with representatives of local and national public authorities, collaboration in the preparation and awarding of assignments to other professionals, as well as involvement in the evaluation of the results of these tasks.*” The position in question was due to last until 31 December 2004, and unless terminated, would be renewed for a further two years. The payment for the activities conducted during the course of 2003 was quantified at EUR 3.5 million. It should be pointed out that the payment for 2004 was to be the same as that for 2003.

- on 20 October 2003, a position conferred by Milano Assicurazioni, which involved carrying out the activities of “...*strategic and technical consultancy and support for our Company related to problems of a town planning, construction and administrative nature.....*”, with special, but not exclusive, reference to the “Area Isola – Via De Castillia” real estate project. His position consisted of “... *the preparation of studies, opinions and plans, their management and implementation including by means of coordinating various professional experts, assisting with negotiations, the organisation of and/or participation in meetings, including those with representatives of local and national public authorities, collaboration in the preparation and awarding of assignments to other professionals as well as involvement in the evaluation of the results of these tasks.*” The position in question was due to last until 31 December 2004, and

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

unless terminated, would be renewed for a further two years. The payment for the activities conducted during the course of 2003 was quantified at EUR 1.5 million. It should be pointed out that the payment for 2004 was to be the same as that for 2003.

On 18 December 2007, Milano Assicurazioni, taking into consideration the fact that the office conferred on Mr Ligresti in 2003, not having been terminated, had been renewed until 31 December 2008 and that during the course of 2007 Mr Ligresti was commissioned to undertake further activities in addition to those initially requested of him, with special reference to the “Garibaldi Repubblica” project. Payment to the aforesaid Mr Ligresti for each of the years 2007 and 2008 amounted to EUR 3 million.

Fonsai does not appear to have signed a similar letter.

With regard to the contracts under discussion, Salvatore Ligresti was paid a total of EUR 40 million by Fonsai and Milano Assicurazioni between 2003 and 2010.

The Company has pointed out that, in the absence of a formal termination letter, the contracts signed by Fonsai and Milano Assicurazioni ceased on 31 December 2010.

Lastly, a further consultancy agreement came to light between Salvatore Ligresti and Progestim, signed on 7 January 2003, for a term of three years (renewable in the absence of any termination) for the provision of “*systematic assistance with organising and coordinating company technical/managerial functions*”, including: support in producing a general analysis of the most prestigious properties in the principal’s asset portfolio; support for research into and preparation of sector intervention strategies; examination of the contractual content of purchase and/or transfer deeds; coordination of investigations into any administrative practices.

The annual payment for this was EUR 250,000.00.

The Company has confirmed that this contract was not terminated (and was therefore renewed for the three-year period 2012–2014) and that the total amount paid to Mr Ligresti up until 2011 was EUR 2,250,000.00.

The company structures responsible have pointed out that there is no specific documentation relating to this office since it involves support and consultancy of a general nature.

4.1.2 Compliance with the code of conduct for related party transactions

In the light of what has been outlined above, the important dates in the case under examination are: 20 October 2003 (the date the contracts with Fonsai and Milano Assicurazioni were agreed); 1 January 2005 (1st renewal); 1 January 2007 (2nd renewal); 1 January 2009 (3rd renewal).

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

With regard to the code of conduct in force during the various periods for related party transactions, the following can be observed:

1. as at 20 October 2003, only the following were reserved to the exclusive jurisdiction of the Board of Directors of the Company “*related party transactions, as defined by CONSOB Communication No. DEM/2064231 of 30 September 2002, where the subject, payment, implementation methods or time schedules could jeopardise company assets or the completeness and correctness of information, including accounting information, relating to the issuer, with the exception of transactions implemented between subsidiaries and by subsidiaries with associated companies*”. On that date, therefore, the signing of the consultancy agreement with Mr Ligresti came under the responsibility of the CEO who, at that time, held all ordinary and extraordinary administrative powers. No specific opinion was obtained with regard to the appropriateness of the payment awarded to Mr Ligresti.
2. as at 1 January 2005, similar criteria to those already described in the previous point were in operation, since Fonsai adopted a specific code of conduct for the implementation of related party transactions on 16 February 2005 and therefore after the renewal of the contract. As at 1 January 2005, the execution of the consultancy agreement with Mr Ligresti came under the auspices of the CEO, who, at that time, held all ordinary and extraordinary administrative powers. In any case, during the course of the Fonsai Board of Directors meeting on 14 June 2005, the CEO informed the Board of the existence of consultancy agreements between Fonsai/Milano Assicurazioni and Mr Ligresti, as well as of the sums paid, pointing out that as the implementation stage of the real estate projects for which he was appointed was continuing, the two companies involved had renewed the contracts, subject to the fees indicated. At the conclusion of the CEO’s explanation, the Fonsai Board of Directors approved the CEO’s actions and ratified these actions with Directors Jonella, Giulia Maria and Gioacchino Paolo Ligresti abstaining.
3. as at 1 January 2007, the code of conduct adopted by Fonsai for related party transactions of the type in question, even if concluded through subsidiaries, included, inter alia, the examination and approval, usually in advance, by the Board of Directors or by the Executive Committee and the acquisition of fairness and/or legal opinions, where deemed

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

necessary, in relation to the nature, scale and characteristics of the transaction⁴⁵. Contrary to what is recommended by the code of conduct referred to above, the renewal of the consultancy agreement in question was not subjected to prior examination by the Board of Directors. It was only on 19 December 2007 that the subject of the existing contract with Fonsai was brought up with the Board of Directors so that Mr Ligresti could be paid for the special activities carried out and his extreme commitment under the scope of the Castello and Villa Ragionieri projects, a one-off sum of EUR 3.5 million. This proposal was approved by the Board of Directors. During the same meeting, the Board of Directors was also informed that the subsidiary Milano Assicurazioni had extended the position already awarded to Mr Ligresti with an additional compensation of EUR 1.5 million per annum. During the course of the meeting in question, obtaining a fairness opinion, to confirm the appropriateness of the fees set out in the contract or that of the additional one-off payment, was not discussed nor was any detailed information provided surrounding the activities conducted to date by Mr Ligresti.

4. as at 1 January 2009, the code of conduct adopted by Fonsai for related party transactions of the type in question, even if concluded through subsidiaries, included, inter alia, the examination and approval, usually in advance, by the Board of Directors or by the Executive Committee and the acquisition of fairness and/or legal opinions, where deemed necessary, in relation to the nature, scale and characteristics of the transaction⁴⁶. In spite of what is set out above, the renewal of the consultancy agreement in question, for the third time, was not discussed by the Board of Directors, was not submitted first to the Internal Control Committee, a fairness opinion was not obtained, and no representation was provided surrounding the activities carried out in practice. In addition, no justification was provided with regard to the need to renew the office under discussion.

The considerations set out so far can also be extended to the consultancy role conferred by Milano Assicurazioni on Salvatore Ligresti in October 2003 and the subsequent renewals of this position taking into account that the code of conduct adopted by Milano Assicurazioni in the years in question was precisely the same as that adopted by Fonsai and just mentioned above.

⁴⁵ As far as the type of transaction is concerned and the threshold above which the above-mentioned code of conduct is triggered, refer to Article 3.5 of the Guidelines operational in 2007, which established the threshold at EUR 1 million for consultancy agreements.

⁴⁶ As far as the type of transaction is concerned and the threshold above which the above-mentioned code of conduct is triggered, refer to Article 3.5 of the Guidelines operational in 2009, which established the threshold at EUR 1 million for consultancy agreements.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

From what has been revealed so far, it is possible to infer that at least when contracts were being renewed after 2005, the principles adopted by Fonsai and Milano Assicurazioni for related party transactions were not being applied.

From a strictly formal perspective, it is impossible not to notice that the provision of paragraph 1 of Article 2391 of the Italian Civil Code was also formally ignored.

However, it should be borne in mind that existing relations between Salvatore Ligresti, the Company and several of its Directors were so evident and well-known that the purpose of the information sought by Article 2391, paragraph 1 of the Italian Civil Code can be considered to have been satisfied, from a substantive perspective, even in the absence of a formal acknowledgment by the administrative body, which was notified of the agreement, prior to its first renewal.

It should also be taken into consideration that the members of the Ligresti family present at the Board of Directors meeting on 14 June 2005 abstained from voting.

The provision contained in paragraph 2 of Article 2391 of the Italian Civil Code was also disregarded, since the minutes examined do not, in the Board of Statutory Auditors' opinion, adequately explain the reasons and the expediency of the Company in the implementation of the transaction.

During the course of the inquiries conducted, it has emerged that the Company has justified conferring the mandates on Mr Ligresti because of his specialist skills in the building industry, skills which are consistent with his ability to devise and implement solutions capable of making a construction project more productive and more profitable. Even more recently⁴⁷ the Company reiterated its interest in retaining the consultancy services of Mr Ligresti with regard to large-scale, complex real estate transactions.

In spite of having taken note of the motivation of the Company set out above, this Board of Statutory Auditors does not believe it is possible to evaluate the fairness of the payments made to Mr Ligresti (including in relation to the various stages of the real estate projects), taking into consideration the broad scope of the tasks assigned to him and the fact that, at the time the contracts were signed and renewed, the management body did not deem it necessary to request dedicated fairness opinions.

⁴⁷ Note that Fonsai's interest in completing the transactions in question was reiterated by the Board of Directors in the meetings held on 21 July 2011 and 29 December 2011, with Dr Jonella Ligresti abstaining.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

At the conclusion of the checks carried out, the fee can be considered to have been determined on the basis of a discretionary evaluation made, firstly by the CEO, and then by the Board of Directors, which, as mentioned above, approved the contracts in question in 2005 and 2007.

4.1.3 Information obtained by the Board of Statutory Auditors and proposals

With regard to the consultancy agreements in question, the Board of Statutory Auditors contacted the corporate structures in order to obtain confirmation that Mr Ligresti did actually carry out the consultancy activities involved by his role, as well as seeking information on the activities put into practice.

Please find the information obtained below.

The consultancy and strategic and technical support activities conducted by Mr Ligresti did not only involve the “Area Castello” and “Villa Ragionieri” projects (expressly mentioned in the contract signed by Fonsai), but they also involved the “City Life”, “Hotel Principi di Piemonte” and “Porta Nuova” projects (this last project also included the “Isola” and “Garibaldi/Repubblica” areas under its scope, expressly mentioned in the consultancy agreement signed by Milano Assicurazioni):

- as far as the “**Area Castello**” project is concerned, the Company reports that, between 2003 and 2010, Mr Ligresti was collaborating on the realisation of construction projects involving buildings and infrastructures, as well as the management of relations with the Province and the Region. The Company wished to point out that the project involved several stages and that Mr Ligresti, with his extensive experience in the building industry, had provided invaluable insights into: what to construct, how to make the most of the area, projects for individual plots, interior design and materials, and other aspects.
- as far as the “**Villa Ragionieri**” project is concerned, the consulting activities involved both the activity of reviewing and developing hypothetical designs aimed at making the most of the functional potential of Villa Ragionieri and the management of relations with the Municipality and the Region in order to develop a healthcare facility intended for use as a highly specialist oncology unit;
- with reference to the “**Porta Nuova**” project (involving, as previously stated, the Milan districts of: Isola, Varesine and Garibaldi/Repubblica), the Company reported that Mr Ligresti took part in the frequent meetings held between 2004 and 2009, both with the consultants of the various disciplines involved in the planning of the project, and with the operators involved in the development of the areas in question, making an important contribution, both to the project of coordinating and managing development activities,

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

and to the activities of planning, organising, presenting and communicating the content of the project. Mr Ligresti also contributed to identifying the most suitable design solutions to allow for optimum exploitation of the special features of the area;

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

- with reference to the **“City Life”** project, Mr Ligresti, according to what the Company has reported, took part in numerous meetings and workshops held throughout the entire period of 2005 to 2009, making a contribution to both coordinating and managing development activities, and identifying the most suitable design solutions to optimise the development and exploitation of the area. The consulting services were involved in the project, during both the planning application and building design stages, as well as during the inspections carried out by the various external planners;
- lastly, as far as the **“Hotel Principi di Piemonte”** project is concerned, the Company reported that Mr Ligresti made a contribution, both during the stage of identifying and planning works, and during the execution stage.

With regard to the above, the Board of Statutory Auditors asked to examine the documentation giving concrete proof of the activities carried out by the consultant.

This documentation consisted of several folders containing emails and exchanges of correspondence, in general, confirming, inter alia, the involvement of Mr Ligresti in meetings about the various building projects, reports about meetings and numerous plans for projects, as mentioned, containing handwritten notes by Mr Ligresti.

This documentation and the explanations provided by the Company do not, however, allow this Board of Statutory Auditors to evaluate the actual scope and/or the value, even from a technical standpoint, of the services rendered by Mr Ligresti and, above all, it felt that the services in question did not justify the fees paid.

For this reason it is believed to be vital that the Board of Directors piece together the activities, in greater detail, actually performed by the consultant, also asking the corporate structures, which have the necessary technical skills, and especially those which used the consulting services in question directly, to provide more information about these activities.

Lastly, note that with regard to the consultancy agreement between Fonsai and Mr Ligresti, in December 2011, the Company obtained the legal opinion of Prof. Franco Bonelli and Roberto Cera (Lawyer) whose conclusions stated that there had essentially been no violations of the law. However, it appears that the fact that the building projects for which Mr Ligresti was called upon to provide consultancy services in the interest of the Fonsai Group, certainly in two cases (the “Area Castello” project and the Lunetta dell’Isola part of the “Repubblica” project) concerned real estate transactions in which related party companies were involved, was never considered.

With regard to the consultancy agreements in question, therefore, the Board of Statutory Auditors believes it is advisable that the Board of Directors: (i) formalise the definitive termination of the consultancy agreements in question and, for the agreement in progress with

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

Progestim (now Immobiliare Lombardia) it should check whether it is in the interest of the Company to continue with the consultancy relationship; (ii) obtain a detailed report from the relevant corporate structures, to include technical aspects, concerning the consultancy activities carried out by Mr Ligresti, with specific details and a description of the technical contribution of these consultancy services; (iii) obtain a fairness opinion with regard to the sums paid by Fonsai and by Milano Assicurazioni to Mr Ligresti for the activities conducted over the course of the years, as described in the report in the previous point, in the light of market rates or those rates which reasonably apply; (iv) taking into account the outcome of the documents referred to in points (ii) and (iii) above, obtain a legal opinion concerning recourse to possible remedies to be brought.

4.2 Payments made to Codigest SpA and SoGePi Srl

4.2.1 Agreements with Codigest SpA and SoGePi Srl

In its complaint pursuant to Article 2408 of the Italian Civil Code, Amber points out that, in the period between 2008 and 2010, Fonsai paid companies related to the Ligresti family, in this case SoGePi Srl (hereinafter known as SoGePi) and Codigest SpA (hereinafter known as Codigest) approximately EUR 3.9 million.

As far as the content of existing contractual relations is concerned, the results of the investigations conducted are reported below.

Specifically, with regard to SoGePi, it should be noted that this was a company which was entrusted with the management of buildings owned by the Fonsai Group.

Specifically, eight existing agreements were discovered, five of which were signed by Immobiliare Lombarda and three by Progestim (later, as has been pointed out previously, incorporated into Immobiliare Lombarda).

According to what has been established, the appointment of SoGePi was made by Immobiliare Lombarda because the latter had previously been engaged to manage the Fonsai Group's real estate portfolio through a dedicated contract.

Following the request of the Statutory Board of Auditors, Immobiliare Lombarda pointed out that SoGePi was engaged, from 1986 onwards, to manage SAI Group properties and that, following the merger in 2002 between Fondiaria and SAI, the real estate assets of Fondiaria and Milano Assicurazioni merged into Progestim, which engaged SoGePi under separate agreements. Immobiliare Lombarda then pointed out that in these years SoGePi was engaged to handle Area di Milano properties.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

Immobiliare Lombarda did not specify the technical and/or commercial reasons behind the decision to award the mandates to SoGePi.

At the express request of the Board of Statutory Auditors, Immobiliare Lombarda described the organisational structure of SoGePi, giving account of the size of the headcount, as well as software programs and databases created on an ad hoc basis to manage problems relating to the tasks assigned to them, specifying that SoGePi is involved in the management of company and privately-owned buildings, as well as management services.

The principal did not express any judgment on the merit of the appropriateness of the organisational structure of So.Ge.Pi.

All existing contracts with SoGePi expire on 31 December 2012 and include automatic renewal for one year, unless a termination notice is sent six months prior to the expiry date (three months prior for management contract for properties owned by Fondo Portafoglio SEI). Immobiliare Lombarda disclosed that an evaluation with regard to putting out a tender for a new contract is in progress (once the existing ones have expired) or, alternatively, for the direct management in-house of the activities currently outsourced.

The agreements in question involve the management of buildings belonging to the following companies: Fonsai, Immobiliare Fondiaria SAI, Immobiliare Milano Assicurazioni, Liguria Assicurazioni, Milano Assicurazioni, SEI Fondo Portafoglio, Sintesi Seconda and Tikal R.E. Fund.

Specifically, SoGePi was engaged to perform all the activities necessary for the routine administration of the buildings, including, by way of example: managing lease agreements for real estate units; signing contracts and servicing tenants; managing and renewing deposits; paying registration fees and fulfilling all other legal formalities; monitoring expiry dates; taking care of routine maintenance; calling and taking part in shareholders' meetings; inspecting the state and condition of rented premises and their fixtures and fittings; drafting agreements with suppliers and providers of works relating to routine maintenance expenditure and works.

The annual fee set out in the contracts examined, consists of a percentage of the lease payments and ancillary charges, not including sums relating to the management of heating systems, contract registration, VAT, deposits, stamp duty, bank charges or direct debits to the tenant. This percentage varies, from one contract to another, from a minimum of 1% to a maximum of 2.5%⁴⁸.

⁴⁸ Specifically, this percentage:

- varies from 1% to 1.5% (depending on the property) for Immobiliare Milano Assicurazioni and Immobiliare Fondiaria Sai properties, with a minimum fee corresponding to the percentage shown in the contract;

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

The various agreements also include the possibility of a further fee (which varies from one contract to another) if new lease agreements for the real estate units are signed as a result of SoGePi initiatives.

The corporate structures specifically consulted quantified the sums owing to SoGePi for 2011 for administrative activities carried out to execute all eight pending contracts as standing at EUR 1,036,563.00⁴⁹.

*

Turning to **Codigest**, the corporate structures clarified that said company was engaged to perform routine maintenance works on the properties.

These works were not performed on the basis of an original agreement, rather on orders issued from time to time.

The Board of Statutory Auditors examined a sample of these orders which effectively included small maintenance jobs with values that varied from a minimum of EUR 105.00 to a maximum of EUR 5,000.00.

An order for a higher amount (EUR 39,000.00) was only discovered in one case which related to a more complicated piece of work involving alterations to the primary heating circuit of a central heating plant.

4.2.2 Compliance with the code of conduct for related party transactions

With reference to the agreements in question, it is the opinion of the Board of Statutory Auditors that the guidelines adopted by the Fonsai Group for related party transactions were not applied, given the values contained in the individual contracts, values which were below the minimum levels set out in the above-mentioned guidelines and amounting, for consultancy, service,

-
- 1.5% for Fondo “SEI – Fondo Portafoglio” properties;
 - 1.5% for Sintesi Seconda properties, with a minimum annual fee of EUR 2,500.00;
 - it varies from 2.5% to 1.5% (depending on the property) for Liguria Assicurazioni properties, with a minimum annual fee of EUR 500.00 or EUR 2,500.00 depending on the property;
 - 2.5% for Fondo “Tikal, Fonsai and Milano Assicurazioni” properties.

⁴⁹ Specifically, the total amount indicated above is distributed, according to the different ownership of the properties, as follows:

EUR 290,355.00 for the management of properties owned by Fonsai, EUR 21,572.00 for the management of properties owned by Immobiliare Fondiaria Sai; EUR 128,588.00 for the management of properties owned by Immobiliare Milano Assicurazioni Srl; EUR 3,978.00 for the management of properties owned by Liguria Assicurazioni; EUR 219,925.00 for the management of properties owned by Milano Assicurazioni; EUR 39,931.00 for the management of properties owned by SEI Fondo Portafoglio; EUR 32,146.00 for the management of properties owned by Sintesi Seconda Srl; EUR 300,059.00 for the management of properties owned by Fondo Tikal.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

outsourcing and similar contracts, to EUR 1 million (refer to paragraph 4.1.2 for a more detailed reference to the regulations in force in the various years).

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

4.2.3 The Board of Statutory Auditors' proposals

In any case, taking all of the above into consideration, the Board of Statutory Auditors believes it is advisable for the Board of Directors to: (i) ask Immobiliare Lombarda to clarify, in writing, the technical and/or commercial reasons why it engaged SoGePi to manage the property assets of the Group entrusted to Immobiliare Lombarda; (ii) ask Immobiliare Lombarda for a detailed report concerning the execution of the contracts in question, the activities actually carried out by SoGePi and the correct fulfilment, by the latter, of the contractual obligations undertaken.

4.3 Payments made to Gilli Srl and to Gilli Communication S.p.A.

4.3.1 Existing contractual relationships with Gilli Srl

This Board of Statutory Auditors requested a copy of the contracts signed with the company **Gilli Srl** (hereinafter known as Gilli) which, upon examination, revealed the following:

- in February 2008, Fonsai and Gilli signed an “*Agreement for the Gilli/Fondiarìa Sai Co-marketing project*” in conjunction with the launch of the new line of handbags for the 2008 spring/summer and 2008/2009 autumn/winter collections. This was designed to offer the public a line of “insured” handbags, i.e. covered by an insurance policy against the owner being mugged and the bag stolen, but not insuring its contents. The purpose of the agreement was really to create a promotional initiative because it was also accompanied by an advertising campaign and the Fondiarìa Sai logo was included on all the products which were part of the campaign and in the promotional material. Gilli was committed to making an investment of EUR 1,200,000.00 plus VAT in the promotion, while Fonsai was committed to contributing a one-off payment of EUR 300,000.00 plus VAT to the project. The contract ran for one year, until 31 December 2008, with no option to extend;
- in October 2008, Fonsai and Gilli signed an “*Agreement for the Gilli/Fondiarìa Sai Co-marketing project*” in conjunction with the launch of the Gilli SS09 and AW910 collections. This was designed to offer the public a line of “insured” handbags, i.e. covered by an insurance policy against the owner being mugged and the bag stolen, but not including its contents. The purpose of the agreement was really to create a promotional initiative because it was also accompanied by an advertising campaign and the Fondiarìa Sai logo was included on all the products which were part of the campaign and in the promotional material. Gilli was committed to making an investment of EUR 800,000.00 in the promotion, while Fonsai was committed to contributing a one-off

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

payment of EUR 300,000.00 plus VAT to the project. The contract ran for one year, from 1 January until 31 December 2009, with no option to extend;

- in January 2010, Fonsai and Gilli signed an “*Agreement for the Gilli/Fondiarìa Sai Co-marketing project*” in conjunction with the launch of the Gilli SS10 and AW10-11 and Gilli SS2011 and AW 2011-2012 collections. This was designed to offer the public a line of “insured” handbags, i.e. covered by an insurance policy against the owner being mugged and the bag stolen, but not including its contents. The purpose of the agreement was really to create a promotional initiative because it was also accompanied by an advertising campaign and the Fondiarìa Sai logo was included on all the products which were part of the campaign and in the promotional material. Fonsai was committed to making a one-off payment of EUR 300,000.00 plus VAT to the project every year. Unlike the two previous agreements, the contract in question did not require a minimum investment in the promotion from Gilli. The term of the contract in question was for two years from 1 January 2010 to 31 December 2011, with no option to extend.

At the express request of the Board of Statutory Auditors, the corporate structures stated that the co-marketing contracts in question had not been examined by the Fonsai Board of Directors.

Also, between 2008 and 2010, Fonsai made purchases from Gilli of diaries, leather goods and accessories which it reports were used as free gifts at conferences or for other occasions. The Board of Statutory Auditors examined a sample of these invoices.

4.3.2 Existing contractual relationships with Gilli Communication S.p.A.

With reference, on the other hand, to contractual relationships with **Gilli Communication S.p.A.** (hereinafter known as Gilli Communication), this Board of Statutory Auditors requested copies of the contracts signed. The outcome of the examination of the various contracts is described below:

- **in 2008**, the company Dialogo Assicurazioni S.p.A. (hereinafter known as Dialogo), controlled by Fonsai, engaged Gilli Communication to carry out activities involving the coordination, collaboration, monitoring and control of the national advertising campaign for the “DIALOGO” brand. The fee agreed was EUR 275,000.00 (plus VAT) and there was provision for a bonus, up to a maximum of EUR 100,000.00, plus VAT, if the contracts were executed with particular efficiency and savings were made in negotiations for advertising space. The contract was due to expire on 31 December 2008. The signing of the contract in question was approved by the Dialogo Board of Directors on 18 March 2008.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

Also in 2008, on 31 July, Fonsai engaged Gilli Communication to provide out consultancy activities, for the entire Fonsai Group, in respect of financial publicity for the years 2009/2010 for a fee of EUR 50,000.00, paying EUR 10,000.00 for services rendered in the second half of 2008.

With regard to the two contracts in question, it should be noted that the value of the services charged to Fonsai and its subsidiary Dialogo was below the levels set out by the Guidelines for the execution of related-party transactions adopted by the Fonsai Group.

- **in 2009**, Gilli Communication put itself forward as the creator and coordinator of publicity campaigns launched by Gruppo Fonsai. A framework agreement was therefore reached with Fonsai for a period of one year for the creation and coordination of promotional campaigns for the Fonsai Group. The framework agreement did not include any specific obligation by Fonsai because it was up to the Group companies which, from time to time, requested the intervention of Gilli Communication, to sign individual and separate agreements. The framework agreement in question was discussed during the Fonsai Board of Directors meeting on 18 February 2009, following the declaration by Directors Jonella, Giulia Maria and Gioacchino Paolo Ligresti of investments and holdings in the parent company of Gilli Communication. Under the scope of the framework agreement reached, Gilli Communication:
 - (i) was engaged by Fonsai to create and coordinate the advertising campaign, for the period from 3 March 2009 until 17 April 2009 (with the task therefore terminating on 31 May 2009) for the “Open Più” product. The fee agreed was EUR 75,000.00 plus VAT;
 - (ii) was engaged by Dialogo to create and coordinate the advertising campaign, for the period from 1 January 2009 until 31 December 2009 (with the task therefore terminating on 31 December 2009) for the “Dialogo InAuto” product. The fee agreed was EUR 200,000.00 plus VAT;
 - (iii) was engaged by Milano Assicurazioni to create and coordinate the advertising campaign, for the period from 20 April 2009 until 30 May 2009 (with the task therefore terminating on 31 May 2009) for the “Open Più” product. The fee agreed was EUR 25,000.00 plus VAT.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

With regard to the contracts in question, it should be noted that the value of the services charged to Fonsai and its subsidiaries Dialogo and Milano Assicurazioni was below the levels set by the Guidelines adopted by the Fonsai Group for executing related party transactions.

- **in 2010**, Gilli Communication put itself forward as the creator and coordinator of advertising campaigns launched by the Fonsai Group. A framework agreement was reached with Fonsai for a term of one year for the creation and coordination of promotional campaigns for Fonsai Group companies. The framework agreement did not include any specific obligation by Fonsai because it was up to the Group companies which, from time to time, requested the intervention of Gilli Communication, to sign individual and separate agreements. The framework agreement in question was not discussed beforehand by the Fonsai Board of Directors. The corporate structures specifically consulted pointed out that, during the course of 2010, Gilli Communication had been paid a total amount of EUR 297,600.00 plus VAT by Fonsai Group companies for coordinating advertising and promotional initiatives. In addition, on 10 April 2010, Gilli Communication was engaged by Atahotels to coordinate a national advertising campaign, until 31 December 2010, designed to promote Atahotel products, for a fee of EUR 20,000.00 plus VAT.

With reference to the payments made in the above-mentioned years to Gilli Communication, this Board of Statutory Auditors has received confirmation from the corporate structures that the amounts indicated in the letter from the shareholder Amber include the costs relating to the purchase of advertising space which Gilli Communication made on behalf of Group companies and which it later charged to them.

On the previous pages (see, in particular, paragraph 4.1.2), the Board of Statutory Auditors has provided details of the code of conduct adopted over the years by the Fonsai Group for related party transactions.

With regard to the above (including the thresholds below which the adoption of the safeguards identified by the Company were not necessary), it should be noted that, with regard to contracts agreed with Gilli, the activation of the procedure for the implementation of related party transactions was not necessary due to the fact that the value of the services charged to Fonsai (EUR 300,000.00) was below the limit set out in the Guidelines adopted by Fonsai in the years 2008 and 2010 (a limit of EUR 1 million).

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

As far as contractual relationships with Gilli Communication are concerned, in this case too it should be noted that the amount of the payments made to the above-mentioned company for the contracts described above, was below the thresholds set out in the Guidelines adopted by the Fonsai Group for the execution of related party transactions in the years between 2008 and 2010 (a limit of EUR 1 million).

4.4 Conclusions

In the light of what has been outlined here so far, this Board of Statutory Auditors observes the following.

Contractual relationships with SoGePi and with Codigest, like those undertaken with Gilli and Gilli Communication, do not appear to feature significant irregularities.

The services rendered in the contracts appeared suitable to satisfy a real and material interest of Fonsai and other Group companies: the interest in managing or maintaining Group-owned properties, or else in the launch of promotional initiatives, in coordinating publicity messages or, lastly, in the availability of goods to be used as free gifts.

The value of the individual contracts was not particularly significant and actually below the minimum figures set out in the Guidelines for the implementation of related party transactions and above the levels which required specific safeguards in the Group regulations to be activated. Moreover, it is worth pointing out that, as was the case in nearly all instances of related party transactions, the Company never sought recourse to third parties (non-related parties) for the provision of said goods or services, a situation which makes it impossible (also given the absence of a fairness opinion) for this Board of Statutory Auditors to make any evaluation regarding the fairness of the amounts paid by the Company.

To this it is necessary to add that, except in certain cases, the contracts in question were not discussed during Fonsai Board of Directors meetings so proof of the interest in the transaction of certain Directors and details of the reasons and expediency of the company in concluding the contracts in question is lacking.

With regard to this it is advisable for the Board of Directors to instigate the investigations suggested by the Board of Statutory Auditors aimed at ascertaining, among other things, and regardless of the value of the individual contracts, the reasons why recourse to other contractual counterparties was not sought, as well as the essential reasons why Immobiliare Lombarda, already engaged by Fonsai to manage Group-owned properties, decided to “subcontract” this task to the related party SoGePi.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

There should be a different discussion regarding the property consultancy agreements signed with Salvatore Ligresti.

As stated previously in paragraph 4.1., in the judgment of the Board of Statutory Auditors, the procedures set out in the code of conduct for related party transactions, including, as seen above, the approval of the Board of Directors and the acquisition of a fairness opinion, which, although optional, would have been, in the opinion of this Board of Statutory Auditors, advisable taking into consideration the value of the contracts in question, should have been implemented at the very least from the renewal in 2007.

The disapplication, in the cases under discussion, of the provisions contained in paragraphs 1 and 2 of Article 2391 of the Italian Civil Code, already mentioned in paragraph 4.1.2, was discovered. Specifically, with the exception of the Board of Directors meeting on 14 June 2005, during which the Directors belonging to the Ligresti family abstained from voting, the company management body was not called upon to approve the reasons for and advisableness of the renewal of the contracts in question and, more generally, the expediency of the Company in carrying out the transaction with the related party Mr Ligresti, nor the reason why there was no evaluation with regard to obtaining a similar consultancy service from a third party, not a related party.

In the light of the above, and also taking into consideration the significant sums paid over the course of the years to Salvatore Ligresti, as well as the fact that the documentation made available appears, to the Board of Statutory Auditors, to be insufficient to demonstrate the actual activities conducted and to justify the compensation paid, we believe that it is advisable to adopt the initiatives set out in paragraph 4.1.3, also in order to verify the value of the services rendered to the Company and to rule out any claim for compensation pertaining to Fonsai and Milano Assicurazioni.

5. COMPENSATION PAID TO DIRECTORS

5.1 Compensation paid to Company Directors

As summarised above, Amber's complaint included a table summarising the compensation paid to individual members of the Fonsai Board of Directors, both by Shareholders' Meetings, and Board Meetings pursuant to Article 2389, paragraph 3 of the Italian Civil Code, as recorded in the financial statements for the period 2008 – 2010.

With regard to these payments Amber asked this Board of Statutory Auditors to:

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

- (i) ascertain, with special regard to the financial years 2009 and 2010, the reasons why the majority of these payments was decided during Board meetings and not at Shareholders' Meetings, *“also taking into consideration the extremely poor performance of the Company over the reference period”*;
- (ii) ascertain, in general and with special reference to Directors belonging to the Ligresti family and the CEO, whether the determination of the above-mentioned payments, made in different ways to individual Directors, was actually in the interests of the Company;
- (iii) indicate whether there were *“other specific duties which, with regard to the individual Directors, justified the payments made to them by the administrative body”* specifically with regard to Directors belonging to the Ligresti family;
- (iv) indicate whether the Board of Statutory Auditors ever expressed a negative opinion regarding payments awarded to Directors invested with “special offices” and, if not, what were the reasons which led the Board of Statutory Auditors to issue a favourable opinion with regard to the decisions to make these payments;
- (v) ascertain, more generally, whether the Board of Directors and the individual Directors acted in compliance with principles of good management and due diligence, inherent in the nature of the office they held, in determining the payments due to Directors invested with special duties.

With regard to the questions summarised herein, first of all it should be noted that the overall data relating to the payments reported by Amber and taken from the information made public by the Company in the explanatory notes to the 2008, 2009 and 2010 financial statements, is data which refers not only to payments made to Fonsai Directors for tasks performed in the Company, but also includes, as is moreover pointed out in the explanatory notes, payments received by them for tasks performed in subsidiaries which, as such, come under the auspices of the corporate bodies of these companies and not those of the parent company.

That having been stated, in order to supply the clarifications requested, this Board of Statutory Auditors decided to distinguish between the amounts paid by Fonsai to its own Directors, to which the observations made by the shareholder specifically relate, and those received by some of the Directors for offices held in subsidiaries.

Specifically, the analysis which follows will primarily refer to those former amounts, as they refer to the information contained in the Fonsai consolidated financial statements and the financial statements of the individual subsidiaries with regard to the additional amounts received by the Directors for tasks carried out in the latter.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

5.2 The regulation adopted by the Company on the subject of payments to Directors in the years 2008-2010

Firstly, please note that, as far as the subject of the remuneration of Directors is concerned, Article 22 of the Fonsai's articles of association, in force in the years 2008-2010, made provision that: *“directors would receive an annual compensation set by the Shareholders' Meeting for a maximum period equal to that of the duration of their office, in addition to reimbursement of expenses incurred in the pursuit of their office.*

The Shareholders' Meeting can also award directors a stake in the profits.

The remuneration of directors invested with special responsibilities is set by the Board of Directors, having consulted the Board of Statutory Auditors.

From 27 March 2007, the Board of Directors appointed a Remuneration Committee, from within their ranks, which, inter alia, had the task of *“submitting proposals to the Board for the remuneration of executive directors and other directors with special responsibilities”.*

5.3 Payments made by Fonsai to Directors in financial year 2008

The payments made to Fonsai Directors during the course of the financial year 2008 were as follows:

- (i) as far as the office of Director and member of the Executive Committee are concerned, the compensation was set at EUR 50,000.00 gross for each office, in addition to reimbursement of expenses incurred, in compliance with what was established by the Shareholders' Meeting and by the Fonsai Board of Directors on 28 April 2006;
- (ii) as far as the members of the Remuneration Committee are concerned, the compensation was set at EUR 10,000.00 gross, as set by the Board of Directors on 27 March 2007;
- (iii) as far as the members of the Internal Control Committee are concerned, the compensation was set at EUR 10,000.00 gross per annum, as set by the Board of Directors on 28 April 2006;
- (iv) as far as the compensation for the special offices of Chair, Vice Chair and CEO is concerned, this compensation was set as follows:
 - with regard to the Chairperson, Jonella Ligresti, EUR 2,350,000.00, including compensation for the offices of Director and Member of the Executive Committee

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

- as set by the Fonsai Board of Directors on 20 June 2007, which approved the proposal submitted by the Remuneration Committee, which met on the same date, having obtained the favourable opinion of the Board of Statutory Auditors, with the parties directly involved abstaining⁵⁰;
 - as far as the CEO, Fausto Marchionni is concerned, a total of EUR 1,600,000.00, including payments made for the offices of Director and Member of the Executive Committee, as set by the Fonsai Board of Directors on 20 June 2007, which approved the proposal submitted by the Remuneration Committee⁵¹, which met on the same date, having obtained the favourable opinion of the Board of Statutory Auditors, with the parties directly involved abstaining⁵²;
 - as far as the Vice Chairs, Giulia Maria Ligresti, Antonio Talarico and Massimo Pini are concerned, a total of EUR 160,000.00, as set by the Fonsai Board of Directors on 20 June 2007, which confirmed the previous compensation, following the acquisition of the favourable opinion of the Board of Statutory Auditors with the parties directly involved abstaining;
- (v) during the course of 2008, further payments were awarded, by way of bonuses, to several Directors, for the purpose of using a percentage of the company profits for 2007, in compliance with what had been established by the Fonsai Shareholders' Meeting on 23 April 2008⁵³; specifically, the Board of Directors approved the following payments on 16 July 2008:

⁵⁰ Specifically, this compensation was awarded by the Board of Directors in consideration of the fact that: “during the course of 2006 the size of the Group increased significantly following major acquisitions in various business sectors (the acquisition of LIGURIA ASSICURAZIONI, BIPIEMME VITA, CAPITALI ASSICURAZIONI, BANCA GESFID). In this new dimensional context, the results of the Group proved to be entirely satisfactory; consolidated profit, amounting to EUR 601 million, showed an increase on a like-for-like basis (net of extraordinary items of taxation in 2005 which will not be repeated) compared with the previous financial year of approximately 10%. Premium income continued to reach satisfying levels with an overall increase of approximately 5%, to which the life division made a positive contribution with a growth rate of 13%. This last figure, in particular, is extremely significant if compared with the overall performance of the market, which conversely recorded a fall of more than 5.5% in that area. The growth in profits was driven by all company businesses: specifically, in the non-life divisions the combined ratio stood at 9.3%, a result which placed the Group at the top end of the sector for efficiency and profitability in the insurance industry”.

⁵¹ As in the case of the Chair, the compensation for the CEO was quantified by the Board by taking into consideration the results achieved by the Group in 2006; see the previous note.

⁵² Please note that then, for 2008, the CEO also received EUR 2,161,947 by way of remuneration for work in his capacity as General Manager of Fonsai.

⁵³ Please note that, in compliance with the law and the articles of association, this *modus operandi* first received a favourable opinion from Prof. Ugo Tombari, issued on 19 March 2008 and examined during the course of the Board of Directors meeting held on 26 March 2008.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

- to the Chair, Jonella Ligestri, in recognition of the positive business results achieved in the financial year 2007⁵⁴, a special one-off payment of EUR 2,000,000.00;
- to the CEO, Fausto Marchionni, in recognition of the positive business results achieved in the financial year 2007, a special one-off payment of EUR 2,000,000.00;
- to the Vice Chair, Giulia Maria Ligresti, a special one-off payment of EUR 1,000,000.00 in recognition of the work carried out “*in taking care of external relations and promoting the image of the Group, as well as the contribution made to implementing major social, cultural and charitable initiatives*”;
- to the Vice Chair, Antonio Talarico, a special one-off payment of EUR 1,000,000.00 for the work carried out in the management of the Company and Group property portfolio;
- to the Vice Chair, Massimo Pini, a special one-off payment of EUR 500,000.00 for the work carried out in executing the mandate conferred by the Board of Directors on 28 April 2004⁵⁵;
- to the Director, Gioacchino Paolo Ligresti, a special one-off payment of EUR 200,000.00 for the work carried out in the “*management of the Company and Group property portfolio as well as for the special contribution made in the achievement of positive results by the subsidiary BANCA GESFID*”.

This resolution was approved following the proposal of the Remuneration Committee, which met on the same date, and with the interested parties abstaining during the relevant votes.

During this meeting, the Board of Statutory Auditors advised that there was no need for its opinion, taking into consideration the fact that the Board had been directly invested by the Shareholders’ Meeting with the necessary powers to distribute the percentage of the profits set by the Shareholders’ Meeting to certain of its members, in application of Article 22 of the Company’s articles of association.

⁵⁴ Note that a positive result of EUR 323,070,568.41 was recorded in the financial year 2007 with regard to the Parent Company Fonsai and EUR 507 million at Group level.

⁵⁵ Specifically, during the course of this meeting the Board of Directors approved the “*awarding of a mandate to the Vice Chairman, Massimo Pini to look after institutional relations*”.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

It should also be noted that the Company had taken out all-risk insurance policies for the Directors Jonella Ligresti, Maria Giulia Ligresti, Massimo Pini and Antonio Talarico, with life and permanent disability cover, to include all direct and indirect liability⁵⁶. According to the corporate structures, the premiums relating to these policies are considered as a “non-monetary benefit” for the purpose of calculating the compensation of the above-named Directors, while the amount necessary to keep them free from the increased tax burdens resulting from these policies has been awarded to them in addition to the amount paid for their office.

5.4 Payments made to Directors during the course of the financial years 2009-2010

With regard to payments made to Fonsai Directors during the course of the financial years 2009⁵⁷ and 2010, the following should be noted:

- (i) with regard to the office of Director and member of the Executive Committee, the compensation was set at EUR 50,000.00 gross for each one, in addition to reimbursement of expenses incurred in pursuit of their office, in accordance with what was established by the Fonsai Shareholders’ Meeting which took place on 24 April 2009;
- (ii) with regard to the members of the Internal Control Committee and the Remuneration Committee, the Board of Directors also set the following on 24 April 2009:
 - o a fee of EUR 20,000.00 gross per annum for members of the Internal Control Committee;
 - o a fee of EUR 10,000.00 gross per annum for members of the Remuneration Committee;
- (iii) with regard to payments for the special offices of Chair, Vice Chair and CEO, the related compensation was established as follows:
 - o a gross annual payment was awarded to the Chair, Jonella Ligresti, including compensation due for the office of Director and for being a member of the Executive Committee, amounting to EUR 2,350,000.00;

⁵⁶ Specifically, on 12 September 2001, the SAI S.p.A. Board of Directors approved, with the interested parties abstaining from the relevant votes, and having obtained the favourable opinion of the Board of Statutory Auditors, the Company taking out three insurance policies with life and permanent disability cover. “to include all related direct and indirect liabilities, including those of a fiscal nature, for the Chair, the Vice Chair and the CEO for the duration of their office” (At the time the above-mentioned offices were held, respectively by the Directors Jonella Ligresti, Antonio Talarico and Carlo Ciani).

Later on, on 17 December 2003, the Fonsai Board of Directors also approved, with the abstention of the interested parties and with the favourable opinion of the Board of Statutory Auditors, the insurance cover for the Vice Chairs Giulia Maria Ligresti and Massimo Pini, taking out two further insurance policies for the latter.

⁵⁷ In this regard, please note that, as far as the months in the financial year 2009 prior to the resolutions listed below are concerned, please refer to the compensation set for 2008.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

- to the CEO, Dr Fausto Marchionni, a gross annual payment, including compensation due to him for the office of Director and for being a member of the Executive Committee, amounting to EUR 1,600,000.00⁵⁸;
- to the Vice Chairs, Giulia Maria Ligresti, Antonio Talarico and Massimo Pini, a gross annual payment, including compensation due to them for the offices of Director and for being members of the Executive Committee, amounting to EUR 260,000.

It should be pointed out that the resolution was approved by the Fonsai Board of Directors on 17 June 2009.

At this meeting, specifically, the Board of Directors accepted the proposal formulated by the Remuneration Committee, which met on 15 June 2009⁵⁹: (i) not to award bonuses to the Directors with special responsibilities, taking into consideration the results of the financial year 2008; (ii) to set the remuneration of the directors with special responsibilities in line with what was awarded in previous years.

The resolution was approved with the favourable opinion of the Board of Statutory Auditors and with the abstention, at the appropriate times, of the interested parties.

No additional remuneration by way of a bonus was awarded either for the year 2010.

Lastly, as far as the Directors Jonella Ligresti, Maria Giulia Ligresti, Massimo Pini and Antonio Talarico are concerned, compensation for the 2009 and 2010 includes the payment by the Company of the premiums for the insurance policies mentioned in the previous paragraph (under the item “non-monetary benefits”) and increases in fees to cover the indirect tax burdens resulting from the above-mentioned policies, as referred to by the corporate structures.

⁵⁸ In addition, for 2009, Prof. Marchionni received the amount of EUR 1,520,866 and for 2010 he received EUR 2,964,018 (the latter figure included a one-off amount of EUR 740,000, awarded through a letter from the Chair of the Company on 14 January 2010) by way of remuneration for work done in the office of General Manager. The Board of Statutory Auditors has seen the letter in question which failed to explain the reasons why the Chairman decided to make the one-off payment in question.

⁵⁹ Also please note that the Remuneration Committee proposed that payments to Directors with special responsibilities should be awarded on an annual basis.

The minutes of the Board of Directors meeting of 17 June 2009, conversely reports the awarding of compensation on an annual basis “*until the Shareholders’ Meeting for the approval of the financial statements as at 31 December 2009*”.

When challenged about this issue, the corporate structures explained that the aforementioned statement was simply due to a misprint in the minutes, such compensation being understood to have been awarded for the entire term of office, as proposed by the aforementioned Remuneration Committee.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

5.5 Conclusions

Taking the above into consideration, this Board of Statutory Auditors has reached the following conclusions.

As seen above, the overall amount of the compensation paid to the management body was set by the Company Shareholders' Meeting, while the Board of Directors only distributed the above-mentioned compensation internally.

The Board of Directors has then, in compliance with the powers awarded to it by the Company's articles of association and in law, approved the special compensation awarded to Directors with special responsibilities, in the amounts indicated above.

These resolutions were always approved with the Directors involved abstaining from the vote and the reasons for the special awards were always justified. With regard to these management body resolutions, there is nothing to justify a contrary opinion to that of the supervisory body.

Lastly, with reference to the bonuses awarded in 2008, please note that the overall amount of these bonuses was decided directly by the Shareholders' Meeting (with the Board of Directors only responsible for the internal distribution of the above-mentioned overall amount), a situation which did not require the opinion of the supervisory body.

Lastly, it should be remembered that, taking into consideration the change for the worse in the company's results for the financial years 2009 and 2010, no bonuses were awarded in those years, a situation which explains the significant reduction in the overall compensation received by Directors with special responsibility in the two-year period in question.

In the light of the above, in the opinion of the Board of Statutory Auditors, the statutory and legal recommendations were complied with when approving Directors' compensation.

The Board of Statutory Auditors is also obliged to stress that, with reference to the compensation paid to Prof. Fausto Marchionni as General Manager, the letter of 14 January 2010 from the Chairman of the Company awarding him a one-off payment of EUR 740,000.00 did not explain the reasons for this award.

The Board of Statutory Auditors therefore believes that the Chairman of the Company should clarify the reasons behind this award, also taking into consideration the Company's results for 2009.

6. THE NEW SAFEGUARDS ADOPTED BY FONSAI FROM 2010 ONWARDS FOR THE EXECUTION OF RELATED PARTY TRANSACTIONS

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

6.1 At the end of the above analysis, there is an obligation to give an account of the actions which the Company has already felt it advisable to take with regard to its corporate governance structure in order to eliminate criticalities, especially with regard to related party transactions. Specifically, during the meeting held on 21 July 2011, the Fonsai Board of Directors approved the establishment of a dedicated organisational unit known as the “*Intergroup Activities Unit*”, reporting to the CEO and charged with evaluating the methods for fulfilling requirements on the subject of related party transactions, reserving the right to duly define these tasks and appoint a head.

At the next meeting on 2 August 2011, the Fonsai Board of Directors then proceeded to appoint the head of the Intergroup Activities Unit, to whom it assigned the following tasks, among others:

1. guaranteeing adequate education about related party transactions, ensuring that the approval route is in line with the code of conduct for significant transactions and procedures for related party transactions, as well as with the guidelines for intergroup operations;
2. ensuring that investigations into transactions take all aspects of the internal regulations into consideration, specifically:
 - the motivation and the interest of the Company in the transaction;
 - the strategic and business value;
3. ensuring that all departments responsible for the assessment of the underlying risks of the transaction and the related impacts are involved in the investigation activities, also in terms of current and prospective liquidity requirements;
4. monitoring the related party transactions execution stage, including payment terms, checking that the procedural steps defined by the procedures adopted and those which may be established during the approval stage are correctly implemented;
5. monitoring the risk of conflict of interest for the Company, with special reference to the following aspects:
 - definition of qualitative and quantitative characteristics which denote the “uncommon” terms of the transactions;
 - identification of transactions, which due to their nature, scale and characteristics should be concluded with the help of independent experts;
 - definition of procedures for identifying the businesses to entrust with carrying out works in the real estate sector;

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

- choosing the independent experts to engage based on objective criteria which guarantee impartiality;
- identifying criteria for defining the content of the tasks entrusted to independent experts.

The Intergroup Activities Unit has also been assigned the task of supporting the Internal Control Committee, the Remuneration Committee and the Board of Statutory Auditors, each within their respective remits, with reference to the tasks assigned to it with regard to related party transactions.

6.2 The second significant measure implemented by the Company on the subject has been the introduction of a new code of conduct for related party transactions, in compliance with the recommendations of Consob resolution no. 17221/2010, adopted by Fonsai on 30 November 2010, and later revised on 23 December 2011.

Consider, specifically, that, following the adoption of this code (for ease of explanation, we only refer to the most up to date provisions, in other words those adopted on 23 December 2011) significant new features were introduced from the point of view of the management of related party transactions in comparison with the arrangements in force until 31 December 2010; specifically, the following were introduced:

- (i) the right of exclusive and pre-emptive⁶⁰ jurisdiction for the Board of Directors or the Shareholders' Meeting with regard to all related party transactions, of greater or lesser importance;
- (ii) the need, as far as related party transactions of greater importance are concerned, to obtain the binding reasoned opinion of a Committee of Independent Directors, in advance, also tasked with evaluating the substantive fairness⁶¹ of the transaction;
- (iii) the need, as far as related party transaction of lesser importance are concerned, to obtain the non-binding reasoned opinion of the Internal Control Committee (or, in certain cases, the Remuneration Committee), in advance, also tasked with evaluating the substantive fairness of the transaction⁶²;

⁶⁰ It should be remembered that the code of conduct in force until 31 December 2010, on the other hand, stated that the resolution of the Board of Directors should take place *"as a rule, in advance"*.

⁶¹ Where, according to the code of conduct in force until 31 December 2010 the Internal Control Committee was only responsible for checking the procedural correctness of these transactions.

⁶² For cases where a related party transaction was conducted even in the presence of a negative opinion from the Internal Control Committee or the Remuneration Committee (or alternative safeguards set out in Article 7), Article 7.3 makes provision that *"in the fifteen days after the end of the quarter in which the transaction took place, a document should be made available to the public, in accordance with the methods indicated in the Regulations, containing details of the counterparty, the subject and the fee for the transaction, in addition to the reasons for failing to share*

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

- (iv) the General and Company Secretary, with the support of the functions involved, should map out the Company's Related Parties, based on the existing information available or that supplied by the Company including “*persons who directly or indirectly control FONDIARIA – SAI, management with strategic responsibilities in companies which control FONDIARIA – SAI as well as the the persons referred to in Article 114, paragraph five of the TUF (Consolidated Finance Act)*” who, through the General and Company Secretary, are obliged to notify the Company of the information needed to guarantee the application of the principles under discussion, specifically, the identification of direct and indirect related parties;
- (v) the introduction of a **related party transactions register**, which allows for the accounting and financial aspects inherent to related party transactions to be reconciled with aspects of an informational nature for the competent corporate bodies;
- (vi) that the newly-formed Intergroup Activities Unit (see previous paragraph) be notified **in advance** of any related party transaction, even of a small amount, and that this unit should also be responsible for updating the register of related party transactions by entering the transactions of which it has been informed by the various corporate departments;
- (vii) the storage, by the General and Company Secretary, of the documents relating to strategic significance of the transaction, its economic/financial aspects, legal and fiscal profiles, a description of the nature of the relationship, the interest of the company in its completion, any uncommon profiles, any legal and fairness opinions obtained, in addition to the function responsible, by the Intergroup Activities Unit.

Also please note that, under the provisions of Article 15 of the above-mentioned code, the Board of Directors will, on a quarterly basis at least, examine and, where deemed necessary, revise the procedures described above, with regard “*to any changes in the ownership structure and to the efficiency demonstrated by the practical application of the procedures*”.

The decision of the Board of Directors to proceed or not proceed with revising the procedures should be preceded by a reasoned and non-binding opinion from a dedicated committee, possibly already in existence, comprising at least two independent directors.

When the work carried out has been completed, the Board of Statutory Auditors also intends to point out the following.

the opinion of the Internal Control Committee or the Remuneration Committee (or the alternative safeguards)”. These opinions are published on the Company website.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

The number of observations made by the shareholder Amber and the particular complexity and duration of the transactions in question, have required an extremely large number of documents to be examined.

For this reason, the Board of Statutory Auditors believes it is advisable, on the one hand, to look into the facts contained in this report in greater depth and, on the other hand, to extend the enquiries to other transactions conducted by Fonsai and/or other Group companies with regard to which other similar irregularities to those which were highlighted in the previous paragraphs may come to light.

Lastly, the Board of Statutory Auditors invites the Board of Directors, under the scope of its powers, to assess whether this report needs to be made known to the market, pursuant to Article 114 of Legislative Decree no. 58/1998 and, if not, to notify the Board of Statutory Auditors as to the reasons why.

Enclosed: 1) copy of the complaint pursuant to Article 2408 of the Italian Civil Code sent by the shareholder Amber.

Milan, 16 March 2012

The Board of Statutory Auditors of Fondiaria Sai SpA

Benito Marino
(signatures)

Marco Spadacini
(signatures)

Antonio D'Ambrosio
(signatures)

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

Milan, 17 October 2011

For the attention of:

**Board of Statutory Auditors
of Fondiaria-Sai S.p.A.
Represented by the Chairman
Benito Giovanni Marino**
c/o Fondiaria SAI S.p.A.
Corso Galileo Galilei 12
10126 Turin

Sent in advance by fax: 02/76000720

Sent in advance by email: marinost@tin.it

Subject: complaint pursuant to Article 2408 of the Italian Civil Code

The undersigned Amber Capital LP, in its capacity as manager of the Amber Global Opportunities Master Fund Ltd., shareholder of the company Fondiaria-Sai S.p.A. (hereinafter known as “Fondiaria”), hereby

REPORTS

to this Board of Statutory Auditors the reprehensible acts illustrated below, asking the Board, also pursuant to Article 2408, paragraph 2 of the Italian Civil Code, where applicable, to carry out all the necessary enquiries, promptly and without delay, in order to ascertain the validity of the grounds for this complaint.

Atahotels

On 30 December 2008, the reason for the purchase of Atahotels was announced as *“the opportunity to continue the policy of hotel real estate development pursued for some time by the FonSai Group”*. The purchase was announced for a price of EUR 30 million, plus a forecasted earn out for the vendors, which would be paid to the Ligresti family. The same press release indicated that the Atahotels Group planned *“to close the 2008 financial year with a stable turnover of approximately EUR 120 million, a financial result essentially at parity (a loss of approximately EUR 1 million) and shareholders’ equity of approximately EUR 30 million.*

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

However, the loss in 2008 was decidedly higher and stood at EUR 5.64 million (a figure which was not disclosed in the subsequent Fondiaria press release in May 2009 in which the purchase was announced).

From reading the Atahotels financial statements as at 31 December 2008, it would appear that in March 2008 the Atahotels Supervisory Board had already authorised the relevant Management Board to request a capital increase, in the light of the investments in progress, within the limits authorised by the articles of association (in other words, between EUR 20 and 40 million), or, alternatively, to seek the necessary financial resources on the banking market. The Management Board, in addition to obtaining bank loans, therefore approved and called for an initial capital increase of between EUR 20 and 28 million; on 17 December it then approved a second capital increase of between EUR 28 and 40 million, to be implemented by 15 October 2009.

In 2009, shortly after the completion of the purchase of Atahotels by Fondiaria-Sai, it became necessary to reduce the share capital of Atahotels (on account of losses standing at more than one third of the share capital) and proceed with a capital increase of EUR 12 million, in other words the same amount which had already been approved in December 2008 by the Company's Management Board when the capital of Atahotels was held by the previous shareholders without, however, this capital increase having taken place.

Atahotel losses in 2009 amounted to EUR 27.3 million and, in 2010, Atahotels recorded a loss of approximately EUR 52 million resulting in a write-down of the equity investment of approximately EUR 25.5 million, recorded in the 2010 Fondiaria financial statements. Shareholders' equity at the end of 2010 was negative by EUR 11 million. During the course of 2010, a new recapitalisation operation of approximately EUR 30 million was needed (of which EUR 15 million came from Fondiaria and EUR 15 million from Milano Assicurazioni).

In the first quarter of 2011, the result was negative by EUR 9 million. Another recapitalisation operation became necessary in 2011 for EUR 26 million (EUR 13 million of which came from Fondiaria and EUR 13 million from Milano Assicurazioni). The information document relating to the capital increase disclosed that there were plans to make one payment to Atahotels, from the shareholders, of EUR 10 million, by the end of June and another payment of EUR 10 million to be made by the end of 2011.

It appears obvious that the purchase of Atahotels featured financial and capital results which were dramatically different from those put forward in the first press release of 30 December 2008 and that the considerable financial requirements of Atahotels, not disclosed in the press release or anywhere else, were already known to the vendors at the time of the sale.

Moreover, it appears evident that the characteristics of Atahotels and the effective nature of the transaction which took place must have been known to the Directors of Fondiaria or, at least, to some of them, given that the entire share capital of Atahotels was transferred to Fondiaria-Sai by the companies Sinergia

Holding di Partecipazioni and Raggruppamento Finanziario, both of which can be traced back to the Ligresti family.

It is reprehensible that the Fondiaria Board of Directors approved the purchase of Atahotels under terms that proved to be entirely inconsistent with the actual financial and operating position of the company purchased, just as the situation whereby several of the Directors, aware of the effective nature and content of the transaction, concealed these facts from the other members of the Board of Directors would also be reprehensible.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

(Illegible)

This Board of Statutory Auditors should ascertain:

- **whether the process of purchasing Atahotels includes, as it would appear, the concealment of information of primary importance for the purpose of taking the decision to purchase Atahotels and in determining the price of the purchase or, whether, with all the information available to it, the Fondiaria administrative body decided to make the investment anyway, in spite of the negative economic performance and onerous financial requirements;**
- **whether all the necessary enquiries and standard evaluations relating to a transaction of this nature were conducted before proceeding with the purchase of Atahotels. In this respect, as far as is known by the author of this complaint, the consolidated financial statements as at 31 December 2009 indicated that dedicated fairness and legal opinions were issued to help determine the purchase price of Atahotels. We would, therefore, ask this Board of Statutory Auditors to verify whether the information reported above (at least the information made public in the Atahotels financial statements) was considered by the Board of Directors for the purpose of deciding to invest and whether it was scrutinised by professionals involved in the preparation of fairness and legal opinions”;**
- **whether the resolutions approved by the administrative body and the actions carried out by the delegated bodies with regard to the transaction described above were compliant with the regulations relating to Directors’ interests and, if that is the case, what were the reasons given in the Board resolutions in support of the transaction in question and, specifically, the expediency for Fondiaria-Sai in concluding the transaction;**
- **whether the regulations on related party transactions were respected;**
- **whether the purchase of Atahotels, which clearly placed several of the Company Directors in a situation where there was a conflict of interest, gave rise to the creation of an unfair profit, or a lack of losses for the Directors or persons related to them as well as from the related creation of a financial loss by the Company;**
- **more generally, whether the Board of Directors and the individual Directors have acted, in the purchase of Atahotels, in the exclusive interest of the Company, in accordance with the principles of good management and due diligence.**

The Annual Report on the Atahotels 2009 financial statements states that, under the scope of contracts between Atahotels and Fondiaria, two properties leased by Atahotels are owned directly by Fondiaria (Principi di Piemonte and Naxos Beach); other properties are owned by companies and run and managed by Fondiaria:

- properties owned by the real estate fund Tikal R.E. Fund, managed by Sai investimenti sgr (The Big Residence, Contessa Jolanda Residence, Contessa Jolanda Executive Center, Expo Fiera, Linea Uno Residence, Quark Due);
- properties owned by the real estate fund Athens R.E. Fund, managed by Sai investimenti sgr (Hotel Capotaormina, Hotel di Petriolo);

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

- properties owned by Meridiano Risparmio S.p.A., incorporated into Fondiaria (Grand Hotel Fieramilano and Varese Business & Resort).

Atahotels is also the lessee, under a company lease scheme, of the Golf Hotel in Madonna di Campiglio, owned by Campo Carlo Magno S.p.A.

The 2010 financial statements showed that the overall amount of lease payments and ancillary expenses accounted for 32.7% of revenue, with the exception of the most recent facilities for which the percentage was more like 40% (Expo Fiera) and 60% (The Big di Varese). On adding the capital lease obligations for fixtures and fittings for Varese and Petriolo (EUR 1.5 million) and amortisation and depreciation (EUR 12.4 million), the percentage increases to 45%. The same report states that “the average for the industry stands at much more modest levels”.

It is reprehensible that transactions were conducted with a subsidiary under terms such as to alter the effective financial results of Fondiaria.

The Board of Statutory Auditors needs to ascertain:

- **the reasons why Fondiaria offered Atahotels higher than average rental terms as shown in the Atahotels financial statements as at 31 December 2010;**
- **what criteria were used to determine these rental terms;**
- **whether there are irregularities in these charges and/or in the other charges made by Fondiaria to Atahotels;**
- **what would the effect be on the Fondiaria financial statements of leasing the above-mentioned properties to Atahotels (or another tenant) under terms in line with the “average for the industry”;**
- **what are the consequences for Fondiaria of these rental agreements which are not in line with market conditions and in what way have they affected the value of Fondiaria properties;**
- **whether improper charges were made by Atahotels to Fondiaria or charges extraneous to Fondiaria’s corporate purposes;**
- **more generally, whether the Board of Directors and the individual Directors acted in accordance with the principles of good management and due diligence inherent in the nature of the office they held, in defining the terms of contracts regulating relations with the subsidiary Atahotels.**

Real estate transactions with related parties

Please note that the prospectus for the offering of Fondiaria ordinary shares and savings shares through the capital increase approved by the Board of Directors on 14 May 2011, shows that there were numerous transactions, primarily of a real estate nature, established with related parties (inasmuch as they could be traced, directly or indirectly, to members of the Ligresti family who also held offices within the Company), including, specifically, the companies Immobiliare Costruzioni IM.CO. 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 (see page 300 onwards).

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

In the last three financial years, the following was recorded, respectively, with regard to relations with related parties:

- Income of EUR 116.5 million in 2010, EUR 32.4 million in 2009 and EUR 30.6 million in 2008;
- Expenses of EUR 152.2 million in 2010; EUR 146.1 million in 2009 and EUR 115.6 million in 2008.

Examination of the nature of the underlying transactions, simply as already described from page 305 onwards in the prospectus, makes it impossible to share the assumption that “*the foregoing transactions were all concluded under normal market conditions*” (see pages 302 and 310 of the prospectus).

The prospectus refers to the following real estate transactions:

- Real estate project in Via Fiorentini, Rome;
- Real estate project in Via Confalonieri, Via de Castillia (Lunetta dell’Isola), Milan;
- Marina Porto di Loano project;
- S.Pancrazio Parmense project;
- Area Castello project;
- Meridiano Secondo project.

Details are also given on page 324 of plans for a real estate project in Via Lancetti, Milan.

In almost all of the transactions listed above the same “operating schedule” was used which included:

- the sale by Fondiaria (or by a subsidiary which it managed and coordinated, often Milano Assicurazioni) of a building plot to one of the above-mentioned companies (qualified as related parties);
- the purchase by Fondiaria (or by a subsidiary) of the building complex which the company acquiring the building plot had constructed on the land which had been sold previously;
- the payment of a down payment on the purchase price for the building complex, higher than the price paid by the above-mentioned companies (qualified as related parties) to the vendor company to purchase the building plot;
- changes made to the real estate projects during the course of the work, close to the date of the handover of the building complexes; these changes would have the stated aim of “*bringing the future asset more into line with the current market*” (see page 305 of the prospectus) or of “*greatly increasing the value of the actual complex*” (see page 324 of the prospectus), but they always had the effect of increasing the purchase price of the building under construction and delaying the delivery deadline, in some cases indefinitely.

Further specific irregularities can be noted for each of the above-mentioned real estate transactions:

- a) Real estate project in Via Fiorentini, Rome: in addition to what has been described on pages 305 and 318 of the prospectus, please note that the 2007 consolidated financial statements (see page 397) state the following: “*During the course of the works the parties agreed to make certain changes to the original building project, aimed at increasing the value of the complex. These changes led to the completion times of the buildings being extended which, based on the preliminary sales agreement, should have been handed over by 31 December*”

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

2006. *The parties therefore agreed to extend the delivery deadline until 31 December 2008 and to review the price, if necessary, subject to the possibility of bringing forward the sale of one of the three buildings included in the project*". This statement appeared again the 2008 consolidated financial statements (see page 363), with the forecast delivery at 31.12.2008, however, omitted.

In the 2009 consolidated financial statements (see page 363) it is explained that, down payments totalling EUR 103 million were paid for this project (with the original price being estimated at EUR 96 million) and that *"during the course of the month of August 2009, an additional deed was signed with the counterparty, to make improvements to the building complex under construction, which involved a price addendum of EUR 13.8 million plus VAT"*. In consideration of the nature of this additional agreement there was a vague reference to obtaining *"dedicated fairness and legal opinions"* (as it is stated would have also taken place for the original agreement): no delivery deadline was given this time.

- b) Real estate project "Lunetta dell'Isola", Milan: in the prospectus (see page 305) it states that, during the course of 2011, Milano Assicurazioni and IM.CO. S.p.A. reached an agreement (which does not appear to be supported by *"dedicated fairness and legal opinions"*) to review the original project (deferring the delivery until the end of 2012) and adjust the price of the building setting it at EUR 99.0 million in total.

However, in the 2005 consolidated financial statements (see page 94) it states that *"the purchase of the finished building took place at a prearranged, fixed price of EUR 93,700,000"* believed to be reasonable according to a fairness opinion produced by Kpmg Advisory S.p.A. Corporate Finance, and that the contract included all the recommendations contained in the legal opinion produced by the Ashurst Law Firm.

In addition to this anomaly, it should also be noted that, according to what can be learnt from the 2006 consolidated financial statements (see page 359), before the necessary building permits were issued, payments totalling EUR 28 million were made on account to IM.CO. S.p.A.: it is advisable to remember that the land was sold at a price of EUR 28.8 million (see page 94 of the 2005 consolidated financial statements).

- c) "Marina Porto di Loano" real estate project: Neither the 2009 nor the 2008 nor the 2007 financial statements give any information about relations with related parties or, under the scope of the financial statements, sums paid to Marcora *Costruzioni*, and to other companies that can be traced back to the Ligresti family (Sepi 97, IMCO, ICEIN), under the scope of the project. And yet, in the 2010 financial statements it states that the EUR 88.7 million of payments on account refer both to what was paid in the year 2010 and in previous financial years. We learn about the project for the first time in the 2005 consolidated financial statements (see pages 88 and 217) where it is disclosed that at the end of 2005 the payments on account came to approximately EUR 35 million (but with no indication of the recipient of these payments on account). The absence of any details whatsoever in this regard is repeated in the 2006 consolidated financial statements (see page 263) from which it can only be deduced that the "so-called off-shore" works had come to an end and that the land-based works were to commence and that the payments on account already made came to a total of EUR 43.5 million.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

The 2007 consolidated financial statements (see page 103) showed that the works continued and involved expenditure of approximately EUR 4.5 million. The 2008 consolidated financial statements (see page 94) showed that the works had been completed during the course of the year at a cost of approximately EUR 28 million. Lastly, the 2009 consolidated financial statements (see pages 250 and 252) show that the overall costs relating to the Porto di Loano extension works up until the end of 2009 totalled EUR 84.37 million (and therefore from this it can be deduced that a further EUR 8.37 million was paid in 2009).

(Illegible)

- d) Real estate project in San Pancrazio Parmense: on page 305 of the prospectus it states that, until 2011, the subsidiary *Immobiliare Fondiaria-Sai S.r.l.*, which was only set up in 2009 as a spin off from *Immobiliare Lombarda S.p.A.* (see pages 78 and 228, of the 2009 consolidated financial statements), made payments on account to *IM.CO. S.p.A.* of approximately EUR 23.2 million “*for off-plan purchasing*”, with a remaining commitment of approximately EUR 4.9 million. The same document reveals that the site has been in existence since at least 2006, but in spite of the sum already paid on account, the consolidated financial statements for the years 2006 onwards reveal nothing about this project. In addition, in view of the large amount paid on account, there is no estimated delivery date for the hotel complex.
- e) “Area Castello” real estate project in Florence: from reading the prospectus (see page 311) it is possible to learn of the existence of “*EUR 8 million paid on account, in previous financial years, by the subsidiary Nuove Iniziative Toscane S.r.l. to the company Eurprogetti S.r.l. for design works in Area Castello (FI)*”. This information would appear to differ from what was stated in previous financial statements. In fact, it is interesting to note that while the 2007 consolidated financial statements (see page 398) stated that “*EUR 15 million was paid by the subsidiary Nuove Iniziative Toscane S.r.l. to Eurprogetti S.r.l.*”, the 2008 consolidated financial statements (see page 363) state that “*EUR 10 million was paid on account by the subsidiary Nuove Iniziative Toscane S.r.l. to the company Eurprogetti S.r.l. for future design works in the Area Castello (FI)*”. This figure changes yet again in the 2009 consolidated financial statements (see page 363) where it states that “*EUR 8 million was paid on account, in previous financial years, by the subsidiary Nuove Iniziative Toscane S.r.l. to the company Eurprogetti S.r.l. for design works in Area Castello (FI)*”. No explanation is given for the variations in these figures. Lastly, it should be stressed that, on examining the 2009 and 2010 consolidated financial statements, it does not appear that the Company opposed the sequestration order taken out on 26 November 2008, nor are any details given of the reasons behind this decision.
- f) Real estate project in Via Lancetti, Milan: the 2003 consolidated financial statements (see page 473) state that “*the transaction was for the sale of the land to the company IM.CO. S.p.A. for EUR 9,600 thousand and the purchase, from IM.CO. of the finished building complex, to be built by said company, at a price of EUR 36,400 thousand*”. From this document it can also be learnt that the payment on account made to *IM.CO.*, also in 2003,

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

for the purchase of the building complex, amounted to EUR 10,920,000.00 (more than IM.CO. paid for the purchase of the land).

This project is mentioned in the consolidated financial statements of 2004, 2006 and 2007 (but not in 2005). From the 2007 consolidated financial statements (see page 397) we learn that the total payments on account amounted to EUR 40 million. This same document also states that: *The parties are currently drafting agreements for the changes required to the 2003 off-plan sale contract, in relation to the purpose and price of the contract, in consideration of the higher real estate value that Milano Assicurazioni will achieve as a result of these alterations, as also shown by the valuations produced by Scenari Immobiliari. In the meantime, on 31 October 2007, the parties agreed to the sale of the two structures making up the “connecting bodies”, at a price of EUR 6 million, in view of their market value, set by the expert, Scenari Immobiliari, at EUR 8 million”.*

The 2008 consolidated financial statements (see page 363) state that the building was completed during the course of 2008 and that its total cost reached EUR 48 million (compared with the EUR 36.4 million originally forecast) (including the price of the “connecting structures” mentioned) and that EUR 8 million was paid on account during the year for improvement works to the building constructed by IM.CO. S.p.A. in the Via Lancetti area of Milan, already owned by Milano Assicurazioni.

In addition, although the building in question was only handed over in 2008, from reading the prospectus (see page 304) we learn that in early 2011, invoices worth EUR 10.8 million were paid to IM.CO. also in relation to works carried out on the building in Via Lancetti, but there is no analytical evidence of such works. This amount should be added to the EUR 0.9 million paid in 2010 (see page 365 of the 2010 consolidated financial statements) also for works on the same building.

In consideration of all the anomalies illustrated hitherto, the consistent and substantial imbalance between services and counterservices in the execution of related party transactions cannot be justified in any way and we maintain that they should be censured.

The Board of Statutory Auditors should ascertain:

- **whether, with regard to the above-mentioned real estate transactions or other real estate transactions conducted by the Company, or via subsidiaries managed and run by it, the fairness of selecting the above-mentioned related parties rather than other alternative possible counterparties was ever evaluated;**
- **whether similar transactions with third parties were conducted under the same terms and conditions as those referred to above, which always featured increases in the economic terms agreed initially as well as financial flows which, de facto, allowed the purchaser of the building plot to finance the purchase with sums paid by Fondiaria or by one of its subsidiaries (managed and coordinated by it) on account for the purchase of the building to be constructed in the future on the building plot which was sold;**
- **whether the construction costs in the transactions referred to above, as well as in any further similar transactions, are consistent with the construction costs, for example in the tables published by the Chambers of Commerce of the Municipalities in which the real estate transactions took place;**

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

- whether the resolutions approved by the administrative body and the actions taken on behalf of the delegated bodies with regard to the transactions referred to above comply with regulations governing Directors' interests and, if so, the appropriateness of the reasons given in the Board resolutions supporting the transactions in question and, specifically, the expediency for Fondiaria in concluding the actual transactions;
 - whether the rules relating to related party transactions were respected;
 - whether the deeds of sale for the building plots, which clearly placed some of the Company Directors in a conflict of interest situation, led to the creation of an unfair profit, or lack of losses for Directors or persons related to them as well as from the related creation of a financial loss by the Company;
-
- more generally, whether the Board of Directors and the individual Directors acted in accordance with the principles of good management and due diligence inherent in the nature of the office they held with regard to the real estate transactions referred to above.

In addition, this Statutory Board of Auditors should ascertain:

- whether, with reference to the above-mentioned real estate transactions, the Company still has existing obligations that require further disbursements and, if so, the amounts outstanding for the remaining obligations for each of the projects mentioned and the nature of the counterparties involved;
- whether there are penalty clauses in the contracts with related parties for the late delivery of properties under construction which are subject to purchase;
- whether the Board of Directors has asked for the due fulfilment of obligations related to the individual building projects with special reference to the delivery dates about which there appears to be no information in the financial statements;
- whether, with reference to the above-mentioned real estate transactions, the contracts with the construction counterparties have been agreed in accordance with the terms and conditions that prevail on the market between independent parties;
- whether, with reference to the Area Castello project and the provisions of the Judiciary Authorities, the Company has undertaken (or at least evaluated the undertaking of) the most suitable initiatives in order to protect the interests of, as well as prevent further damage to, Fondiaria and its shareholders;
- whether, with reference to the above-mentioned San Pancrazio Parmense project, the contracts were agreed under standard economic and contractual terms, in line with market practice and whether the necessary feasibility studies and assessments of the benefits for the Company were carried out in advance, as well as whether the impediments led to the expediency of continuing with the transaction being reconsidered;

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

- **what practical initiatives were undertaken by the Board of Directors, in view of the failure or the impossibility of delivering the buildings, in order to safeguard the interests of the Company, including compensation for damage suffered.**

Payments for real estate consultancy services made to Salvatore Ligresti and to companies which can be traced back to the Ligresti family and payments made to the companies Gilli Communication srl and Gilli srl

The information contained in the prospectus for the Fondiaria SAI capital increase, shows that, in the period 2008-2010, Salvatore Ligresti received payments for technical/real estate consultancy services amounting to EUR 20.6 million (EUR 6.7 million in 2008; EUR 8.7 million in 2009; EUR 5.2 million in 2010).

Still for “technical/real estate” consultancy services, the Ligresti family received payments, in the same period, totalling a further EUR 3.9 million (EUR 1.3 million was paid in 2008 to SoGePi S.r.l. and EUR 600,000 to Codigest S.p.A.; EUR 1.3 million was paid in 2009 to SoGePi and EUR 400,000 to Codigest; EUR 200,000 was paid in 2010 to Codigest and EUR 100,000 to SoGePi).

(Illegible)

In 2010, Gilli Communication was paid EUR 3.2 million for the design and implementation of the advertising campaign for the telephone company Dialogo Assicurazioni (which should be added to the EUR 4.8 million in 2009 and the EUR 1.2 million in 2008).

In addition, in 2010, EUR 400,000 was paid to Gilli S.r.l. (a company which makes high-fashion handbags and accessories) for marketing services and the purchase of free gifts which should be added to the EUR 500,000 paid in 2009. Another EUR 400,000 was paid to Gilli during the first quarter of 2011 “for marketing services and the purchase of free gifts”.

The continued recourse by a listed company to related parties, which do not come under the scope of consolidation, for the purchase of goods and services is astounding and censurable.

With regard to all the consultancy services and purchases of goods summarised briefly above, the Board of Statutory Auditors should:

- **verify whether the regulations on the subject of Directors’ interests have been respected;**
- **verify, with regard to the various purchases of goods and services, whether the reasons behind, and the economic benefits of, these transactions for the Company, were justified;**
- **ascertain whether offers from third parties were evaluated and, specifically, those from parties other than related parties;**
- **ascertain whether services were actually rendered and goods actually delivered to the Company whose value was equal to that paid by the Company to the persons mentioned above;**
- **ascertain whether the payment terms and conditions of the persons indicated above were the same as those of third party counterparties;**

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

- ascertain whether there were other similar transactions, in terms of type of counterparty, to those referred to above and, if so, provide the same information and carry out the same checks requested herein;
 - ascertain whether the resolutions approved by the administrative body and the acts carried out by the delegated bodies with regard to the transactions referred to above complied with the regulations governing Directors' interests and, if so, what were the reasons given in the resolutions approved by the Board supporting the transactions in question and, specifically, what was the benefit for Fondiaria in concluding these transactions;
 - ascertain whether the regulations relating to related party transactions were respected;
 - if the purchases of the goods and services indicated above, which clearly placed some of the Company Directors in a conflict of interest situation, featured an unfair profit for those Directors or persons related to them as well as from the related creation of a financial loss by the Company;
 - verify, with the support of internal auditing services, whether procedures suitable for safeguarding the interests of the Company in the types of transactions described above and for protecting the company's assets exist and whether they are respected;
-
- more generally, ascertain whether the Board of Directors and the individual Directors acted in accordance with the principles of good management and due diligence inherent in the nature of the office they held with regard to the general aspects of the transactions described above and, in particular, the practical methods of selecting the providers of services and goods and the calculation of the payments made to them.

Payments made to Company Directors

Below is a table summarising the payments made to individual members of the Board of Directors in the period between 2008 and 2010, both by the Shareholders' Meeting and the Board Meeting, pursuant to Article 2389 of the Italian Civil Code, as recorded in the financial statements.

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

Director	2008	2009	2010	Total Payments
Ligresti Jonella	4,501,743.00	2,502,673.00	2,502,205.00	9,506,621.00
Ligresti Giulia Maria	1,820,505.00	834,794.00	810,677.00	3,465,976.00
Pini Massimo	1,074,883.00	609,423.00	555,546.00	2,239,852.00
Talarico Antonio	3,255,519.00	2,497,882.00	2,249,073.00	8,002,474.00
Marchionni Fausto	6,489,455.00	3,656,569.00	5,010,918.00	15,156,942.00
Broggini Andrea	50,000.00	50,736.00	50,933.00	151,669.00
Cerutti Mariella	50,000.00	15,749.00	–	65,749.00
Comoli Maurizio	50,000.00	15,749.00	70,933.00	136,682.00
Corsi Francesco	50,000.00	50,736.00	50,933.00	151,669.00
D'Urso Carlo	50,000.00	50,736.00	50,933.00	151,669.00
La Russa Vincenzo	110,517.00	103,917.00	101,228.00	315,662.00
Ligresti Gioacchino Paolo	4,843,898.00	2,824,869.00	2,717,296.29	10,386,063.29
Lo Vecchio Lia	65,262.00	222,438.00	1,030,907.00	1,318,607.00
Marocco Valentina	–	35,257.00	50,933.00	86,190.00
Mei Enzo	76,913.00	80,736.00	80,933.00	238,582.00
Morbidelli Giuseppe	50,000.00	50,736.00	50,933.00	151,669.00
Rucellai Cosimo	167,357.00	186,361.00	193,828.00	547,546.00
Spiniello Salvatore	106,476.00	111,202.00	89,220.00	306,898.00
Toselli Ezio	66,913.00	21,671.00	–	88,584.00
Viglianisi Sergio	–	35,257.00	50,933.00	86,190.00
Visentin Graziano			53,976.00	53,976.00
Zannoni Oscar	60,000.00	44,006.00	0	104,006.00
TOTAL PER YEAR	22,941,449.00	14,003,506.00	15,774,348.00	
TOTAL FOR THE THREE-YEAR PERIOD				52,713,276.29

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

In this regard, the Statutory Board of Auditors should:

- **specifically, with regard to the financial years 2009 and 2010, ascertain the reasons why the majority of the payments were duly decided during the Board of Directors Meeting and not at the Shareholders' Meeting, also taking into consideration the decidedly negative performance of the Company over the reference period; it should ascertain, in general and with specific regard to the Directors belonging to the family which has the majority shareholding in the Company and to the CEO, whether the determination of the above-mentioned payments, made in different ways to the individual Directors, was actually in the interests of the Company, taking the following circumstances into consideration:**
 - a) the overall payments made by the Company to Directors in the three-year period 2008-2010 totalled almost EUR 53 million, while in the same period the Company made overall losses standing at EUR 973 million (EUR 1.23 billion on consolidation);**
 - b) the commitment of the individual Directors to attending meetings of the Company administrative body and meetings of committees set up by the Company, as shown by the corporate governance reports, can be summarised as follows:**
 - i. Board of Directors Meetings:**
 - in 2010 the board met 16 times with each meeting lasting an average of 2 hours;
 - in 2009 the board met 14 times with each meeting lasting an average of 1 hour and 45 minutes;
 - in 2008 the board met 14 times;
 - ii. Executive Committee Meetings:**
 - in 2010 the committee met twice with each meeting lasting an average of 40 minutes;
 - in 2009 the committee met twice with each meeting lasting an average of 1 hour and 30 minutes;
 - in 2008 the committee met once;
 - iii. Remuneration Committee Meetings:**
 - in 2010 there were no committee meetings;
 - in 2009 the committee only met once;
 - in 2008 the committee met twice;
 - iv. Internal Control Committee Meetings:**
 - in 2010 the committee met 18 times with each meeting lasting an average of 1 hour and 15 minutes;
 - in 2009 the committee met 12 times with each meeting lasting an average of 1 hour and 35 minutes;
 - in 2008 the committee met 13 times;

THIS UNOFFICIAL ENGLISH LANGUAGE COURTESY TRANSLATION OF THE ORIGINAL ITALIAN LANGUAGE REPORT IS FOR INFORMATION PURPOSES ONLY. IN THE EVENT OF ANY DISCREPANCIES BETWEEN THE ITALIAN REPORT AND THIS TRANSLATION, THE ITALIAN REPORT SHALL PREVAIL. THE COMPANY MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO THE FAIRNESS, ACCURACY, COMPLETENESS OR CORRECTNESS OF SUCH TRANSLATION.

- **indicate whether there are other “special offices” which, with regard to the individual Directors, justify the payments made to them by the administrative body, specifically with regard to Directors belonging to the family which has the majority shareholding in the Company and to the previous CEO;**
- **indicate whether the Board of Statutory Auditors ever expressed a negative opinion in relation to payments made to Directors invested with “special offices” and, if not, what were the reasons which led the Board of Statutory Auditors to issue a favourable opinion with regard to the resolutions to make these payments;**

- **ascertain, more generally, whether the Board of Directors and the individual Directors acted in accordance with the principles of good management and due diligence inherent in the nature of the office they held, in determining the payments made to Directors invested with “special offices”.**

We await your kind response.

Yours faithfully

(Signature)

Joseph Oughourlian
Managing Partner