
2012 FIRST QUARTER REPORT



FONDIARIA-SAI S.p.A.

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

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CORPORATE BOARDS FONDIARIA-SAI S.p.A.

BOARD OF DIRECTORS

Salvatore Ligresti	<i>Honorary Chairman</i>
Cosimo Rucellai*	<i>Chairman</i>
Jonella Ligresti*	<i>Vice Chairman</i>
Massimo Pini*	<i>Vice Chairman</i>
Emanuele Erbetta*	<i>Chief Executive Officer - General Manager</i>
Salvatore Bragantini	
Andrea Brogini	
Roberto Cappelli	
Maurizio Comoli	
Ranieri de Marchis*	
Nicolò Dubini	
Vincenzo La Russa*	
Gioacchino Paolo Ligresti*	
Valentina Marocco	
Enzo Mei	
Salvatore Militello*	
Giorgio Oldoini	
Salvatore Spiniello	
Antonio Talarico	
Graziano Visentin	
Fausto Rapisarda	Secretary of the Board and the Executive Committee

BOARD OF STATUTORY AUDITORS

Giuseppe Angiolini	<i>Chairman</i>
Antonino D'Ambrosio	<i>Statutory Auditor</i>
Giorgio Loli	<i>Statutory Auditor</i>
Sergio Lamonica	<i>Alternate Auditor</i>
Maria Luisa Mosconi	<i>Alternate Auditor</i>
Giovanni Rizzardi	<i>Alternate Auditor</i>

INDEPENDENT AUDIT FIRM

RECONTA ERNST & YOUNG S.P.A.

GENERAL REPRESENTATIVE OF THE SAVINGS SHAREHOLDERS

Sandro Quagliotti

GENERAL MANAGEMENT

Emanuele Erbetta
Piergiorgio Peluso

EXECUTIVE RESPONSIBLE

for the preparation of the corporate accounting documents

Massimo Dalfelli

** Members of the Executive Committee*

The Board of Directors and the Board of Statutory Auditors were appointed by the Shareholders' Meeting of April 24, 2012, with both mandates concluding at the Shareholders' Meeting called for the approval of the 2014 Annual Accounts.

On May 3, 2012 Marco Reboa announced his resignation from the Board. The Board of Directors on May 10, 2012 appointed, in accordance with Article 2386 of the civil code, Nicolò Dubini, the first non elected candidate from the majority slate presented by Premafin HP S.p.A. and Unicredit S.p.A..

The board of directors of FONDIARIA-SAI S.p.A., meeting on April 26, 2012, appointed the corporate officers and the internal committees of the board as reported below.

The Board appointed, for the duration of its mandate, and therefore until the approval of the 2014 annual accounts:

- Cosimo Rucellai as Chairman of the Board of Directors;
- Jonella Ligresti and Massimo Pini as Vice-Chairmen;
- Emanuele Erbetta as Chief Executive Officer, who remains as the General Manager.

Piergiorgio Peluso continues in his role as General Manager.

The Board of Directors appointed, for the duration of its mandate and therefore until the approval of the 2014 annual accounts, an Executive Committee comprising 8 directors in the persons of - in addition to the Chairman, Vice Chairmen and the Chief Executive Officer:

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

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

The Board of Directors also appointed the members of the Committee of Independent Directors, set up in accordance with the procedure for transactions with related parties of the FONDIARIA-SAI Group in relation to the proposed integration with the UNIPOL Group, in addition to exploring the issues concerning the Board of Statutory Auditors' Report as per Article 2408 of the Civil Code, as the Directors Salvatore Bragantini, Roberto Cappelli, Valentina Marocco, Enzo Mei, Salvatore Militello and Marco Reboa.

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

The Board appointed, for the duration of its mandate, Mr. Massimo Dalfelli as the Executive Responsible for the preparation of the corporate and accounting documents.

The Chief Executive Officer, Mr. Emanuele Erbetta, is the Legal Representative of the company pursuant to article 20 of the Company By-Laws and has all ordinary and extraordinary administrative powers, to be exercised in single signature and with possibility to confer mandates and proxies, with the exclusive exception of the following powers:

sale and/or purchase of property above the value of Euro 15 million for each operation;

- signing of real estate contracts involving the undertaking of commitments by the company of over Euro 15 million for each contract;
- sale and/or acquisition of investments, enterprises, business units or fixed assets (other than the buildings mentioned above) of over Euro 30 million for each transaction;
- sale and/or acquisition of majority shareholdings;
- obtaining of loans above Euro 50 million for each operation;
- provision of non-insurance guarantees in favour of third parties;
- signing of any other contract and/or agreement, other than those included in the preceding points, which involves a commitment for the Company of an amount greater than Euro 15 million for each transaction.

The Executive Committee has all the powers not attributed to the Chief Executive Officer, with the exception of those which by law or the company by-laws are the exclusive responsibility of the Board of Directors or those stated below.

However, all deliberations in relation to the provision of non-insurance sureties in favour of third parties remain within the exclusive remit of the Board of Directors, in addition to operations with related parties as identified by the Board of Directors and the matters listed below, excluding in each case, all operations of ordinary administration within the insurance business:

- a) approval of the business plan, budgets and their modifications and/or updates (also at consolidated level);
- b) any acquisition and sale of companies, business units or other fixed assets, including investments, whose value, for each individual operation or for a series of related operations (i.e. functional to the realisation of the same operation), of above Euro 30 million;
- c) any acquisition and sale of buildings whose value, for each individual operation or for a series of related operations (i.e. functional to the realisation of the same operation), of above Euro 15 million;
- d) signing of tender contracts in the real estate sector which result in the commitment of the company of an amount above Euro 15 million for each contract or series of related contracts (functional to the realisation of the same operation);
- e) obtaining of loans above Euro 50 million for each operation;
- f) signing of any other contract and/or agreement (including the provision of guarantees), which involves a commitment for the Company of an amount greater than Euro 35 million for each transaction or within the financial year;
- g) any operation relating to the companies of the Group which result in exceeding the same thresholds as per the preceding points.

It should be noted that, in relation to the operations at letters b), c), d) and e), where the value is not above that indicated, the operations are within the powers of the CEO, while where the value is above, the powers are within those of the Board of Directors.

In relation to the operations at letter f), the powers are devolved as follows:

- where the value is not above Euro 15 million: Chief Executive Officer
- where the value is above Euro 15 million, but not above Euro 35 million: Executive Committee
- where the value is above Euro 35 million: Board of Directors

The above limits are also applied where the operation is completed within a single operation by a number of companies of the Group of the Parent Company, in that for the purposes of these thresholds, the amounts of the individual operations must be considered together.

Taking into account the shareholders' agreement signed between PREMAFIN and UNICREDIT the following matters are the exclusive remit of the Board of Directors:

- (a) proposals to the Shareholders' Meeting (or decisions reserved to the Board of Directors) relating to operations which have the effect to dilute the holdings of the shareholders of the Company;
- (b) proposals to the Shareholders' Meeting (or decisions reserved to the Board of Directors) relating to mergers, transformations, spin-offs and liquidations, as well as any other extraordinary operation (including acquisitions, sales and other operations which result in significant modifications to the activities undertaken by the Group) relating to the Company and to the Group, of a value above Euro 150 million for each operation or series of related operations.

KEY GROUP DATA

(in Euro millions)	Q1 2012	Q1 2011
Net profit/(loss) ^(*)	74	(25)
Total Gross premiums written	2,495	2,989
of which:		
Gross Non-Life premiums written	1,636	1,741
Gross Life premiums written	859	1,248
Investment policies written	14	15
APE ^(**)	75	114
Combined ratio – Non-Life sector	99.1	100.9
Expense ratio of the Non-Life sector	20.4	21.0
Expense ratio of the Life sector	5.9	5.1

(in Euro millions)	31/03/2012	31/12/2011
Investments	34,504	33,789
Cash and cash equivalents	939	977
Net technical reserves - Non-Life division	11,771	12,001
Net technical reserves - Life division	22,339	22,404
Net equity	2,201	1,557
Adjusted solvency margin	91.6%	78.2%
Individual solvency margin	161.28%	149.27%

^(*) The result includes the minority interest share.

^(**) Sum of the first premiums of the new annual premium contracts, plus one tenth of the new single premium contracts.

DEVELOPMENT STRATEGY OF THE FONDIARIA-SAI GROUP

2012-2014 Guidelines

The Board of Directors' meeting held in March 2012 discussed and approved the 2012-2014 Guidelines, identifying the following four principles:

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

Focus on profitability

The action will focus on the consolidation of the current profit levels of the Motor and Retail Damage Classes, continuing the targeted portfolio selection and risk underwriting.

In relation to Corporate Damage, the mix of the portfolio will be restructured through discontinuation, reforms and increased selectivity of the underwriting criteria.

In general terms, the Group will disengage from non-profitable sectors.

Selective investment in distribution

The implementation of these guidelines will take place through a general reorganisation of the distribution platforms, focused on merging the strong sales points in terms of volumes and profitability.

To support this initiative, a review and restructuring both of the Non-Life and Life product lines will accompany the introduction of a structured marketing support of the Agencies, in addition to a focussed upskilling of the Life Division agency sales force.

Finally, a restructuring of the brands and the creation of differentiated service models will take place.

Operational simplification

This objective will involve, in order to reduce overhead costs, a review of the operating models and a simplification of the Group structure.

Optimisation of asset allocation

This objective requires a radical review of the asset allocation of the Group, in order to reduce exposure to the real estate sector.

A change in the operating model and of the portfolio mix will also be undertaken in order to optimise the absorption of capital within Solvency II.

Finally, the development and sale of non-strategic Group assets, including where possible, subsidiaries operating in non "core" sectors will take place.

INTRODUCTION

The Interim Report of the Fondiaria SAI Group for the First Quarter of 2012 was prepared in accordance with Article 154-*ter* of Legislative Decree No. 58/1998.

The Report comprises the Interim Directors' Report and the Condensed Interim Consolidated Financial Statements at 31/03/2012, prepared exclusively for limited audit in application of IAS 34 – Interim Financial Reporting and in accordance with IAS/IFRS.

This choice was taken based on the need to include the 2012 First Quarter data in the documentation to be prepared for the share capital increase subject to the resolution of the Extraordinary Shareholders' Meeting of March 19, 2012, whose exercise was delegated to the Board of Directors in accordance with Article 2443 of the Civil Code.

The level of disclosure is considered extraordinary and non-repeatable in relation to the interim reports for subsequent periods.

Operational Performance

The consolidated quarterly report at 31/03/2012 includes the recommendations of ISVAP Regulation No. 7/07 and was prepared in accordance with Article 154 of Legislative Decree 58/98 and subsequent modifications and based on the regulations for the preparation of financial statements applying the same accounting and consolidation principles utilised for the preparation of the consolidated financial statements at 31/12/2011. In particular, the balance sheet and income statement data and the explanatory notes were prepared as per accounting standard IAS 34 relating to interim accounts. In the preparation of the interim data, the application of the accounting principles and policies for the financial statements require, as also recalled in the notes, a greater recourse to estimates and projections.

The data therefore has the function of representing in a reasonably reliable manner the financial position of the Group at March 31.

Consolidated Income Statement

The table below reports the results in the first three months of 2012 compared to the same period of the previous year and for the full year 2011.

(in Euro thousands)	Q1 2012	Q1 2011	Change	FY 2011
Net premiums	2,574,989	3,024,780	(449,791)	10,527,344
Net charges relating to claims	2,395,393	2,604,195	(208,802)	10,240,770
Net commissions	2,127	2,694	(567)	8,578
Net income from investments	238,178	166,883	71,295	172,706
Net Income from financial instruments recorded at fair value through profit or loss	253,377	(37,379)	290,756	321,699
Management expenses	424,672	470,906	(46,234)	1,875,313
Other income and charges	(133,956)	(105,559)	(28,397)	(371,879)
Profit/(loss) before taxes	114,650	(23,682)	138,332	(1,457,635)
Income taxes	43,415	1,244	42,171	392,147
Net profit/(loss)	71,235	(24,926)	96,161	(1,065,488)
Profit from discontinued operations	2,311	-	2,311	30,850
Consolidated profit/(loss)	73,546	(24,926)	98,472	(1,034,638)
Minority interest profit/(loss)	13,032	(63)	13,095	(181,919)
Group profit/(loss)	60,514	(24,863)	85,377	(852,719)

The 2012 first quarter reports a profit of Euro 73.5 million compared to a loss of Euro 24.9 million in Q1 2011.

The principal data is reported below:

- strong current technical performance in the Non-Life Division, in particular in the Motor Classes, and the substantial maintenance of the claims reserves provisioned at the end of 2011 which confirms, although over a still limited time period, its expected adequacy when payments fall due. Claims in the Motor Classes continue to decrease.
- significant reduction in Life premiums due to the difficult economic-financial environment, accompanied by positive financial management margins;
- satisfactory financial management performance with ordinary results in line with 2012 budget, a significant impact from net unrealised gains and a limited impact from impairments on AFS financial instruments thanks to the recovery of the market compared to the end of 2011;
- a tax charge in the period which highlights the recoverability (together with that recognised to the net equity reserves) of the deferred tax assets recognised to the financial statements in the previous year;
- finally we state that, partly due to the recovery of the financial markets in the first three months of 2011, the adjusted solvency margin of the Group improved significantly on December 31, 2011. At March 31, 2012, the required margin stood at 91.6% compared to 78.2% at 31/12/2011. The required margin at year-end, based on the current constituting elements, would rise to 96.2%.

The impact on the required margin of the Fast Track Decree (Legislative Decree No. 216/2011) decreased from 23.5% at 31/12/2011 to 7.4% at 31/3/2012.

The individual solvency margins of the Group insurance companies remain strong, ensuring the operational continuity of the companies, therefore confirming the going concern previously established on the approval of the 2011 annual accounts, although uncertainty remains regarding the timeframe for the recovery of the adjusted solvency margin to the regulatory required minimum levels and the effects of any significant deterioration of the general economic environment.

In this context:

- The **consolidated profit** was Euro 73.5 million (loss of Euro 24.9 million in Q1 2011). The Group share also returned a profit, amounting to Euro 60.5 million (loss of Euro 24.9 million in Q1 2011).
- The **Non-Life sector** recorded a pre-tax profit of Euro 70.6 million, a significant improvement on the pre-tax loss of Euro 24.8 million in Q1 2011. The sector technical result has returned to profit (Euro 15.2 million), against technical losses respectively of Euro 22.2 million in Q1 2011 and Euro 136.4 million in Q1 2010.

This result, which may be seen as a turning point, follows both the actions undertaken regarding the selection and improvement of the quality of the portfolio and external factors in the Motor Classes such as the reduction in the number of vehicles on the road, of claims reported and therefore of the claims frequency.

This latter aspect is impacted significantly also by the continuation of the general economic difficulties: the spiralling cost of fuel results in a more limited use of vehicles.

The result was impacted for Euro 14.4 million by impairments on AFS financial instruments (Euro 19.2 million in Q1 2011).

This amount concerns positions which, during the first quarter of 2012, fulfilled the requirement of a book value exceeding the stock market price for at least 24 months, or, as in the case of the Unicredit share, the continuation of an impairment whose conditions were already in place in previous years.

- The **Life sector** reports a pre-tax profit of Euro 59.8 million (Euro 9.7 million in Q1 2011). The sector premiums contracted significantly (by over 31%). This result was impacted by the difficult domestic economic climate, in addition to the negative image portrayed in the media of the overall situation of the Fondiaria SAI Group.
- In this regard, it is highlighted that the Group met without difficulty requests for redemption or the amounts maturing in the first quarter of the present year, while the Class I premiums increased thanks to the partnership agreement with the Banco Popolare through the subsidiary Popolare Vita.
- The financial management result improved on Q1 2011 due to the increased amount of unrealised gains and ordinary income.

Impairments on AFS financial instruments amounted to Euro 3.8 million compared to Euro 5.1 million in Q1 2011.

-
- The **real estate sector** recorded a pre-tax loss of Euro 5.7 million compared to a profit of Euro 4.5 million in Q1 2011. The result was impacted by depreciation in the period on real estate investments for Euro 7.3 million (Euro 6.3 million in Q1 2011), ordinary management charges and reduced financial charges.
No significant operations were carried out in the limited period since the beginning of the year.
The net result for this sector is supplemented by the gain from the sale of the investment in IGLI for Euro 2.3 million, which was recorded to profits from discontinued operations.
 - The **Other Activities sector**, which includes the companies operating in the financial, asset management and hotel sectors, report a pre-tax loss of Euro 10 million (loss of Euro 13 million in Q1 2011).
The loss was affected by Atahotels and the healthcare structures whose overhead costs continued to exceeded revenues in the period. In relation to Atahotels, actions are being implemented to improve profitability, in addition to increasing operational efficiency - in terms of the optimisation both of human resources and the various phases of the liability cycle. Possibilities are being explored to develop the investment with potential industrial partners. The return to profit by BancaSai is noted, together with the reduction in loans granted at the end of 2011 and continued in the first part of 2012, with a consequent reduction in the exposure to counterparty risk.
 - **Management expenses** amounted to Euro 425 million (Euro 471 million in Q1 2011), decreasing 9.8% essentially due to the reduction in acquisition commissions following the contraction in business.
 - **Financial instruments recorded at fair value through profit or loss** amounted to a profit of Euro 253 million (a loss of Euro 37.4 million in the first quarter of 2011). This account includes the net income from financial assets where the risk is borne by the policyholders (profit of Euro 250 million although offset by the correlated decrease in net charges relating to Life Division claims) as well as the adjustment to fair value of financial instruments belonging to the sector.
 - **The net income (charge) from investments in subsidiaries, associates and joint ventures** resulted in charges of Euro 6.9 million, principally relating to the associated companies Garibaldi S.C.A. and Isola S.C.A.. However profits are only achieved by these companies through the completion of construction activities and the consequent sale of property. The negative impact is therefore temporary and will be reabsorbed once the sales activities conclude.
 - Excluding the contribution of the financial instruments at fair value through profit or loss, the **total net income from investments**, including net charges from investments in subsidiaries, associated companies and joint ventures of Euro 6.9 million, amounted to Euro 238 million (Euro 168 million in Q1 2011). This amount consists of Euro 207 million of interest income, Euro 24 million of other net income and net gains to be realised on real estate and securities of Euro 66 million.
 - Net valuation gains and losses report a loss of approx. Euro 35 million. **Interest expense** amounted to approx. Euro 17 million (Euro 16 million in the first quarter of 2011).
As outlined above, the balance of valuation items includes Euro 21 million of impairments on AFS financial instruments comprising equity securities (Euro 24.3 million in Q1 2011).

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- **Other revenues and costs** amounted to a net charge of Euro 134 million (net charge of Euro 106 million in Q1 2011). This amount includes technical and non-technical income and charges not classified elsewhere, in addition to depreciation other than on investment properties, over and under accruals and provisions for risks and charges. Amortisation and depreciation of intangible and tangible fixed assets in this account totalled Euro 13 million.
 - The **tax charge** was normalised from the same period of the previous year and saw a partial reversal of the deferred tax assets provisions in the previous year against the positive tax result recorded in the period.

The result for the period was not impacted by significant non-recurring or unusual operations compared to the normal operations of the company.

The Comprehensive Income Statement

The Comprehensive Income Statement results, set out in the relevant statements and reported and commented upon also in the notes, saw a significant impact from movements in the prices of financial instruments classified as Available-for-sale.

(in Euro thousands)	Q1 2012	Q1 2011	Change	FY 2011
Consolidated profit/(loss)	73,546	(24,926)	98,472	(1,034,638)
Other Comprehensive Income Statement items	570,519	116,339	454,180	(645,038)
Total Comprehensive Income Statement	644,065	91,413	552,652	(1,679,676)
of which:				
Group	461,385	75,582	385,803	(1,318,642)
Minority interest	182,680	15,831	166,849	(361,034)

The comparison between Q1 2012 and Q1 2011 shows a significant improvement in the “Other Comprehensive Income Statement items”. The improvement is almost entirely related to the increase in the fair value of financial instruments, net of the amounts to policyholders and of the related tax charges.

Premiums Written

The first quarter of 2012 reported total premiums written of Euro 2,495 million (-16.5%), broken down as follows:

(in Euro thousands)	31/03/2012	31/03/2011	Change %
<u>DIRECT PREMIUMS</u>			
Non-Life Division	1,634,557	1,740,163	(6.07)
Life Division	858,761	1,247,329	(31.15)
Total direct premiums	2,493,318	2,987,492	(16.54)
<u>INDIRECT PREMIUMS</u>			
Non-Life Division	1,084	1,290	(15.97)
Life Division	229	213	7.51
Total indirect premiums	1,313	1,503	(12.64)
TOTAL	2,494,631	2,988,995	(16.54)
of which:			
Non-Life Division	1,635,641	1,741,453	(6.08)
Life Division	858,990	1,247,542	(31.15)

Segment Income Statement

(Euro thousands)

	Non-Life Insurance Sector		Life Insurance Sector		Real Estate Sector		Other Activities Sector		Inter-segment Eliminations		Total		
	31/03/2012	31/03/2011	31/03/2012	31/03/2011	31/03/2012	31/03/2011	31/03/2012	31/03/2011	31/03/2012	31/03/2011	31/03/2012	31/03/2011	
1.1	Net premiums	1 720 033	1 780 851	854 956	1 243 929	0	0	0	0	0	0	2 574 989	3 024 780
1.1.1	Gross premiums written	1 789 312	1 861 817	858 990	1 247 542	0	0	0	0	0	0	2 648 302	3 109 359
1.1.2	Premiums ceded to re-insurers	-69 279	-80 966	-4 034	-3 613	0	0	0	0	0	0	-73 313	-84 579
1.2	Commission income	0	0	1 203	2 744	0	0	6 291	5 922	-2 550	-1 243	4 934	7 423
1.3	Income & charges from fin. instruments recorded at fair value through profit or loss	794	-3 588	252 219	-33 847	-317	-126	681	190	0	-8	253 377	-37 379
1.4	Income from investments in subsidiaries, associates and joint ventures	151	0	0	0	0	26	0	0	0	0	151	26
1.5	Income from other financial instruments and property investments	122 985	75 791	194 346	204 215	12 604	10 208	15 638	15 444	-12 993	-10 188	332 580	295 469
1.6	Other revenues	110 936	147 097	8 558	16 215	4 858	29 427	157 164	156 000	-172 043	-174 355	109 473	174 381
1	TOTAL REVENUES AND INCOME	1 954 899	2 000 151	1 311 282	1 433 256	17 145	39 535	179 774	177 586	-187 596	-185 798	3 275 504	3 464 700
2.1	Net charges relating to claims	-1 238 898	-1 316 311	-1 156 495	-1 287 884	0	0	0	0	0	0	-2 395 363	-2 604 195
2.1.2	Amounts paid and changes in technical reserves	-1 282 040	-1 341 258	-1 159 192	-1 293 115	0	0	0	0	0	0	-2 441 232	-2 634 373
2.1.3	Reinsurers' share	43 142	24 947	2 697	9 231	0	0	0	0	0	0	45 839	30 178
2.2	Commission expenses	0	0	-1 221	-2 530	0	0	-1 586	-2 199	0	0	-2 807	-4 729
2.3	Charges from investments in subsidiaries, associates and joint ventures	-6 905	-7	0	0	-71	0	-81	-927	0	0	-7 061	-934
2.4	Charges from other financial instruments and property investments	-47 915	-67 995	-19 636	-42 501	-15 746	-15 177	-8 966	-6 629	4 771	4 624	-87 492	-127 678
2.5	Management expenses	-353 872	-381 007	-50 008	-65 395	-51	-49	-77 640	-81 680	57 807	58 238	-424 672	-470 906
2.6	Other costs	-236 744	-259 676	-23 202	-24 274	-6 979	-19 826	-101 522	-99 100	125 018	122 936	-243 426	-279 940
2	TOTAL COSTS AND CHARGES	-1 694 338	-2 024 996	-1 251 462	-1 423 588	-22 847	-35 952	-189 803	-190 544	187 596	185 798	-3 160 854	-3 488 382
	PROFIT/(LOSS) BEFORE TAXES	70 561	-24 845	59 820	9 668	-5 702	4 483	-10 029	-12 988	0	0	114 650	-23 682

Interim Directors' Report

ECONOMIC OVERVIEW AND THE INSURANCE MARKET

International economic overview

The financial instability emerging in the summer and becoming more firmly rooted in the autumn of 2011 abated in the first months of the year, particularly following the progress made in the management of the Eurozone crisis.

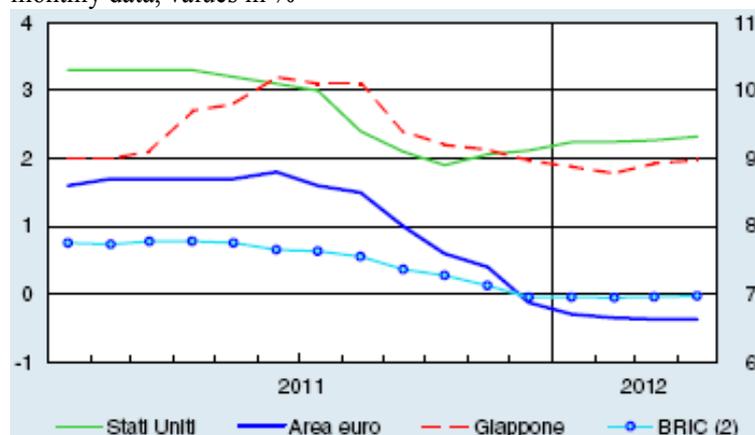
The weakening of economic activity in the fourth quarter of 2011 was significant in Europe. In the United States GDP growth (at 3% annually) was driven by the building up of inventory levels and the improvement in consumer spending over disposable income, against the negative impact of public spending and a slowdown in investments. In Japan, the contraction in production activity (-0.7%) was particularly due to the significant reduction in exports and also due to the difficulty in the procurement of industrial parts caused by the flooding in Thailand. In United Kingdom, the drop in GDP (-1.2%) reflects the significant contraction in investments and the lowering of inventory levels.

In the principal emerging countries, economic activity slowed down in the fourth quarter of 2011, impacted by the restrictive economic policies adopted in the first half of the year and the weakness of demand in the advanced countries. In China, growth stabilised at 8.9%, benefitting from continued strong internal demand, with 6.1% growth reported in India and 1.4% in Brazil.

In the first quarter of 2012, the growth prospects for the global economy overall had stabilised, with recessionary fears confined to the countries hit hardest by the debt crisis: in the advanced countries, the improvement in demand was hindered by the public and private debt reduction process. Based on the January projections of the International Monetary Fund (IMF), in 2012 global growth will reduce to 3.3% (from 3.8% in 2011), impacted by the fall off in activity in the Eurozone and also the slowdown in the emerging countries.

Graph 1 – GDP growth in 2012⁽¹⁾

monthly data, values in %



Source: Bank of Italy elaborations on Consensus Economics data (Financial stability Report – April 2012).

(1) Monthly forecasts indicated on the horizontal axis. – (2) Right column.: average weighted forecasts concerning Brazil, Russia, India and China, with weighting calculated based on the corresponding GDP values for 2010, valued at like-for-like purchasing power.

In the first months of the year, the tensions on the sovereign debt market lessened, thanks to the moves by the European Central Bank, the measures taken by a number of governments (in particular the Italian government) and the reaching of an agreement for financial assistance for Greece; the financial market tensions in the Eurozone abated significantly in the first months of the year. The yields on government bonds reduced significantly, as did the differentials on the interbanking markets and on the credit default swap premiums. In April, however the spread on government bonds began to significantly increase again, although not reaching the maximum levels of January, due to the concerns within the industry on the growth forecasts for a number of Eurozone countries. The concerns for a more extensive slowdown in global growth increased the shift towards more secure government securities.

Tab 1 – Economic outlook

% change on the previous year

	FMI ⁽¹⁾			Consensus Economics ⁽²⁾	
	2011	2012	2013	2012	2013
GDP					
World	3.8	3.3	3.9	-	-
Advanced countries	1.6	1.2	1.9	-	-
Euro Area	1.4	(0.5)	0.8	(0.4)	0.9
Japan	(0.7)	1.7	1.6	2.0	1.5
United Kingdom	0.8	0.6	2.0	0.7	1.8
United States	1.7	1.8	2.2	2.3	2.5
				-	-
Emerging countries	6.2	5.4	5.9	-	-
Brazil	2.7	3.0	4.0	3.3	4.4
China	9.2	8.2	8.8	8.4	8.5
India ⁽³⁾	7.2	7.0	7.3	7.2	7.7
Russia	4.3	3.3	3.5	3.7	3.8
World trade ⁽⁴⁾	6.9	3.8	5.4	-	-

Source: Bank of Italy (Economic Bulletin 68 – April 2012) IMF, Consensus Economics and national statistics.

1) World Economic Outlook Update January 2012. 2) April 2012. 3) Forecasts concern the fiscal year. 4) goods and services.

The European and Italian markets

In the fourth quarter of 2011, Eurozone GDP reduced by 0.3% on the previous year, the first contraction since the summer of 2009. Internal demand contracted by 0.7%, reflecting reduced household spending and investment. Despite the drop in exports (-0.4%), the trade balance overall contributed 0.4% to GDP due to the reduction in imports. In 2011, GDP grew by 1.5%, slowing down on the previous year. Among the larger countries, growth was sustained in Germany (3%) and weaker in Spain and Italy (respectively 0.7% and 0.4%). The growth in France was in line with the zone average.

In Italy, the GDP performance follows the drop in internal demand, only in part offset by the trade surplus following the decrease in imports and stable exports. In the first months of 2012, the economic indicators highlighted a reduction in production activity. Exports were substantially stable in the first two months of the year.

In Italy, the corrective actions on the public accounts undertaken in the second half of 2011, such as the tax consolidation measures, the pension reforms and the continued actions taken to increase the potential growth of the economy (with increasing structural effects in the three year period 2012-14 and amounting in 2014 to approx. Euro 80 billion, or 4% of GDP), won back the trust of investors in the sustainability of the public debt. The improvement on the government bond market was significant and only partially reduced by the difficulties in April, which originated outside of Italy. With the recovery in credibility, the decrease in yields – initially limited to the shorter term maturities – was progressively extended over a longer time period.

The insurance sector

In 2011, total premiums written by insurance companies amounted to approx. Euro 110 billion, a decrease of 12.5% on 2010. The performance is a result of decreases in Life sector premiums (-18%) and growth in Non-Life sector premiums (+1.4%) (Source: ISVAP – Circular as per Protocol No. 07-12-000109 of April 20, 2012 concerning “Gross premiums written in the fourth quarter of 2010 by National insurance companies and by the Italian representatives of foreign insurance companies”).

The Non-Life portfolio totalled approx. Euro 36.4 billion (Euro 35.9 billion in 2010), comprising 33% of the total portfolio (28.5% in 2010). Life premiums, amounting to Euro 73.9 billion (Euro 90.1 billion in 2010), accounted for 67% of the total Life and Non-Life portfolio (71.5% in 2010).

In 2011, the percentage of total premiums on GDP was 7%, a contraction on 2010 (8.1%): in particular, the reduction was due to the Life Division, in relation to which the percentage on GDP was 4.7% (5.8% in 2010), while amounting to 2.3% for the Non-Life Division (stable on 2010).

Based on the classification of the National Association of Insurance Companies - ANIA (Source: 2011 Direct Italian premiums – Edition 2012), which takes into consideration the ten largest companies by market share in Italy, which at December 31, 2011 places the Generali Group in first position, with the Fondiaria SAI Group falling to sixth position with a market share of just above 8%. Analysing the breakdown, the Fondiaria SAI Group emerges as second in the Non-Life Division (19.17% of market share, 19.81% in 2010), while holding the leadership position in the Motor TPL sector with a market share of over 21%. In the Life sector, the Group in 2011 reports a decrease in premium volumes on 2010 with 2.59% market share (5.09% in 2010) - continuing to occupy 12th place in terms of premiums.

In relation to Italian and foreign direct and indirect premiums consolidated according to IFRS accounting standards of listed insurance companies at December 31, 2011, the Fondiaria SAI Group occupies second place, with premiums of Euro 10,813 million, a contraction on 2010 (-16.5%).

Non-Life Insurance Sector

THE NON-LIFE INSURANCE MARKET

The portfolio of gross Non-Life premiums recorded in 2011 of National insurance companies and by the Italian representatives of insurance companies totalled approx. Euro 36.4 billion, an increase of 1.4% on 2010, comprising 33% of the overall portfolio (28.5% in 2010) - (Source: ISVAP – Circular as per Protocol No. 07-12-000109 of April 20, 2012 concerning “Gross premiums written in the fourth quarter of 2011 by National insurance companies and by the Italian representatives of foreign insurance companies”).

In particular, the premiums portfolio of the Motor TPL classes and the Maritime TPL classes totalled approx. Euro 17.8 billion (Euro 17 billion in 2010, +4.7%), comprising 48.9% of total Non-Life premiums (47.4% in 2010) and 16.1% of total premiums (13.5% in 2010).

The largest amount of premiums written in the other Non-Life classes were Land Vehicles with 8% (8.3% in 2010), Accident with 8.4% (8.5% in 2010), General TPL with 8.1% (8.6% in 2010), Other Property Damage with 7.3% (in line with 2010), Health with 6% (6.1% in 2010), and Fire and Natural Elements with 6.4% (6.6% in 2010).

The analysis by distribution channel continues to highlight the large proportion of premiums written through brokerage agencies, although reducing slightly on 2010, amounting to approx. 81.6% of the Non-Life portfolio (82.4% in 2010) and 88% of the Motor TPL division (89.5% in 2010).

OPERATIONAL PERFORMANCE

As outlined in the introduction, the sector result reports a pre-tax profit of Euro 71 million compared to a loss of Euro 25 million in the first quarter of 2011.

The technical balance made a positive contribution and consequently the combined ratio was again under 100, in line with budget forecasts.

The current management performance remained positive with a significant decrease in claims in the Motor TPL Class, a reduction in the claims frequency and a satisfactory maintenance of the prior year claims reserves, although the limited period of observation must be noted.

In relation to the Other Non-Life Classes, the positive performance of the Land Vehicle class continued, while in the Non Motor Classes the cost of claims was impacted by the Fire and Natural Element guarantees following the weather events in February.

The positive financial management performance is also considered.

Premiums

The Fondiaria-SAI Group in the first quarter recorded premiums of Euro 1,635.6 million (-6.1%).

The direct premiums written amounted to Euro 1,634.6 million (-6.1%).

The breakdown by Class is shown below:

(in Euro thousands)	31/03/2012	31/03/2011	Cge. %	Percentage	
				31/03/2012	31/03/2011
NON-LIFE DIVISION					
Accident & Health	144,576	157,209	(8.04)	8.8	9.0
Marine, aviation and transport insurance	31,347	38,656	(18.91)	1.9	2.2
Fire and other property damage	190,908	197,168	(3.17)	11.7	11.3
General TPL	111,328	118,809	(6.30)	6.8	6.8
Credit & Bonds	22,900	22,729	0.75	1.4	1.3
General pecuniary losses	10,602	15,032	(29.47)	0.6	0.9
Legal expenses	4,190	4,895	(14.40)	0.3	0.3
Assistance	17,823	13,530	31.73	1.1	0.8
TOTAL OTHER NON-LIFE DIVISION	533,674	568,028	(6.05)	32.6	32.6
Land vehicle TPL	952,244	1,001,010	(4.87)	58.2	57.5
Motor vehicles – other classes	148,639	171,125	(13.14)	9.1	9.8
TOTAL MOTOR	1,100,883	1,172,135	(6.08)	67.3	67.3
TOTAL DIRECT PREMIUMS	1,634,557	1,740,163	(6.07)	99.9	99.9
INDIRECT PREMIUMS	1,084	1,290	(15.97)	0.1	0.1
TOTAL NON-LIFE DIVISION	1,635,641	1,741,453	(6.08)	100.0	100.0

The premiums ceded amounted to Euro 69 million (Euro 78 million in Q1 2011).

The decrease in direct Motor Vehicle TPL Class premiums of 4.9% follows a slight increase in the 2011 full year which indicate, against a lack of tariff rises, the continuation in a more incisive manner of the multi-claim portfolio reforms and the continued impact from the various “Bersani” regulations which strongly reduced the discriminatory power of the “Bonus Malus” system, allowing the new low class policies to be matured in relation to the “household” and allowing the “Malus” only in case of principal responsibility.

The situation continues to be severely impacted by an ongoing contraction in new vehicle registrations which in the first three months of 2012 decreased by 20.9%, with a reduction of 26.7% in the month of March alone (in 2011 a decrease of 10.8% was recorded with a reduction of 15.3% in December). Internal household demand in fact was impacted by the across the board increases in all costs related to the use of vehicles, in particular fuel and toll fees, in addition to direct taxes, such as registration tax and road tax.

The tariff effect of the Motor TPL class impacted the slight decrease in premiums written (for the Milano, Previdente, Italia, Nuova Maa divisions and for the Parent Company Fondiaria-SAI) in force since September 2011, in addition to a substantially neutral effect, for one month only, of the Motor TPL policy launched in March 2012: both have the objective to recover profitability without neglecting the safeguarding of the portfolio, in order to reduce the tariff mutuality, taking into account regulatory changes (“Bersani” and Direct Indemnity) and competitive dynamics, focusing the analysis on the client risk and on their profitability. In particular the two tariffs were merged in order to improve significantly the tariff competitiveness and the quality and the structure of the portfolio through a greater selective capacity across Italy.

With the objective to implement a more competitive and less mutual Motor TPL policy, the revision was stepped up of the technical-commercial policies relating to fleet agreements, in order to reduce the percentage of the fleet portfolio, and together with a technical policy to redistribute the agency discounts.

The review process continued in a more focussed manner of the technical-commercial policies undertaken in relation to the fleets with particular attention to the recovery of profitability both in the Motor TPL and Land Vehicle classes - of which all of the principal contracts are monitored at least monthly.

The direct Land Vehicle Class premiums continued to contract, reporting in the quarter a decrease of 13.1% due to the continued reduction in new vehicle registrations and due to the further deterioration of the economic crisis which reduced employment levels, with negative impacts on disposable income affecting the take up of the Vehicle guarantees. The reduction is also partly due to the particular policies of the car manufacturers which continue to offer insurance packages with guarantees included, such as fire, theft and assistance, in the purchase price of the vehicle. The Land Vehicle class was impacted also by the reform actions on the multi-risk portfolio by the company.

In relation to the **General Classes**, we note:

Fire and natural events

In the first quarter of the year, against almost unchanged receipts, the claims costs rose significantly, largely due to the Fondiaria division and the Milano division, directly due to the increase in significant claims (> Euro 100,000) which tripled both in number and overall amount compared to the previous year.

In the first two months of the year a series of damage occurred relating to weather events, particularly due to heavy snowfalls, under the guarantee for excessive snowfall established both in the Retail sector contracts and the Corporate sector contracts.

Despite that stated above, the Division continued to post a profit, although lower than the previous year.

General TPL

In the quarter, against a significant reduction in premiums, largely due to the restructuring and reform actions undertaken, a significant cost reduction occurred, resulting in a slight improvement in the technical result.

The new Corporate TPL policy was published for construction companies, which establishes an upward review of the tariff, taking account of the critical issues previously reported for this area, establishing at the same time a specific action for the restructuring of the portfolios with negative performances.

A specific reform action was also established for the TPL coverage of the private healthcare sector, with the completion by the first half year through the carrying out of reform/withdrawal actions on a case by case basis.

Accident

Against a reduction in premiums received in the first quarter, the performance was in line with the previous year.

For the corporate sector, among the actions for the recovery of profitability, for all of the Classes, and based on that established in the "Plan", a series of actions are being implemented targeting all contracts with negative performances, both in the Public Bodies sector and for the other types of risks.

The writing of policies for the public bodies healthcare sector was discontinued.

Technological risks

The quarterly data was substantially stable in terms of receipts (-0.05%), despite the worsening of the economic and construction crisis in particular, and with a slight decrease in claims (-2.54%).

Claims paid and reported

The gross claims paid (including indirect) amounted to Euro 1,373 million, a decrease of 2.87% on the first quarter of 2011 (Euro 1,414 million).

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

	Claims paid (in Euro thousands)			Claims reported Number		
	31/03/2012	31/03/2011	Cge. %	31/03/2012	31/03/2011	Cge. %
Accident	54,622	54,951	(0.60)	20,304	22,224	(8.64)
Health	44,956	46,174	(2.64)	78,242	73,055	7.10
Railway	-	1	(100.00)	-	-	-
Aviation	308	146	110.65	7	6	16.67
Maritime	2,792	2,422	15.26	97	139	(30.22)
Merchandise transport	921	2,027	(54.55)	478	370	29.19
Fire and other natural elements	53,832	60,869	(11.56)	18,170	12,792	42.04
Other property damage	68,595	65,126	5.33	40,782	37,801	7.89
Aviation TPL	380	488	(22.19)	24	4	500.00
Maritime TPL	1,195	542	120.38	74	51	45.10
General TPL	105,572	97,549	8.23	24,363	27,210	(10.46)
Credit	123	122	0.51	-	-	-
Bonds	15,974	10,519	51.86	626	489	28.02
Pecuniary losses	3,771	1,696	122.37	540	891	(39.39)
Legal expenses	533	641	(16.84)	438	426	2.82
Assistance	5,409	4,193	29.00	29,786	26,447	12.63
TOTAL OTHER NON-LIFE DIVISION	358,982	347,466	3.31	213,931	201,905	5.96
Motor TPL	812,536	840,747	(3.36)	166,921	197,253	(15.38)
Land vehicles	97,445	106,495	(8.50)	62,461	77,452	(19.36)
TOTAL MOTOR	909,980	947,242	(3.93)	229,382	274,705	(16.50)
TOTAL NON-LIFE DIVISION	1,268,962	1,294,708	(1.99)	443,313	476,610	(6.99)

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

The Motor TPL Division includes the claims paid for the charges incurred for the management of the claims as “Operator” within the direct compensation system, net of those recovered as a flat-rate in the CONSAP compensation procedure.

The Motor TPL claims in the table refer to the events in which our policyholders were civilly responsible. The number of Motor TPL claims managed by the Group amount to 159,745 (-16.5%).

Technical reserves, gross of reinsurance, amounted to Euro 12,376 million (Euro 12,610 million at 31/12/11).

The table below shows the principal technical indicators respectively in the first quarters of 2012 and 2011:

<i>Data shown in %</i>	Q1 2012	Q1 2011
Loss ratio	72.0	73.9
Expense ratio	20.4	21.0
Combined operating ratio	92.4	94.9
OTI ratio (*)	6.7	6.0
Combined ratio	99.1	100.9

() Includes the balance of the other technical accounts. The coverage ratio of the reserves in relation to premiums was not provided in consideration of the non representative nature of the quarterly data.*

The **Motor TPL Class** in the first quarter of the year reports a positive technical balance.

The current generation benefited from the reduction in claims reported and therefore the claims frequency. The average costs of accepted current generation claims (paid plus reserved), increased by over 10% on the same period of the previous year, with the total amount increasing on 2011.

In relation to the prior year claims, even incorporating the prudent policy undertaken in the claims reserve estimate at the end of 2011, the operating performance was satisfactory.

The reversals for settlement, both complete and partial, were positive.

The corresponding saving was not recognised to the income statement however, but reused for the revaluation of the residual load, under a particularly prudent approach adopted also in relation to the limited observation time period.

The revaluation of the residual load is a normal and recurring action, to take account of the differences between the forecasts and the actual results over the settlement timeframe.

The **Land Vehicle class** records a positive result, in line with Q1 2011 and 2011 full year.

In the **Other Non-Life Classes** the technical performance was again negative, in particular in the General TPL and Health Classes.

The impact on the income statement was however less pronounced than in Q1 2011, due to the lesser impact of the General TPL class and despite the deterioration of the Fire Class due also to the negative impact from the weather events in February.

With reference to the Parent Company **Fondiarria-SAI** the premiums written in the Motor TPL Class amounted to Euro 496 million (-2%), while the Land Vehicle Class recorded a decrease of 13%.

In relation to **Motor TPL Class** claims caused, the number of claims in the period amounted to 92,517, a decrease of 13.5%; the number of claims paid amounted to 88,036 (-16%).

For the current quarter the claims/premiums ratio, net of the costs for the Guarantee Fund for Road Victims, was 71.4 % and 74.4% at global level.

The speed of settlement of the claims managed (NO CARD Claims + Operator CARD Claims) was 49.5% for the claims in Q1 2011 and 33.3% for the claims in previous years.

On the claims caused, the speed of settlement was 44.6% for the current quarter and 33.5% for the previous years.

In the first quarter of 2012, the claims reported and accepted (including late claims) within the new compensation regime (so-called CARD Managed claims system) amounted to 60,740, of which 33,345 were fully paid.

The reported claims with follow up through the clearing houses with CONSAP, in relation to the claims in which our policyholders were in full or in part responsible (so-called CARD debtor), amounted to 60,399 - of which 28,437 gave rise to the full payment of the indemnity and 31,962 resulted in the recording of a reserve. For accounting purposes, up to 31/03/12 recharges were received for a value of Euro 122.4 million from the clearing house. The amount of the credits received was Euro 108.1 million.

A large reduction in claims was recorded in the **Land Vehicle Class** (-18.4%) and of claims paid (-16.1%), resulting in a decrease in the claim cost of 23.1%.

The technical balance of the class was strongly in positive territory.

With reference to the **Non-Motor Classes of the Parent Company** the direct Italian premiums written amounted to Euro 268 million, a decrease of 2.5% compared to the first quarter of 2011.

The number of claims reported increased (+9.7%), while the number of claims paid decreased (-2.4%).

In the **Fire Class**, the number of claims paid decreased (-6.4%) while the number of claims reported increased (+40.5%).

- **DDOR Novi Sad ADO**

In Q1 2012 the subsidiary DDOR Novi Sad ADO recorded a loss of RSD 48 million. The principal events in the quarter were as follows:

- a decrease of 14.9% of gross premiums compared to the same period of 2011, due principally to the difficult economic environment;
- direct business claims settled of RSD 1,290 million increased by 0.2% following a number of serious claims within the Fire Class;
- the claims reserve increased by RSD 69 million, due to the drop in reinsurance of RSD 59 million;
- the commissions and other sales costs decreased (-10.2%) and amounted to RSD 959 million; measures have been implemented to reduce administration expenses, in relation to which significant improvements are expected.

- DIALOGO ASSICURAZIONI S.p.A.

In relation to the telephone and internet channel, the premiums written by Dialogo Assicurazioni in Q1 2012 amount to Euro 8.2 million, decreasing 27.2% on Q1 2011, also as a result of the reduced advertising investment than the past.

The claims reported in the quarter decreased by 15.1% on Q1 2011, but the average cost of accepted claims increased, resulting in a negative technical performance. The settlement of prior year claims did not have a substantial economic impact, confirming the maintenance of the reserves provisioned in the 2011 financial statements.

The contribution of the company to the consolidated result was a loss of Euro 3 million (a loss of Euro 1.6 million in Q1 2011).

- LIGURIA SOCIETÀ DI ASSICURAZIONE S.p.A.

Liguria Assicurazioni, with a predominantly multi-mandate sales network, reports direct premiums written of Euro 62.3 million in the quarter, a decrease of 9.4% on Q1 2011. Specifically, the Motor TPL Class recorded premiums of Euro 41.6 million (-12.5%), the Land Vehicle Class premiums of Euro 3.4 million (-20.7%) and the Other Classes reporting premiums of Euro 17.4 million (-2.5%).

In the quarter, the activities focused on a technical rebalance of the Motor TPL Class continued, also through re-establishing the discounts allowed. The greater coordination and control of the agency operations and the discontinuation of portfolios with negative performances also continued. In the Land Vehicle Class, the incentivisation actions are underway in relation to the agency networks concerning the inclusion of fire and theft guarantees in the motor policies and a new Land Vehicle “finished premium” tariff is in an advanced stage of completion and which will be distributed shortly. In the Non-Life Classes, a review of the products which attract greatest interest from clients is being carried out, and in general a particularly prudent underwriting policy continues, with specific attention to risks concerning the General TPL and Bond classes.

The actions undertaken resulted in an improvement in many technical parameters. In particular, in relation to the Motor TPL Class, which represents the majority of the portfolio, the frequency decreased and the current year claims to premium ratio improved significantly. The overall technical performance however remains negative.

The Other classes (excluding motor) report a negative technical performance, due particularly to the Bond Class.

The income statement for Q1 2012 prepared in accordance with IAS/IFRS accounting standards, reports a loss of Euro 4 million, compared to a loss of Euro 3.4 million in Q1 2011.

- **MILANO ASSICURAZIONI S.p.A.**

The Group net profit for Q1 2012 was Euro 17 million (loss of Euro 16.5 million in Q1 2011).

The principal factors affecting the result may be summarised as follows:

- The non-life sector reports a pre-tax profit of Euro 25.7 million, an improvement on a loss of Euro 19.5 million in Q1 2011. The improvement stems from the return to a positive technical performance, and from increased financial income in the quarter. The combined ratio, net of reinsurance, amounts to 98.9% compared to 101.3% in the first quarter of 2011 and 114.1% for the full year 2011;
- The real estate sector reports a loss of Euro 1.4 million (loss of Euro 2.7 million in Q1 2011), principally due to depreciation and operating charges concerning property held by Immobiliare Milano;
- The financial and asset management reports overall net income of Euro 79.4 million compared to Euro 53.9 million in Q1 2011. Interest income amounts to Euro 61.1 million (Euro 53.3 million in Q1 2011), with unrealised net gains of Euro 33.2 million (Euro 18.5 million in Q1 2011) and net valuation losses of Euro 18.7 million (Euro 20.4 million in Q1 2011) and concerning impairments on AFS financial instruments for Euro 12.1 million and depreciation on buildings of Euro 6.6 million.
Income from financial instruments at fair value recorded to the profit and loss account increased from Euro 2.1 million in Q1 2011 to Euro 8.8 million;
- The management expenses in the non-life insurance sector amounted to Euro 145.6 million, with a percentage on net premiums of 19.6% (18.4% in Q1 2011).

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

The operating performance in Q1 2012 in comparison with the previous period is summarised as follows:

- In relation to the technical component, the overall profit improved slightly;
- Overall administration expenses, before the allocation to the technical segment, report a gradual contraction, principally due to personnel expenses;
- Concerning income and charges from investments (also real estate) a significant increase in income is reported (Euro 1.0 million compared to Euro 0.1 million in Q1 2011); This is essentially due to decreased losses, both from impairments and the sale of properties, in addition to increased profits realised.
- For the other net revenues (costs), an improved negative performance was recorded, due to the provision (non-recurring) for other charges in the first quarter of 2011;
- an insignificant impact from extraordinary items.

The premiums written amounted overall to approx. Euro 35.2 million, a significant contraction on Euro 43.6 million in the same period of the previous year. The above-stated decrease is due to the Hulls sector and largely attributable to the time lag concerning the recognition of premiums of a number of large clients (in particular Fincantieri) and the non renewal of a number of overseas contracts considered technically unremunerative.

In relation to claims paid, the total amount of Euro 32.3 million decreased on the first quarter of 2011 (Euro 40 million) and refers principally to the Hulls class. The change concerns the payment of a number of serious claims, occurring in the first quarter of 2011. At the same time, the claims reserve in the “Transport” sector has not changed significantly.

The income and charges from net investments benefitted from the trading activity result for Euro 0.4 million of profits, compared to Euro 0.2 million of losses in the first quarter of 2011 and the absence of impairments (Euro 0.4 million in Q1 2011).

In a general manner, the international “Transport” insurance market, concerning the “Hulls” sector, continues to feature an excess of underwriting capacity, due to the significant amount of liquidity present in the system. However, after an end of 2011 which saw a relative weakness in premiums, the serious claims stemming from the Costa ships (Concordia and Allegra) at the beginning of 2012 generated a greater unwillingness by companies to reduce prices. This guided also the London market, which is the central hub of this sector. Among other issues, the renewal of the fleet continues, in addition to the ongoing economic crisis and the consequent excess cargo space offered by shipping companies.



Life Insurance Sector

THE LIFE INSURANCE MARKET

In 2011, total premiums in the Life Division decreased by 18% (approx. Euro 73.9 billion), accounting for 67% of the entire Non-Life and Life portfolio (71.5% in 2010) (Source: ISVAP – Circular as per Protocol No. 07-12-000109 of April 20, 2012 concerning “Gross premiums written in the fourth quarter of 2011 by National insurance companies and by the Italian representatives of foreign insurance companies”).

In particular, Class I (Insurance on human life) with approx. Euro 56.6 billion (Euro 67.7 billion in 2010) decreased 16.4% on 2010; Class III (Insurance principally related to mutual funds or Internal Funds or indices or other benchmark values) with approx. Euro 12.5 billion (Euro 15.4 billion in 2010) contracted by 18.8% on 2010, and Class V (Securitisation operations) totalled Euro 3.1 billion (Euro 5.1 billion in 2010), decreasing by 39.2%. These classes impact on the total Life premiums respectively for 76.6%, 16.9% and 4.3% (75.2%, 17.1% and 5.7% in 2010).

Premiums written through bank and postal branches accounted for 54.8% of the Life portfolio (60.3% in 2010). These were followed by the financial promoters (18.3% compared to 15.8% in 2010), mandated agents (16.4% compared to 15.2% in 2010), in-house agents (9.2% compared to 7.4% in 2010), brokers (1% in line with 2010) and other forms of direct sales (0.3% in line with 2010).

In March alone, the Class I policies contracted by 14% on the same month of 2011, against premiums of approx. Euro 3.7 billion: in Q1 2012, premiums amounted to approx. Euro 9.4 billion, -30.6% on Q1 2011 (Source: ANIA – New Life Business March 2012).

The amount of new Class V premiums in March alone totalled Euro 86.4 million (-44.1% on March 2011): including also new business from the two previous months, premiums amounted to approx. Euro 251 million, a decrease of 52.5% on the same period of the previous year. In Q1 2012, the linked sector, with approx. Euro 1.3 billion of premiums, grew by 4.2%, while in Q1 2012 new policies amounted to Euro 2.8 billion, a contraction of 6.1% on the same period of 2011.

The agents and in-house agents recorded decreased premiums respectively of 19.9% and 20.2% on 2011, reporting total amounts respectively of Euro 1.4 billion and Euro 0.3 billion, while the financial promoter channel sold Euro 2.5 billion of new premiums (+28.8% on Q1 2011). The bank and postal channels recorded new policies of Euro 8.1 billion, decreasing 36.7% on Q1 2011.

Operational performance

The sector pre-tax profit was Euro 59.8 million (Euro 9.7 million in Q1 2011).

The first three months saw a significant reduction in premiums, also in terms of new business, particularly due to the decrease in single premiums. The data was however in line with 2012 forecasts, considering that the premiums recorded to date represents 25% of the total forecast.

This is due to the difficult economic climate, in addition to the negative impacts from the downgrading of the issuer credit rating. The cash flows both for redemptions and maturity payments report significant amounts, in line with forecasts.

This did not cause liquidity problems or problems concerning future sector yields, as the payments were financed by various own sources, in addition to the liquidity from new business.

The financial management performance was positive with net gains realised of over Euro 22 million compared to Euro 13 million in Q1 2011.

The sector recorded impairments on AFS equities and funds for Euro 4 million (Euro 5 million in Q1 2011).

Premiums

Direct premiums written in the first quarter of 2012 amounted to Euro 859.0 million, a decrease of 31.1%.

The details by class compared to the previous quarter are shown in the table below:

(in Euro thousands)	Q1 2012	Q1 2011	Cge. %	Percentage	
				Q1 2012	Q1 2011
LIFE DIVISION					
II – Insurance on human life expectancy	511,408	374,575	36.53	59.5	30.0
III - Insurance as per points I and II					
Investment funds and market indices	278,531	792,802	(64.87)	32.4	63.5
IV - Health insurance	119	124	(4.03)	-	-
V – Securitisation operations	68,703	79,828	(13.94)	8.0	6.4
				99.9	
TOTAL	858,761	1,247,329	(31.15)	99.9	99.9
INDIRECT PREMIUMS	229	213	7.51	0.1	0.1
TOTAL	858,990	1,247,542	(31.15)	100.0	100.0

Total premiums written by bank branches amounted to Euro 585.2 million and represents 68% of the total direct premiums written (approx. 70% in Q1 2011).

The total premiums in the sector also includes Euro 14 million (Euro 15 million in Q1 2011) on investment contracts which may not be considered under IFRS 4 and therefore not included under premiums written but rather under financial liabilities according to the deposit accounting technique.

The premiums ceded amounted to Euro 4.0 million (Euro 3.6 million in Q1 2011).
Charges relating to claims, net of reinsurance, amounted to Euro 1,137.4 million (Euro 1,287.9 million in Q1 2011).

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

(in Euro millions)	Claims	Redemptions	Maturity	Total Q1 2012	Total Q1 2011
II – Insurance on human life expectancy	21.9	409.20	185.0	616.1	506.5
III - Insurance as per points I and II linked to investment funds	8.6	592.7	70.9	672.2	294.6
IV - Health insurance	-	-	-	-	-
V – Securitisation operations	0.2	239.1	71.8	311.1	70.9
Total	30.7	1,241.0	327.7	1,599.4	872.0

Management expenses as a percentage of premiums increased (5.8% in the first quarter of 2012 compared to 5.1% in Q1 2011), due to the decrease in premiums from the bancassurance sector.

Gross technical reserves amount to Euro 22,409 million, a decrease of Euro 88 million on the end of the previous year.

Annual Premium Equivalent and New business

New premiums written in terms of equivalent annual premiums (Annual Premium Equivalent, APE), is calculated based on the sum of the new business annual premiums and 10% of the single premiums. For the Fondiaria SAI Group, this is calculated both under the IAS/IFRS criteria, excluding therefore the contracts treated under the “deposit accounting” method, and under Local criteria taking into consideration all new premiums in the sector, including investment contracts not within the application of IFRS 4.

The results of the above-mentioned valuations are reported below.

(in Euro millions)	Q1 2012	Q1 2011	Cge %
IAS/IFRS standards	74.7	114.1	(34.52)
Traditional Insurance Companies	17.6	28.6	(38.46)
Bancassurance	57.1	85.5	(33.21)
Local GAAP	75.2	114.8	(34.52)
Traditional Insurance Companies	18.1	29.3	(38.32)
Bancassurance	57.1	85.6	(33.23)

In the first quarter of 2012, the Individual Life policies underwritten by the distribution network was primarily focussed on the Separated Management products characterised by minimum guaranteed returns and capital protection. It is highlighted, among other issues, that from the beginning of the period for the single premium form the mechanism for the application of the minimum guaranteed yield was modified, which is no longer tested and consolidated on a recurring annual basis (“cliquet” mechanism), but recognised only on contractual maturity or in case of death.

- The single premium products, with the usual attention to the capital maturity segment, contracted significantly in terms of new business compared to the same period of the previous year.
- The OPEN GOLD and OPEN RISPARMIO recurring premium products reports significant contractions.
- A substantial decrease was recorded for the constant annual premium forms, with the exception of the Mixed sector, which saw the launch of the new OPEN FULL product in the middle of March resulting in a significant increase both in the number of policies and in the value of annual premiums.

In relation to the Multi-class OPEN DINAMICO product the new business reduced considerably on 2011: no comparison is possible with the first quarter of 2011, in that the product was launched in April.

In March, the agency networks made available a new product with specific assets, VALORE CERTO, which was warmly received by clients and by agents, reaching its underwriting limit in the very first days of sale: the effects from this product will be seen in the second quarter of the present year.

The DEDICATA policy (Term Life product) recorded a slight contraction in new business.

In relation to the complementary pension segment, implemented through the Individual Pension Plans, in the first three months of the year there was a slight increase in the new business on the same period of the previous year.

In the first quarter of 2012 the “corporate” segment overall reports decreased business on the first three months of the previous year.

Specifically the Pension sector, concerning both the Pre-existing Pension Funds and Open Pension Funds, reported a reduction in volumes compared to the previous year.

The continued unfavourable economic climate, together with the regulatory obligations imposed by the legislature (allocation of employee leaving indemnity to complementary pension forms rather than to the INPS Treasury Fund for companies with over 50 workers), resulted in a decrease in business from products related to the provisioning of post-employment benefits (TFR and TFM).

The continued difficulty of businesses in accessing liquidity resulted in, both for the products related to the management of corporate liquidity and the mixed special securitisation products, a significant contraction in revenues. The continued advanced redemption, particularly by Institutional Clients regarding significant investments, is highlighted.

The risk coverage sector reports stability in terms of premium volumes on the first quarter of the previous year.

- MILANO ASSICURAZIONI S.p.A.

The Life Division reports a pre-tax profit of Euro 18.7 million (profit of Euro 12.3 million in Q1 2011). The improvement was principally from the higher differential between overall income and the portion relating to policyholders, taking account that of a temporary negative impact from deferred liabilities towards policyholders in the first quarter of 2011.

In the first quarter of 2012, direct premiums, calculated according to IAS accounting standards, amounted overall to Euro 85.7 million, a decrease of 9.2% on Q1 2011.

The profitability was supported in any case by a policy portfolio which is characterised principally by traditional type products, whose technical composition is focused on - through the selection of demographic and financial parameters - the guarantee of a satisfying margin. The products offered, for the quality and the wide range offered, satisfy all needs of clients, both in terms of savings (pension and non) and in terms of investments in relation to fulfilling security and protection needs.

In relation to the Class I products, the contraction (-11%) is due in particular to the single premium products which, created essentially to satisfy investment needs, were impacted most by the current generalised liquidity crisis, which unfortunately extended to all types of clients and not just to those with significant disposable funds. Together with the decrease in single premiums, we highlight an improvement in the mix, which was seen in the percentage increase in annual premium new business, comprising approx. 9% of the total and increasing on the previous year. This shift, as seen in previous periods, is in line with the objective to rebalance over the medium term premiums in favour of products which engender loyalty and are more remunerative.

The premiums ceded amounted to Euro 2.8 million compared to Euro 2.9 million in Q1 2011. The reinsurance structure is unchanged compared to the previous year, with a proportional coverage in excess and a catastrophic coverage in claims excess provided by the group company The Lawrence Re.

In the Life division the management expenses amounted to Euro 7.4 million, with a percentage of net premiums of 8.9%.

- POPOLARE VITA S.p.A.

In the first quarter of 2012, the net profit amounted to Euro 3.3 million (approx. Euro 3.6 million in the first quarter of 2011).

Gross premiums written in Q1 2012 totalled Euro 305.8 million (Euro 76.5 million in Q1 2011). Premiums in the first three months were concentrated principally in new single premium re-valuation saving products of Class I (approx. 99% in Q1 2012, over 90% in Q1 2011).

The life sums paid in Q1 2012 amounted to Euro 365.9 million (Euro 352.4 million in Q1 2011); the financing was supported both by the shareholder payment made in December 2011 and the sales made on the securities portfolio, without therefore recording a loss with an impact on the income statement.

The management expenses in Q1 2012 amount to approx. Euro 16.8 million (in Q1 2011 amounting to approx. Euro 11.9 million) and comprise for approx. 52% acquisition expenses and for 48% administration expenses.

At March 31, 2012 the volume of overall investments reached approx. Euro 7,044 million (increase on 31/12/2011 of Euro 6,919 million).

The gross technical reserves amounted to approx. Euro 6,674 million (approx. Euro 6,490 million at 31/12/11).

- THE LAWRENCE LIFE ASSURANCE COMPANY LTD

In Q1 2012, the Company reported an IAS compliant net profit for consolidated purposes of Euro 5,353 thousand, an increase of 23% on the IAS compliant result in Q1 2011 (Euro 4,355 thousand).

In the first quarter of 2012, the Company reports premiums of Euro 258,675 thousand, of which insurance contracts Euro 258,726 thousand through the issue of unit-linked products of a duration of 5 years (against premiums in Q1 2011 of Euro 736,283 thousand, of which Euro 736,385 thousand insurance contracts).

At March 31, 2012 total investments of the Insurance Company amounted to Euro 4,260 thousand (Euro 3,661 thousand in 2011), of which Euro 4,183 thousand (Euro 3,570 thousand in 2011) were Class D investments.



Real Estate Sector

In a continually weak economy, the data at the end of 2011 highlights the robustness of the real estate market. The levels reached may be considered as a threshold around which, also in critical conditions, the sector coalesces, even if needs exist to absorb excess production on the one hand and for efficient turnover on the other, with the market at this stage already having spent 3 years at minimum levels. The Real Estate market Report 2012 prepared by Nomisma, highlights that in 13 intermediate-size cities representative of the secondary markets, the 2011 economic environment and that in the first months of 2012 was again poor.

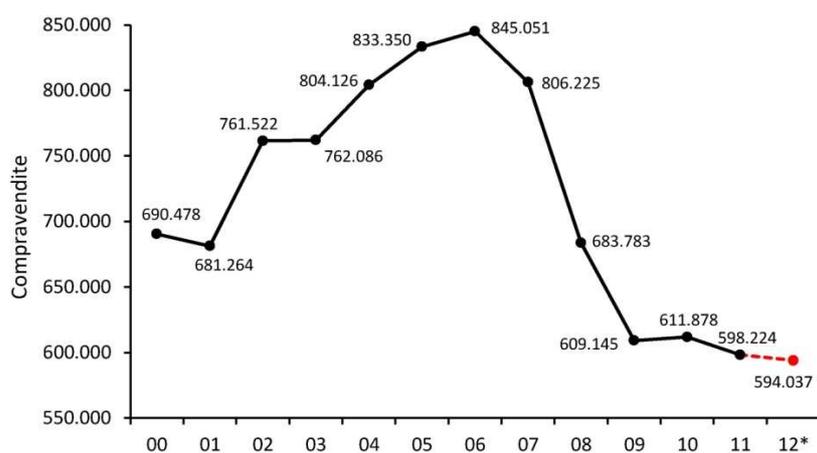
Table 2 – Annual changes in current property prices (%)
Average 13 intermediate cities

	2008	2009	2010	2011	2012
New Residential	5.7	(2.2)	(3.7)	(1.6)	(1.9)
Residential second-hand	5.9	(2.4)	(3.5)	(1.8)	(2.2)
Offices	6.1	(1.5)	(3.3)	(1.8)	(2.3)
Retail	6.0	(2.0)	(4.0)	(1.3)	(1.9)
Box/garage	5.7	0.9	(3.4)	(0.9)	(1.7)

Source: Nomisma (1st Report on the real estate market 2012, March 2012)

Also the average sales and rental periods extended further and, against a growing offer and with asking prices open to review, the need - weakened by the general economic situation – to consider the reduced capacity for expenditure and the contrasting expectations of the counterparties.

Graph 2 – Number of annual residential sales in Italy



Source: Nomisma forecasts on Territory Agency data

Operational Performance

The results of the real estate sector include the subsidiaries **Immobiliare Fondiaria-SAI**, **Immobiliare Milano**, **Nit s.r.l.** and other minor companies, as well as the **Tikal R.E.** and **Athens** Closed Real Estate Funds.

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

(in Euro thousands)	Q1 2012	Q1 2011
Profits realised	4	48
Total revenues	17,145	39,535
Interest expense	1,478	2,148
Total costs	22,847	35,052
Profit/(loss) before taxes	(5,702)	4,483

(in Euro thousands)	31/03/2012	31/12/2011
Investment property	1,260,871	1,267,976
Financial liabilities	193,737	211,958

The pre-tax result of the sector was a loss of Euro 5.7 million (profit of Euro 4.5 million in the first quarter of 2011).

The result in the period was also principally affected by depreciation of approx. Euro 8.2 million (Euro 7.1 million in Q1 2011).

There were no significant operations in the limited period of observation.

Immobiliare Fondiaria-SAI S.r.l.

The activities carried out by the company in the first quarter of 2012 focused principally on the management of the real estate assets and investments. At consolidated level, the result for the period was a loss of approx. Euro 2 million (loss of approx. Euro 1.9 million in Q1 2011), deriving from:

- a positive result relating to Immobiliare Fondiaria-SAI for approx. Euro 0.7 million, due principally to the consolidated gain from the sale of IGLI for Euro 1.1 million and the costs for the depreciation of owned buildings for approx. Euro 0.4 million;
- the loss of Marina di Loano for approx. Euro 2.2 million, due principally to the interest charges on loans and the impairments on property;
- the losses of other subsidiaries for approx. Euro 0.5 million, principally due to operating costs.

Immobiliare Milano Assicurazioni S.r.l.

The activities carried out by the company in the first quarter of 2012 focused principally on the management of the real estate assets and investments. At consolidated level, the result for the period was a loss of approx. Euro 0.2 million (loss of approx. Euro 1.9 million in Q1 2011), deriving from:

- the loss of Immobiliare Milano Assicurazioni of approx. Euro 0.5 million, due principally to the consolidated gain for the sale of IGLI for Euro 1.1 million and the depreciation of buildings for approx. Euro 1.9 million;
- the profit of the subsidiary Seconda for approx. Euro 0.3 million.

Sale of IGLI S.p.A. shares

On December 27, 2011, Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l. agreed the acquisition by Argo Finanziaria S.p.A. of 8,040,000 ordinary shares of IGLI S.p.A., held by Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l. and comprising 33.33% of the share capital of IGLI S.p.A.. As previously reported, IGLI S.p.A. in turn holds 120,576,293 Impregilo S.p.A. ordinary shares – 29.96% of the share capital with voting rights.

The acquisition price of each IGLI S.p.A. share subject to the agreement was established at Euro 10.89572, based on the forecast balance sheet of IGLI S.p.A. at December 31, 2011, with each ordinary share of Impregilo S.p.A. attributed a value of Euro 3.65.

Argo Finanziaria S.p.A. then designated its subsidiary Autostrada Torino Milano S.p.A. to acquire the IGLI S.p.A. shares held by Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l. .

On March 8, 2012, the sale was completed with simultaneous payment of the price of Euro 43,800,794.40 for each seller.

Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l. have committed, on their own behalf and on behalf of their affiliates, to abstain from acquiring directly or indirectly, shares, rights and equity instruments of Impregilo S.p.A., financial instruments or debt securities convertible into shares or equity instruments of Impregilo S.p.A., in addition to any option rights concerning the subscription and/or the acquisition of any of the above-stated instruments for a period of 12 months from the execution of the operation.

Castello Area

In relation to the case before the Florence Court in which also the Company Fondiaria-SAI S.p.A. is involved for the offences as per Articles 319 and 320 established also in Articles 5 and 25 of Legislative Decree 231/2001 concerning the urbanisation of the Castello area made by the Florence Municipality, the preliminary trial phase concluded and the Discussion phase has begun.

The two Prosecutors who brought the case made their conclusions and the relative requests at the hearings of March 26 and 28 last. In relation to the charges made against the Company, a penalty of 400 times the value between a minimum of approx. Euro 250 and a maximum of Euro 1,549 was requested.

The accessory penalties of the banning for 2 years from undertaking contracts with the public administration and the confiscation of the lots of the Castello Area for which the construction permits were released were also requested.

The Public Prosecutor also requested the maintenance of the sequestration of the entire area.

In relation to the Company or Group Company representatives, sentences were requested for 3 years and 6 months for Mr. Ligresti and 4 years and 4 months for Mr. Rapisarda, 3 years for Mr. Giombini, while 4 years and 6 months was requested for the ex assessor of the Florence Municipality Gianni Biagi and 2 years and 2 months for the Vice Mayor of the Florence Municipality Graziano Cioni.

The Discussion continued with the conclusions of the lawyers on the opposing sides.

In relation to the defence of the Company, clearing of the charges was requested, claiming the non committal of any offence and subordinately therefore the pursuit of only the monetary claim and not also the criminal claims. The judgement is expected by the summer.

The value of the assets relating to the so-called Castello Area at 31/12/12 amounted to Euro 174.7 million, as per the independent expert's valuation.

This amount is in line with the construction permit and therefore with the operational continuity of the assets and does not reflect the risks related to any legal defeat.



Other Activities Sector

Operational performance

The sector includes the Group companies operating in the banking, hotel and diversified sectors, as opposed to the insurance and real estate sectors.

The pre-tax result of the sector was a loss of Euro 10.0 million (loss of Euro 13.0 million in Q1 2011).

The contribution of the Atahotels Group was a loss of Euro 7.4 million (loss of Euro 9 million in Q1 2011).

The Fiorentino Villanova Oncology Centre reported a loss of Euro 3.6 million (Full Year 2011 loss of Euro 3.6 million). The return to profit by BancaSai is noted following the reduction in loans granted at the end of 2011 and continued in the first part of 2012.

The result includes amortisation and depreciation in the period of Euro 7.1 million (Euro 8.6 million in Q1 2011).

- **BANCASAI S.p.A.**

At March 31, 2012, assets managed by the bank, including funds managed by Group companies, amounted to Euro 17,007 million compared to Euro 16,585 million at December 31, 2011.

During the period the number of current accounts increased from 16,414 at December 31, 2011 to 16,577 at March 31.

Total indirect deposits increased to Euro 16,053 million at March 31, 2012 from Euro 15,744 million at December 31, 2011.

During the first quarter of 2012, the Bank continued to contain and reduce loan commitments, begun in 2011, in line with the technical forms and in close collaboration with the clients granted credit under the new credit policy, based on prudent management, a fractioning of risk and close selection of clients.

Net of the exposure to the subsidiary Finitalia, which amounted to Euro 104 million in the technical forms of hot money and current account credit lines, in addition to Euro 76 million of bonds subscribed by BancaSai, the loan commitments to third parties decreased from Euro 679 million in 2011 to Euro 662 million at the end of March 2012.

The level of mortgages at 45.9% of total loans remains high, while there is reduction in the loans to businesses.

The Bank continued to place particular attention on the “fractioning of risk” both in relation to the distribution by economic activity and concentration by individual client. Further selective criteria were also adopted in the management of the receivables portfolio, in order to adjust the size and the quality of the credit lines made available to the client to the effective risk profile of the client.

Bank capital requirements amounted to Euro 106.3 million (Euro 102.5 million at December 31, 2011).

The period reports a profit of approx. Euro 1.9 million, thanks to an interest margin of Euro 4.5 million (growth of 10% on Q1 2011) and an increase of approx. Euro 0.6 million in net commissions.

The net financial management result, a profit of Euro 7.4 million, increased by 42% on the previous year. In the first quarter of 2012, the operating costs amounted to approx. Euro 5 million (Euro 6.1 million in the preceding period), decreasing by approx. 18%.

- FINITALIA S.p.A.

The Q1 2012 net profit amounted to Euro 511 thousand (Euro 306 thousand in Q1 2011). The number of transactions grew by 22.4%, thanks to the development of receivables/loans. At 31/03/12, financing was provided of Euro 77,949 thousand compared to Euro 64,659 thousand in the same period of 2011, an increase of 20.6%.

Administrative expenses in Q1 2012 amounted to Euro 2.9 million, in line with budget and the 2011 results.

The commercial activities in the first quarter concerned a number of actions such as:

- the provision of premiums payments through loans issued to employees of the ex-Montedison companies, agreements with the companies of the FONSAI Group and adjustment of the IT procedures of the agencies;
- the updating of the IT issuing procedures in the insurance agencies of the FONSAI Group allow, on the annual renewing of the payment loan premiums, the printing of a mailing letter which informs of the availability of personal finance for the household.

In addition in the coming month, the mailing to each policyholder, regularly screened, is scheduled.

A total of 2,534 insurance agencies had agreements in place with Finitalia at March 31, 2012 compared to 2,592 at the end of 2011, following the merger and closure of some agencies.

- Atahotels S.p.A.

The Q1 2012 results highlight, compared to the same period of the previous year, an increase in revenues of approx. Euro 0.7 million, while the operating margin gross of amortisation, depreciation, provisions and leasing payments improved by Euro 1 million, thanks to the containment of costs. In fact, the restructuring already begun in previous years is providing significant returns, as is the centralisation of the purchasing department which was operational from the final months of 2011.

Compared to 2012 budget however the operating data relating to the first quarter highlights a contraction in revenues (-8%). The deviation from budget is particularly evident in the Milan area (Executive, Big, Ripamonti Residence), in the mountain area (Golf Hotel and Planibel) and Villa Pamphili.

The decrease in the operating margin gross of amortisation, depreciation, provisions and leasing payments compared to budget was more contained (Euro -1.3 million) thanks to a reduction in the principal operating cost accounts.

The consolidated operating result was however slightly ahead of budget, thanks to the reduction in the ENPAM rent (the budget did not take account of the rent reductions).

The lower financial charges and the reduction in impairments on investments, due to the restructuring carried out in the meantime, resulted in a Q1 2012 loss of Euro 7.5 million compared to Euro 8.7 million in the first quarter of the previous year.

Asset and financial management

INVESTMENTS AND LIQUIDITY

At 31/03/2012, the volume of investments amounted to Euro 34,504 million, an increase of 2.1% on 31/12/2011.

The investments, tangible fixed assets and liquidity at 31/03/2012 compared to the previous year are shown below.

(in Euro thousands)	31/03/2012	Percent. %	31/12/2011	Percent. %	Cge. %
INVESTMENTS					
Investment property	2,695,945	7.52	2,759,245	7.85	(2.29)
Investments in subsidiaries, associates and joint ventures	111,881	0.31	116,558	0.33	(4.01)
Loans and receivables	3,745,475	10.45	3,688,865	10.49	1.53
Investments held to maturity	625,256	1.74	599,713	1.71	4.26
AFS financial assets	19,151,606	53.44	17,598,287	50.03	8.83
Financial assets at fair value through the profit or loss account	8,173,582	22.81	9,026,664	25.67	(9.45)
Total investments	34,503,745	96.27	33,789,332	96.08	2.11
Tangible fixed assets: buildings and other fixed assets	398,582	1.11	401,744	1.14	(0.79)
Total non-current assets	34,902,327	97.38	34,191,076	97.22	2.08
Cash and cash equivalents	938,766	2.62	976,582	2.78	(3.87)
Total non-current assets and cash equivalents	35,841,093	100.00	35,167,658	100.00	1.91

The increase in the period benefitted from the investments recorded at fair value following the recovery of the financial markets in the first quarter.

The AFS financial assets and the financial assets valued at fair value through profit or loss are as follows:

(in Euro thousands)	31/03/2012	31/12/2011	Cge. %
AFS financial assets	19,151,606	17,598,287	8.83
Equity securities	1,237,623	1,171,370	5.66
Fund units	804,300	788,143	2.05
Debt securities	17,107,585	15,636,678	9.41
Other financial investments	2,098	2,096	0.10
Financial assets at fair value through the profit or loss account	8,173,582	9,026,664	(9.45)
Equity securities	40,116	30,599	31.10
Fund units	645,942	636,124	1.54
Debt securities	7,004,029	8,072,935	(13.24)
Other financial investments	483,495	287,006	68.46

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

(in Euro thousands)	31/03/2012	31/03/2011	Change
Net income from financial instruments recorded at fair value through profit or loss	253,377	(37,379)	290,756
Net income from investments in subsidiaries, associates and joint ventures	(6,910)	(908)	(6,002)
Income from other financial instruments and property investments of which:			
Interest income	207,539	191,896	15,643
Other income	38,481	35,276	3,205
Profits realised	81,962	68,219	13,743
Valuation gains	4,598	78	4,520
Total income	579,047	257,182	321,865
Charges from other financial instruments and property investments of which:			
Interest expense	16,959	15,984	975
Other charges	14,864	15,644	(780)
Losses realised	16,068	53,862	(37,794)
Valuation losses	39,601	42,188	(2,587)
Total interest expense and charges	(87,492)	127,678	(40,186)
TOTAL NET INCOME/(CHARGES)	491,555	129,504	362,051
Net income from financial instruments recorded at fair value through profit or loss whose risk is borne by policyholders (Class D).	249,626	(33,318)	282,944
TOTAL NET INCOME EXCLUDING CLASS D	241,929	162,822	79,107

The net income from financial instruments recorded at fair value through the profit and loss includes net income relating to contracts in the Life sector whose risk is borne by the policyholders for Euro 250 million (charge of Euro 33 million in Q1 2011).

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

FINANCIAL MANAGEMENT

The first quarter of 2012 reported overall strong global growth, supported by a significant recovery in the United States which more than offset the slowdown in the Eurozone with the introduction of restrictive fiscal policies in order to improve the public finances, and also in China, which was hit by the drop in exports to Europe and was forced to introduce a new development model more concentrated on internal consumption. The Federal Reserve continued to exercise prudence in relation to the US recovery, maintaining official interest rates substantially at zero (0-0.25%). The European Central Bank maintained the discount rate at 1% and, with the two Long-Term Refinancing operations with 3-year maturity at 1% (a liquidity option in which the ECB provides loans to requesting banks), significantly reduced the risk of a Credit Crunch and contributed to a significant improvement of the Sovereign Risk for Spain and Italy and a return of trust to the financial system.

In the first quarter of 2012, the easing of strong tensions surrounding the debt within the Eurozone, the modest improvement in the US economy, in addition to a reporting season in line with (although contained) market expectations, also supported a recovery in the principal stock indices.

The bull market benefitted principally the cyclical sectors (Auto +27%, Chemicals +16%, Technology +15%) and the financial sector (Insurance +15%, Banks +11%), with more contained performances in the defensive market sectors (Utilities +1.5%, Healthcare +0.5%, Telecom -1.7%).

In general, the exposure was maintained substantially stable in the first two months, with profit-taking in the above-stated sectors which outperformed in 2011, together with trading activities supporting the asset allocation.

On reaching the set technical thresholds of the indices, expecting the re-emergence of European sovereign debt fears (in particular in relation to Spain) and taking profits at a part of the cycle vulnerable to a Chinese slowdown, the exposure was in part reduced, shifting at the same time the portfolio to more defensive market sectors (such as Utilities, Food, Healthcare).

Also geographically a diversification policy was introduced, through the reduction of exposure to Italy in favour of securities in foreign currencies, in line with the Group risk policy.

Financial operations in the quarter

In relation to the Non-Life sector, the bond operations were focused on Government Securities, slightly increasing the exposure to Corporate securities, through new issues on the primary market.

The strong Italian performance enabled, through trading operations, the realisation of value and the diversification to supranational issues (rating AAA) and Core area issues, to achieve at the same time significant gains and an increased exposure towards less volatile bond instruments and with higher credit ratings. The exposure towards Italy remains a concern however which comprises a large proportion of the portfolio.

The overall duration of the Non-Life Portfolio in the quarter was lengthened slightly, also in light of the economic climate which forecasts weak growth and no particular concerns around inflation.

In the Life sector, the bond sector activities were carried out at both a tactical and strategic level. The above stated significant performance on Italian securities enabled tactically an intense activity, allowing the realising of gains, both on previously held positions and new positions opened at the beginning of the quarter.

The market performances enabled the following of two significant strategies.

Firstly, based on the analyses of the Asset Liability Management, the portfolio profiles of the Separated Management in terms of cash flows mismatch were optimised, both in the short-term and medium-long term view. This activity, which had been carried out in the past, involved a process of intensification given the performances of securities in portfolio, which enabled the establishment of greater operational leverage and greater efficacy in the remodelisation of the portfolios of the individual Separated Managements.

The second significant portfolio strategy involves the continued diversification within the government bond sector, decreasing exposure to Italian government securities and increasing that of issuers with higher ratings and supranational securities.

In terms of the composition of the portfolio, the exposure to money market and zero coupon instruments was increased, with a decrease in the fixed rate component and partially of the variable rate component.

The overall duration of the portfolios was reduced, preserving future profit levels against a limited decrease in current profitability.

In relation to the Corporate sector, the exposure was reduced in favour of government securities.

Fondiaria-SAI

The Non-Life Division is composed of 52.6% of fixed income bonds, 41.5% at variable rate and a residual 5.9% in time deposits.

The total duration of the portfolio is 2.13 years and the return on the Non-Life portfolio is equal to 3.44%.

The Life Division has a higher fixed rate bond allocation (75.2%), compared to the variable quota of the same class (24.6%) and time deposits (0.2%), with a total duration of the portfolio of 4.98 years and a return of 4.92%.

Milano Assicurazioni

The Non-Life Division is composed of 61.2% of fixed income bonds, 36.5% at variable rate and a residual 2.3% in time deposits.

The total duration of the portfolio is 2.09 years and the return on the Non-Life portfolio is equal to 3.17%.

The Life Division has a higher fixed rate bond allocation (74.1%), compared to the variable quota (24.1%) and time deposits (1.8%), with a total duration of the portfolio of 4.6 years and a return of 4.93%.

FONDIARIA-SAI GROUP DEBT

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

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

(in Euro millions)	31/03/2012	31/12/2011	Change
Sub-ordinated loans	1,041.0	1,049.5	(8.5)
Banks and other lenders	276.9	300.4	(23.5)
Total debt	1,317.9	1,349.9	(32.0)

The reduction in the debt is principally due to the repayment of Euro 12 million in February 2012, of the bank loans signed with Efibanca by the subsidiary Immobiliare Milano, and the partial repayment of approx. Euro 5 million each by Tikal of its loan and by BancaSAI of its bonds.

The account **Sub-ordinated loans** include the following loans with Mediobanca, with prior ISVAP authorisation:

- A subordinated loan of Euro 400 million undertaken by Fondiaria-SAI, agreed and issued on 23/07/2003. Following some contractual modifications in December 2005, the interest rate is Euribor at 6 months +180 basis points and repayable in five equal annual instalments from the 16th anniversary of the loan. This loan was obtained in order to increase the constituting elements of the solvency margin;
- A sub-ordinated loan of Euro 100 million agreed by Fondiaria-SAI on 20/12/2005 (received on 31/12/2005), with the same sub-ordination characteristics of the previous loan. The interest rate is Euribor at 6 months +180 basis points and is repayable in five equal annual instalments from the 16th anniversary of the loan;
- A subordinated loan of Euro 300 million agreed on 22/06/06 (received on 14/07/06), subscribed 50% by Fondiaria-SAI and the other 50% by Milano Assicurazioni. This loan provides for interest at Euribor at 6 months +180 basis points and is repayable in five equal annual instalments from the 16th anniversary of the loan. In particular, this latter contract contributes to a further improvement in the solvency margin available to the Group for the part provided by the subsidiary Milano Assicurazioni. On 14/07/2008, Milano Assicurazioni made a partial advance repayment of this loan for Euro 100 million;

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- A hybrid subordinated loan with a perpetual duration of Euro 250 million agreed and paid on 14/07/2008 by Fondiaria-SAI. The interest rate is Euribor at 6 months +350 basis points for the first 10 years and thereafter 450 basis points. The repayment should be made in one repayment after 10 years. This loan was agreed to increase the constituting elements of the solvency margin;
 - A hybrid subordinated loan with a perpetual duration of Euro 100 million agreed and received on 14/07/2008 by Milano Assicurazioni. The interest rate is Euribor at 6 months +350 basis points for the first 10 years and thereafter 450 basis points. The repayment should be made in one repayment after 10 years. This loan was agreed to increase the constituting elements of the solvency margin.

In relation to subordinated bonds, against a nominal Euro 1,050 million, Interest Rate Swaps were subscribed of Euro 1,050 million, in order to neutralise the risk related to the above mentioned loans.

With reference to **Bank and other lenders**, amounting to Euro 276.9 million, the most significant amounts are reported below:

- Euro 111.5 million (Euro 116.5 million at 31/12/2011) relates to the loan signed by the Tikal Closed Real Estate Fund with Mediobanca as the Agent Bank. The loan, originally for an amount of Euro 119 million, was granted for the purchase of property and improvements and at 31/03/2012 has been repaid for slightly more than Euro 5 million. The cost of the loan is Euribor plus a variable credit spread between 60 and 110 basis points. The Fund, since 2008, has utilised interest derivative instruments in application of a hedging policy on the potential risk of an increase in interest rates on the loan granted;
- Euro 94.0 million (Euro 99 million at 31/12/2011) refers to the bonds issued in 2009 and 2010 by BancaSai in part variable interest rate and in part fixed interest rate, with variable expiry from 2012 to 2014;
- Euro 71.3 million refers entirely to the debt of the subsidiary Immobiliare Fondiaria-SAI. This refers principally to the bank loan signed by Marina di Loano with Intesa SanPaolo as the Agent Bank with maturity on 17/03/2014 and an interest rate of Euribor at 3 months increased by 300 basis points. The company utilised a derivative instrument, in application of a hedging policy on the potential risk of an increase in interest rates on the loan granted;
- The residual amounts relates to other insignificant payable positions.

TREASURY SHARES, SHARES OF THE HOLDING COMPANIES AND ITS SUBSIDIARIES

At 31/03/12 and at 31/12/11, the Parent Company held treasury shares and shares in the parent company Premafin Finanziaria as shown in the table below:

(in Euro thousands)	31/03/2012		31/12/2011	
	Number	Book value	Number	Book value
Ordinary treasury shares held by:				
Fondiarria-SAI	3,200,000	64,366	3,200,000	64,366
Milano Assicurazioni	9,982,557	132,323	9,982,557	132,323
Sai Holding	1,200,000	16,337	1,200,000	16,337
Total	14,382,557	213,026	14,382,557	213,026
Shares of the holding company held by:				
Fondiarria-SAI	18,340,027	5,309	18,340,027	2,289
Milano Assicurazioni	9,157,710	2,651	9,157,710	1,143
Saifin - Saifinanziaria	66,588	19	66,588	8
Total	27,564,325	7,979	27,564,325	3,440

SHARE PERFORMANCE

The share capital of the Parent Company Fondiarria-SAI S.p.A. at 31/03/2012 amounted to Euro 494,731,136, divided into an equivalent number of shares of a nominal value of Euro 1 (367,047,470 ordinary shares and 127,683,666 saving shares).

At the period end, the stock market share prices were as follows:

(in Euro)	31/03/2012	30/12/2011	Change %
Fondiarria SAI ord.	1.0725	0.6195	73.12
Fondiarria SAI sav.	0.5358	0.3405	57.36

The corresponding stock market capitalisation at the period end was Euro 462 million (Euro 271 million at 31/12/2011).

The share prices of the other listed subsidiaries were as follows:

(in Euro)	31/03/2012	30/12/2011	Change %
Milano Assicurazioni ord.	0.2418	0.2285	5.82
Milano Assicurazioni sav.	0.2378	0.1864	27.58

The corresponding stock market capitalisation at the period end was Euro 470 million (Euro 440 million at 31/12/2011).

Other information

SOLVENCY MARGIN

In accordance with the provisions of the Supervision Authority in relation to the adjusted solvency margin and the application of the prudency filters, consequent to the introduction of the new IAS/IFRS standard, for Q1 2012 the ratio between the constituting elements and the solvency margin required was 91.6% (78.2% at December 31, 2011).

The Fondiaria SAI Group in the first quarter of 2012, applied, in continuation of the actions concerning the adjusted solvency margin, that established by the so-called “Fast Track Decree” (Legislative Decree No. 216 of December 29, 2011 – coordinated with the conversion law No. 14 of February 24, 2012 enacting the “Extension of terms established by the legislative provisions”) with effect from 2012.

For its implementation, reference should be made to Article 29 paragraph 16-*terdecies* of the above-stated decree which establishes that, for the verification of the adjusted solvency margin, insurance companies may take account of the book value in the separate financial statements of the debt securities issued or guaranteed by European Union member states classified as long-term in the balance sheet. A new Regulation in this regard is expected shortly.

The effect of this measure was approx. 7.4% (23.5% at 31/12/2011).

GROUP EMPLOYEES

At 31/03/2012, the number of employees of the Group was 7,523 (7,591 at 31/12/2011), broken down as follows:

Number	31/03/2012	31/12/2011	Change
Italian companies	5,929	5,929	-
Foreign entities	1,594	1,662	(68)
Fondiaria SAI S.p.A. Group	7,523	7,591	(68)

The above table does not include the seasonal personnel of Atahotels, comprising 138 persons at 31/12/11 (88 at 31/03/2012).

The employees of the foreign companies include 572 brokers (620 at 31/12/2011).

AGREEMENT OF UNDERSTANDING SIGNED FOR THE RENEWAL OF THE NON EXECUTIVE EMPLOYEE AGREEMENT

We report that on March 7, 2012 the agreement of understanding was signed for the renewal of the National Work Collective Contract for non executive employees.

The new contract commenced from January 1, 2010 and expires on June 30, 2013.

We highlight that only the economic part was renewed of the above-mentioned agreement and the commencement of work on two National Equality Commissions.

The first concerns flexibility in the workplace, work schedules and variation in duties, while the second relate to social security assistance in the sector, which clearly must take account of the Labour Market reforms which currently involve the Government and the Unions. It will be the Commission's responsibility to identify solutions to be incorporated into the contractual negotiations for the next renewal and the work is expected to be terminated by October 2012.

The economic increase when fully implemented will be 6.57% of which 0.30% from July 1, 2013. Therefore over the contractual period the expected increase will be 6.25%. In overall terms, when fully implemented, the increase will be Euro 131 gross monthly (4th level). In addition, to cover the year 2010, in replacement of the salary table adjustments, a one off payment will be recognised of Euro 650 gross, also for 4th level. We recall that the understanding agreement must be ratified by the Executive Committee of Ania as well as the workers' assembly of the insurance company.

The probable charges deriving from the renewal of the CCNL trade union agreement, relating to the years 2011 and previous, are covered by adequate provisions in accordance with the principles utilised in the previous financial statements.

STRUCTURE OF THE SALES ORGANISATION

With reference to the first quarter of 2012, the national distribution of the Fondiaria-SAI Agents was as follows:

	Total at 03/31/12	Total at 12/31/11
North	610	619
Centre	301	302
South	311	315
TOTAL	1,222	1,236

With reference to the Group it is noted that in the first quarter of 2012 there were 3,165 agencies (3,219 at 31/12/2011), operating through 2,378 sales points (2,521 at 31/12/11) representing the traditional distribution channel.

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

The Board of Directors of Fondiaria-SAI S.p.A. (the "Company"), meeting on January 29, 2012, called the Extraordinary Shareholders' Meeting of the company for March 16, 2012 in first call and March 19, 2012 in second call, to propose to shareholders a rights issue for a maximum total amount of Euro 1,100 million.

The amount proposed to the Shareholders' Meeting is greater than the maximum Euro 750 million announced to the market on 23/12/2011 following the downward revision of preliminary estimates for 2011 from those reviewed by the Board on 23/12/11 and announced to the market.

The binding agreement signed on 29/01/12, announced to the market, between the Unipol Group and Premafin S.p.A. concerning the acquisition of control by the Unipol Group of Premafin, with consequent indirect acquisition of control of the Fondiaria-SAI Group, which is subject to certain conditions, takes place as part of a wider integration which will directly involve the Company and provides for the subsequent merger between Unipol Assicurazioni S.p.A., Premafin, Fondiaria SAI and Milano Assicurazioni.

Consequently, the Board of Directors of Fondiaria-SAI, having noted the signing of the above-mentioned agreement, approved the appropriate actions in relation to the proposed merger in order to formulate the subsequent proposals to be presented to the Shareholders' Meeting.

In particular, the Board appointed – in accordance with the procedures for related party transactions approved by the Board, as Premafin and Milano Assicurazioni will also participate in the proposed merger – a committee of independent directors which will be involved in the negotiations to establish the legal and financial terms of the proposed merger.

The Board also approved the extension of the appointments already mandated to the advisors Goldman Sachs and Studio Legale Carbonetti e Associati within the project for the analysis and execution of the proposed merger.

For complete disclosure we also report that the Board of Directors of the subsidiary Milano Assicurazioni, for its part in the proposed merger, also appointed of a committee of independent directors and appointed their own financial and legal advisors.

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

The Shareholders' Meeting of Fondiaria-SAI S.p.A., meeting on March 19, 2012 and chaired by Jonella Ligresti, approved - subject to authorisation by ISVAP - that outlined in the Directors' Report to the Shareholders' Meeting of January 29, 2012, to which reference should be made. The documentation relating to the Shareholders' Meeting was made available to the shareholders, also on the website of the Parent Company, in the section "Extraordinary and Ordinary Shareholders' Meeting 16-19 March 2012."

The rights issue is in the first instance undertaken to strengthen the capital base of the Fondiaria SAI Group, ensuring an increase in the solvency margin to that required by law and guaranteeing the long-term solvency of the Group. This proposal is therefore part of an action plan as per Articles 227 and 228 of Legislative Decree 209/05, requested by ISVAP in communication of January 10, 2012, which noted the significant shortfall in the adjusted solvency margin of the Company. The funds deriving from the capital increase will essentially ensure the stable and long-term solvency of the Company.

On January 29, 2012, on the approval by the Board of Directors of the capital increase proposal, the Company was informed of the agreement reached on the same day between the parent company Premafin and Unipol Gruppo Finanziario (UGF), which establishes, among other issues, the integration of Premafin, Fondiaria SAI, Milano Assicurazioni and Unipol Assicurazioni.

Therefore at the January 29, 2012 meeting, the Board decided to begin the preliminary activities concerning analysis of the integration project. These activities are currently ongoing.

On the same date, Mediobanca – which at the end of December was appointed to organise the underwriting syndicate for the proposed capital increase approved by the Board of Directors on December 23, 2011 for a maximum amount of Euro 750 million - drew up a new proposal for the structuring of the capital increase underwriting syndicate, which in light of the agreement between Premafin and Unipol, considered also the completion of the integration project.

The capital increase proposal is therefore viewed as part of the wider integration project with the Unipol Group, who consider that the integration itself will enable a further capital strengthening of the resulting group. In light of this, in the press release of March 15, 2012, UGF published the first targets of the new entity headed by UGF under the operation. As stated in the above-mentioned press release these estimates have not yet been shared with Fondiaria-SAI and therefore subject to further valuation and analysis together with the management of the Company.

The proposal to shareholders is independent – and subject to approval by ISVAP – of the integration operation as the capital strengthening underlying the share capital increase is necessary even in the absence of the integration, whose execution is subject in any case to the fulfilment of the conditions established in the above-stated agreement. If the integration project should no longer be possible, Fondiaria SAI will without delay seek the necessary authorisation for the capital increase.

The preliminary commitments undertaken by Mediobanca and the banks expressing availability to participate in the capital increase underwriting syndicate are based on the completion of the proposed integration operation and having currently not provided a similar guarantee to the Company on a stand alone basis. Therefore, the availability of the banks is, among other issues, based on the completion of the integration project.

ISVAP has restated the necessity to proceed without delay with the capital strengthening operations, without however identifying a final date for completion. Based on the time periods put forward to date, it is expected that the capital increase will take place in May of this year. This timeline assumes that by this date the conditions of the Premafin and Unipol agreement and the terms and conditions of the integration with Unipol will be satisfied.

Although all the necessary information is not available to precisely measure the pro-forma effects of the share capital increase, it is estimated however that – net of transaction costs – the operation will result in the event of full subscription in:

- a capital strengthening of approx. Euro 1,040 million;
- financial and income effects, depending on the utilisation of financial resources deriving from the capital increase which, taking account of current market conditions, may amount to approx. Euro 40 million, gross of the tax effect.

Based on the preliminary evaluations carried out, with the support of the appointed adviser Goldman Sachs, on January 29 on the first review of the agreements reached between Premafin and UGF, it was established that – from an industrial viewpoint – the integration would create the largest Non-Life insurance provider in Italy with a market share of approx. 30% (2010 data). In the Life sector, the new entity would hold a market share of 7% (2010 data).

More generally, the integration would create one of the largest European insurers with approx. Euro 20 billion of consolidated premiums in 2011, in addition to a potential re-rating of the earnings multiples, following the recapitalisation and simplification of the Group structure.

The preliminary review phase of the industrial profiles and potential synergies stemming from the operation – in addition to the share swap ratio of the integration – is currently underway. The Board to date has not passed any resolutions in this regard.

The Board of Directors of the Company has committed to monitor the fulfilment of the conditions on which the completion of the agreement signed on January 29, 2012 between the parent company Premafin and UGF is based.

In any case, if the Company becomes aware of the existence of issues such as to put at risk the completion of the integration, in a timely manner it will evaluate all appropriate initiatives to ensure completion of the proposed capital increase, considering the possibility to renegotiate the agreements for the organisation of an underwriting syndicate, however within the ambit of a wider rescue plan which conforms with sector regulations.

Complaint to the Board of Statutory Auditors pursuant to Article 2408 of the civil code

On March 19, 2012, the Board of Statutory Auditors of Fondiaria SAI S.p.A. reported of a complaint presented pursuant to Article 2408 second paragraph of the civil code relating to potential actionable matters in the complaint presented on October 17, 2011 by Amber Capital Investment. The complaint requested clarification in relation to the Atahotels operation, some property transactions with related parties and the property consultancy services provided by Mr. Salvatore Ligresti, fees paid for services to companies belonging to the Ligresti family and, finally, fees approved in favour of directors in the years 2008-2010.

The Board of Statutory Auditors – in the shareholders' meeting of March 19, 2012 – presented the report, which was made available to the public, through publication on the internet site of the Company, which provides detailed responses to the matters brought to the attention by the complainant.

The Board of Statutory Auditors in its report, to which reference should be made, included some suggestions to the Board of Directors in relation to some of the operations contained in the complainant's request.

The complaint refers to some matters of a procedural nature and compliance before the undertaking of intercompany transactions and with related parties which, as described, were brought to the attention of the Board of Directors, which will undertake the necessary detailed analysis as well as their evaluations, concerning the aspects more strictly related to the real estate transactions, illustrated within the complainant's report.

It is therefore considered that the matters reported in the Board of Statutory Auditors' report do not have any impact on the valuation processes adopted in the preparation of the financial statements.

Any damages which could arise following the detailed analysis requested by the Board of Statutory Auditors will be evaluated by the Board of Directors.

The Independent Directors' Committee was tasked with the identification of the independent experts which, from an economic, real estate and legal viewpoint, may assist the Company in the analyses.

LITIGATION

Actions by shareholders

With regard to the proceedings instituted by shareholders of the subsidiary La Fondiaria Assicurazioni S.p.A. in the carrying out of the obligations of the public purchase offer pursuant to CONSOB regulation of December 2002, there is now only one first level proceeding pending before the Milan Court notified to the Company in February 2012.

Four proceedings initiated by the Company for the reform of four judgements issued by the Court of Milan are pending with the Court of Appeals of Milan. In addition, another proceeding is pending with the Court of Appeals of Florence following the counterparty's appeal of the judgement that was issued by the Court of Florence in favour of the Company.

The Milan Court of Appeals – in the seven second level judgements issued on the matter – has fully reformed the first instant sentences accepting the Company's objections and rejecting the request for compensation made by the claimants.

There are five summary judgements currently before the Court of Cassation brought forth by Promofinan S.p.A. and by Messrs. Marcegaglia, Savelli and Gazzoni Frascara and Promofinan S.r.l. in appeal of the judgement in our favour that was issued by the Milan Court of Appeals. The Company has counter-appealed. The provisions for risks and charges in the financial statements at 31/12/2011 and at 31/03/2012 are sufficient against the litigation in course.

SIGNIFICANT EVENT AFTER THE PERIOD END

Special Savings Shareholders' Meeting

On April 13, 2012 the Special Savings Shareholders' Meeting of Fondiaria-SAI S.p.A. was held, called on the request of a shareholder and chaired by the Savings Shareholder' Representative.

The Shareholders' Meeting passed resolutions to postpone voting concerning the review of the share capital increase proposal and approval and the review and approval of the Savings Shareholders' Representative Report on the agenda. In addition, a resolution was passed conferring a mandate on the Savings Shareholders' Representative to evaluate, also through appointed advisors, any responsibility devolving to company representatives concerning prior management and any related actions, considering also the Board of Statutory Auditors' Report prepared in accordance with Article 2408, paragraph 2 of the Civil Code. The mandate establishes also that the Savings Shareholders' Representative reports on the verifications at a subsequent Meeting.

It was also decided to constitute an expenses provision for common interests – in accordance with Article 146 of Legs. Decree 58/98 – of Euro 500,000.

CONSOB request for further information

With letter dated April 16, 2012, CONSOB requested the Board of Statutory Auditors of Fondiaria Sai S.p.A., in accordance with Article 114, paragraph 5 of the CFA, to publish the following information:

- a) the evaluations underlying the reporting without delay to CONSOB, in accordance with Article 149, paragraph 3 of the CFA, irregularities in relation to the issues subject to the complaint by the shareholder Amber Capital LP of October 17, 2011;
- b) a summary of the critical issues reported by the Board of Statutory Auditors and the outcome of the investigations carried out following the above-mentioned complaint;
- c) any further activities that the Board of Statutory Auditors have carried out and intends to carry out, in accordance with Article 151 of the CFA, in relation to the issues highlighted by the shareholder Amber Capital LP;
- d) the indications drawn up by the Board of Directors on the time periods to be complied with for the carrying out of the assessments requested following the complaint of the above stated shareholder;
- e) the considerations concerning the observation by the directors over time – and in particular for the years which relate to the significant events highlighted by the shareholder Amber Capital LP – of the disclosure obligations established by Article 150, paragraph 1 of the CFA;
- f) information on other transactions with related parties which the Board of Statutory Auditors considered appropriate to examine further and on the results (or on the state of advancement) of the investigations carried out on these operations, also with regard to the propriety of the procedures carried out and the appropriateness for the Company of such operations;
- g) a summary of the significant issues notified by ISVAP on September 29, 2011 and of the corrective measures put in place in this regard by the Company or in the course of implementation, with an evaluation of the Board on the efficacy of these measures;

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- h) the reasons under which, although in the presence of the critical issues at the previous point b) and the significant issues noted by ISVAP at the previous point g), the Board of Statutory Auditors maintained an evaluation of reliability of the internal Control System of the Company;
 - i) information on the introduction of powers established by Article 238 of Legislative Decree No. 209/2005 and evaluations on the implementation of the powers established by Article 2393 of the civil code.

CONSOB also established that “The above stated information, together with the present request, must be made available to the public by 8 PM on April 19, 2012, in an attachment to the Relevant report.

In the manner established by Part III, Section II, Heading I of the Issuers’ Regulations, a press release must also be published which communicates to the market the necessary supplementation and the present requests, indicating the manner with which this information is made available to the public.

In fulfilment of the Consob request, on April 19, 2012 a supplementation was filed to the Board of Statutory Auditors’ report to the Shareholders’ Meeting on the results of the Fondiaria-SAI S.p.A. Financial Statements at December 31, 2011 and on the activities carried out, together with the following attachments: 1) Report as per Article 2408 of the civil code; 2) Supplementary Report as per Article 2408 of the civil code; 3) Arepo and Palladio Finanziaria letter of April 16, 2012; 4) Board of Statutory Auditors’ letter of April 18, 2012 with attached letter of April 12, 2012 of the Board of Statutory Auditors to the Board of Directors of the Company.

The above-listed documentation is available on the internet site of the Company in the section Shareholders’ Meeting April 23/24, 2012.

Supplementations required by CONSOB to the Directors’ Report at December 31, 2011

On the request of CONSOB on April 16, 2012 in accordance with Article 114, paragraph 5 of Legislative Decree 58/98 (the “CFA”), the Board of Directors of Fondiaria-SAI S.p.A. on April 19, 2012 approved a number of supplementations to the Directors’ Report at December 31, 2011 published on March 31, 2012 in accordance with Article 154-*ter* of the CFA and to the Remuneration Report published on March 31, 2012 in accordance with Article 123-*ter* of the CFA.

The above stated supplementations and the relative requests of Consob outlined with communication of April 16, 2012 have been made available to the public. The documentation is available on the internet site of the Company (www.gruppfondiarisai.it), the registered office of the Company (corso Galileo Galilei No. 12, Torino) and at Borsa Italiana S.p.A.

Integration project with the Unipol Group

The Board of Directors of Fondiaria-SAI, in a meeting held on April 19, 2012 chaired by Jonella Ligresti, reviewed the valuations and estimates carried out to date, with the support of advisors, in relation to

- (i) the combined industrial plan guidelines and possible synergies from the integration with the Unipol Group and
- (ii) the pro-forma solvency margin (also projected) of the company formed from the proposed merger.

The Board has, in relation to these issues, approved the viability of the merger.

In relation to the share swap ratio, the Board of Directors reviewed, considering the examinations carried out by their advisors, the proposal of the Unipol Group, and in particular, the condition that establishes a 66.7% stake for Unipol Gruppo Finanziario in the ordinary share capital of Fondiaria-SAI as the incorporated company of the proposed merger.

Although the information available indicates that this condition implies a potential holding for the minority shareholders of Fondiaria-SAI which does not equate with the current valuations made by the financial advisors, the Board of Directors considers that, in light of the current situation for the company and the overall market environment, the proposal of the Unipol Group should be fully explored.

In particular, also based on the opinion of the Committee of Independent Directors, constituted in compliance with the related party transaction procedure, the Board considers that, in order to establish a position in relation to the share swap values, it is necessary to meet with the Unipol Group to jointly draw up possible adjustments, also based on the structure of the operation, which would improve the outcome for the shareholders of Fondiaria-SAI.

Appointment of the corporate boards and the internal committees to the Board of Directors

The Board of Directors of Fondiaria-SAI S.p.A., meeting on April 26, 2012, appointed the corporate officers and the internal committees of the board as reported below.

The Board appointed, for the duration of its mandate, and therefore until the approval of the 2014 annual accounts:

- Cosimo Rucellai as Chairman of the Board of Directors;
- Jonella Ligresti and Massimo Pini as Vice-Chairmen;
- Emanuele Erbetta as Chief Executive Officer.

Piergiorgio Peluso continues in his role as General Manager.

The Board of Directors appointed, for the duration of its mandate and therefore until the approval of the 2014 annual accounts, an Executive Committee comprising 8 directors in the persons of - in addition to the Chairman, Vice Chairmen and the Chief Executive Officer:

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

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

The Board of Directors also appointed the members of the Committee of Independent Directors, set up in accordance with the procedure for transactions with related parties of the Fondiaria-SAI Group in relation to the proposed integration with the UNIPOL GROUP, in addition to exploring the issues concerning the Board of Statutory Auditors' Report as per Article 2408 of the Civil Code, as the Directors Roberto Cappelli, Enzo Mei, Salvatore Militello, Valentina Marocco, Salvatore Bragantini and Marco Reboa.

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

The Remuneration Committee will present proposals to the board of directors on the variable component of the remuneration of the directors within the remuneration policy approved by the shareholders' meeting, and in the determination of the fixed remuneration of the members of the board of directors, with specific offices, taking adequate account, as indicated by Isvap, also of the capitalisation of the Company, as a proportional criteria to be considered between the office undertaken and the measure of remuneration.

The Board appointed, for the duration of its mandate, Mr. Massimo Dalfelli as the Executive Responsible for the preparation of the corporate and accounting documents.

The Board finally noted the ruling of the Anti-trust Authority in relation to the proposed integration with the Unipol Group, published on the website of the Authority during the Board meeting itself and stated its intention to explore the matter further.

Resolutions of the Shareholders' AGM of April 24, 2012

The Shareholders' AGM of FONDIARIA-SAI S.p.A., held on April 24, 2012, chaired by Ms. Jonella Ligresti, firstly approved the 2011 financial statements, whose content has already been communicated to the market, as reported in the Directors' Report previously made public.

The Chief Executive Officer updated on the state of analysis of the events subject to the Report as per Article 2408 of the Civil Code of the Board of Statutory Auditors presented in response to the complaint of the shareholder Amber Capital LP, concerning that announced to the market on April 19, 2012. He also highlighted that recently a bankruptcy petition was presented by the Milan Court in relation to Sinergia Holding di Partecipazioni S.p.A. and IM.CO. Immobiliare Costruzioni S.p.A., with which the Fondiaria-SAI Group signed property contracts which were the subject of the above-mentioned Report as per Article 2408 of the Civil Code, with a value of Euro 141 million.

The Shareholders' AGM also appointed the Board of Directors and the Board of Statutory Auditors for the three years 2012, 2013 and 2014 and therefore until the Shareholders' AGM for the approval of the 2014 annual accounts.

The AGM, on the basis of the slates presented by PREMAFIN FINANZIARIA S.p.A. jointly with UNICREDIT S.p.A., and by AREPO PR S.p.A., established the number of directors at 19, as follows:

- Andrea Brogini
- Roberto Cappelli

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

The last director was appointed as the first candidate on the slate presented by AREPO PR S.p.A., receiving the second highest amount of votes.

8 directors out of 19 are independent in accordance with the Self-Governance Code of listed companies and in accordance with Article 148, paragraph 3 of Legislative Decree No. 58/98, specifically: Salvatore Bragantini, Andrea Broggin, Roberto Cappelli, Valentina Marocco, Enzo Mei, Salvatore Militello, Giorgio Oldoini and Marco Reboa. Maurizio Comoli, Ranieri de Marchis and Cosimo Rucellai are considered independent only in accordance with Article 148, paragraph 3 of Legs. Decree No. 58/98.

The meeting thanked the departing Directors.

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

The Meeting, on the basis of the slates presented by PREMAFIN FINANZIARIA S.p.A. jointly with UNICREDIT S.p.A., and by AREPO PR S.p.A., appointed the Board of Statutory Auditors as follows:

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

Giuseppe Angiolini was appointed Chairman of the Board of Statutory Auditors as the first candidate for the position of Statutory Auditor on the slate presented by AREPO PR S.p.A., receiving the second highest amount of votes. Giovanni Rizzardi was appointed an Alternate Auditor as the first candidate for the position

of Alternate Auditor on the slate presented by AREPO PR S.p.A., receiving the second highest amount of votes.

Benito Giovanni Marino, the second candidate for the position of Statutory Auditor on the slate presented by PREMAFIN FINANZIARIA S.p.A. and UNICREDIT S.p.A., communicated before the beginning of the AGM the withdrawal of his candidacy for serious family reasons.

In relation to the other matters on the agenda, for the reasons outlined in the supplementation to the Remuneration Report previously made public on the request of CONSOB, the Remuneration policies contained in Section I of the Report were not put to today's Shareholders' AGM.

The Meeting finally authorised for a further 12 months the purchase/sale of treasury shares, and of shares in the parent company Premafin Finanziaria, with investment limits respectively of Euro 500,000 and Euro 300,000, considering also that the maximum number of shares may not exceed the number of shares sold in the meantime.

Results of the purchase/sale of treasury shares and of shares in the parent company Premafin Finanziaria approved by the Shareholders' Meeting of April 28, 2011

Pursuant to Article 144 *bis* of the Issuers' Regulations, on April 24, 2012 the results were reported of the purchase/sale of treasury shares and of shares in the parent company Premafin Finanziaria approved by the Shareholders' AGM of April 28, 2011.

In the period considered Fondiaria-SAI did not undertake any purchase/sale of ordinary and/or savings shares, nor the purchase/sale of ordinary and/or savings shares of the parent company Premafin Finanziaria.

Resignation of Marco Reboa

On May 3, 2012 Marco Reboa resigned as a director of Fondiaria-SAI S.p.A., considering that his professional and university activities did not permit him to undertake, in line with the necessary diligence of the office and taking into account the issues concerning the Company, his functions with due care.

OUTLOOK

In the first months of 2012 the first signs of an improvement in the current management became apparent in the Non-Life Division, which is testament to the initiatives implemented to recover profitability and strengthen the capital base. In particular, in the Motor TPL class the number of claims reported continue to contract as a result of the actions implemented in relation to the previous claims portfolio, fight against fraud and concerning tariff changes, undertaken in order to permit a better synthesis of the financial mutuality to the effective client risk, making the guarantees offered more competitive on a national level. In the Non-Life sector, the coming months will see a continuation of the actions taken to recover technical profitability.

In the Other Non-Life Classes, the underwriting policy will continue to be prudent and favour the Retail client and the small-medium size business sector, while business in the municipalities and regions with particularly satisfying technical performances will be developed further.

In the Retail sector, the reform actions will be pursued further, while the portfolio mix will be restructured in the Corporate sector (policy discontinuations and reforms), in addition to a review of the underwriting criteria. In general terms, the Group will disengage from non profitable sectors. With the assistance of the sales force, further marketing drives will be focused in the agencies and on a general reorganisation of the distribution platforms, in order to consolidate agencies in terms of volumes and profitability.

In the Life class, the actions to improve the portfolio quality will continue, increasing the level of periodic premium Class I products (annual or recurring), which are more remunerative and engender client loyalty, creating therefore long-term value.

In relation to the Real Estate segment, investments will continue to be reduced, through an extensive review of the asset allocation of the Group and the development and sale of non-core assets.

In the Financial sector, further improvements are expected in line with a gradual stabilisation of the financial markets.

The actions to contain overhead costs will continue through the review of operating models and the simplification (including structurally) of the Group.

Milan, 10/5/12

For the Board of Directors

Mr. Emanuele Erbetta

Q1 2012 Condensed Consolidated financial statements

Declaration of compliance with international accounting standards and general preparation principles

The present Condensed interim consolidated financial statements at 31/03/2012 of the Fondiaria SAI Group were prepared in accordance with IAS 34 and Article 154-*ter* of Legislative Decree No. 58/1998 (the CFA). The valuation and measurement of the amounts recorded in the explanatory notes are in accordance with IAS/IFRS accounting standards currently approved by the European Commission and their current interpretation by the official accounting organisations.

The Condensed consolidated interim financial statements at 31/03/2012 were prepared in accordance with IAS 34 (Interim reporting) exclusively for the purpose of the limited audit. The level of disclosure is considered extraordinary and non-repeatable in relation to the interim reports for subsequent periods.

They do not include all of the information required for the annual accounts and must be read together with the 2011 annual accounts.

The tables (balance sheet, income statement, comprehensive income statement, statement of changes in net equity, cash flow statement, segment balance sheet and segment income statement) comply with that established by ISVAP Regulation No. 7 of July 13, 2007.

In the preparation of the interim financial statements Fondiaria-SAI prepares the consolidated financial statements according to IAS/IFRS applied on a consistent basis.

It should be noted that due to the requirements of having timely information and also to avoid repeating information already present in the annual accounts, the present condensed consolidated interim financial statements provide more limited information than the annual financial statements, although in accordance with the minimum disclosure as per IAS 34 and other regulatory provisions.

Financial Statements

BALANCE SHEET - ASSETS

(Euro thousands)

		31/03/2012	31/12/2011
1	INTANGIBLE ASSETS	1 450 117	1 462 890
1.1	Goodwill	1 362 850	1 367 737
1.2	Other intangible assets	87 267	95 153
2	PROPERTY, PLANT & EQUIPMENT	398 582	401 744
2.1	Buildings	314 629	315 500
2.2	Other tangible assets	83 953	86 244
3	TECHNICAL RESERVES – REINSURANCE AMOUNT	703 414	701 880
4	INVESTMENTS	34 503 745	33 789 332
4.1	Investment property	2 695 945	2 759 245
4.2	Investments in subsidiaries, associates and joint ventures	111 881	116 558
4.3	Investments held to maturity	625 256	599 713
4.4	Loans and receivables	3 745 475	3 688 865
4.5	AFS financial assets	19 151 606	17 598 287
4.6	Financial assets at fair value through the profit or loss account	8 173 582	9 026 664
5	OTHER RECEIVABLES	1 812 465	2 340 741
5.1	Receivables from direct insurance operations	1 216 042	1 698 430
5.2	Receivables from reinsurance operations	67 047	78 637
5.3	Other receivables	529 376	563 674
6	OTHER ASSETS	1 692 589	1 803 440
6.1	Non-current assets or of a discontinued group held for sale	49 298	87 151
6.2	Deferred acquisition costs	30 679	30 301
6.3	Deferred tax assets	978 388	1 155 060
6.4	Current tax assets	303 637	316 208
6.5	Other assets	330 587	214 720
7	CASH AND CASH EQUIVALENTS	938 766	976 582
	TOTAL ASSETS	41 499 678	41 476 609

BALANCE SHEET – SHAREHOLDERS' EQUITY & LIABILITIES

(Euro thousands)

		31/03/2012	31/12/2011
1	SHAREHOLDERS' EQUITY	2 201 143	1 556 708
1.1	Group	1 497 847	1 036 952
1.1.1	Share Capital	494 731	494 731
1.1.2	Other equity instruments	0	0
1.1.3	Capital reserves	310 990	315 460
1.1.4	Retained earnings and other reserves	985 831	1 834 570
1.1.5	(Treasury shares)	-213 026	-213 026
1.1.6	Translation reserve	-64 521	-56 772
1.1.7	Profit or loss on AFS financial assets	-65 950	-478 283
1.1.8	Other gains and losses recorded directly in equity	-10 722	-7 009
1.1.9	Group net profit/(loss)	60 514	-852 719
1.2	minority interest	703 296	519 756
1.2.1	Minority capital and reserves	722 600	903 659
1.2.2	Gains and losses recorded directly in equity	-32 336	-201 984
1.2.3	Minority interest profit/(loss)	13 032	-181 919
2	PROVISIONS	315 089	322 310
3	TECHNICAL RESERVES	34 813 175	35 107 505
4	FINANCIAL LIABILITIES	2 578 068	3 143 273
4.1	Financial liabilities at fair value through profit or loss account	748 061	1 303 886
4.2	Other financial liabilities	1 830 007	1 839 387
5	PAYABLES	930 911	792 090
5.1	Payables from direct insurance operations	89 239	78 999
5.2	Payables from reinsurance operations	130 317	84 912
5.3	Other payables	711 355	628 179
6	OTHER LIABILITIES	661 292	554 723
6.1	Liabilities in a discontinued group held for sale	0	0
6.2	Deferred tax liabilities	186 356	133 452
6.3	Current tax liabilities	38 555	16 522
6.4	Other liabilities	436 381	404 749
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	41 499 678	41 476 609

INCOME STATEMENT

(Euro thousands)

		Q1 2012	FY 2011
1.1	Net premiums	2 574 989	3 024 780
1.1.1	<i>Gross premiums written</i>	2 648 302	3 109 359
1.1.2	<i>Premiums ceded to re-insurers</i>	-73 313	-84 579
1.2	Commission income	4 934	7 423
1.3	Income and charges from financial instruments recorded at fair value through profit or loss	253 377	-37 379
1.4	Income from investments in subsidiaries, associates and joint ventures	151	26
1.5	Income from other financial instruments and property investments	332 580	295 469
1.5.1	<i>Interest income</i>	207 539	191 896
1.5.2	<i>Other income</i>	38 481	35 276
1.5.3	<i>Profits realised</i>	81 962	68 219
1.5.4	<i>Valuation gains</i>	4 598	78
1.6	Other revenues	109 473	174 381
1	TOTAL REVENUES AND INCOME	3 275 504	3 464 700
2.1	Net charges relating to claims	-2 395 393	-2 604 195
2.1.2	<i>Amounts paid and changes in technical reserves</i>	-2 441 232	-2 634 373
2.1.3	<i>Reinsurers' share</i>	45 839	30 178
2.2	Commission expenses	-2 807	-4 729
2.3	Charges from investments in subsidiaries, associates and joint ventures	-7 061	-934
2.4	Charges from other financial instruments and property investments	-87 492	-127 678
2.4.1	<i>Interest expense</i>	-16 959	-15 984
2.4.2	<i>Other charges</i>	-14 864	-15 644
2.4.3	<i>Losses realised</i>	-16 068	-53 862
2.4.4	<i>Valuation losses</i>	-39 601	-42 188
2.5	Management expenses	-424 672	-470 906
2.5.1	<i>Commissions and other acquisition expenses</i>	-314 995	-356 023
2.5.2	<i>Investment management charges</i>	-3 493	-3 504
2.5.3	<i>Other administration expenses</i>	-106 184	-111 379
2.6	Other costs	-243 429	-279 940
2	TOTAL COSTS AND CHARGES	-3 160 854	-3 488 382
	PROFIT/(LOSS) BEFORE TAXES	114 650	-23 682
3	Income tax	-43 415	-1 244
	NET PROFIT/(LOSS) FOR THE PERIOD	71 235	-24 926
4	PROFIT FROM DISCONTINUED OPERATIONS	2 311	0
	CONSOLIDATED PROFIT/(LOSS)	73 546	-24 926
	group share	60 514	-24 863
	minority share	13 032	-63
	EARNINGS/(LOSS) PER SHARE (in Euro)	0,19	-0,86
	DILUTED EARNINGS/(LOSS) PER SHARE (in Euro)	0,19	-0,86

COMPREHENSIVE INCOME STATEMENT

(in Euro thousands)

	Q1 2012	Q1 2011
CONSOLIDATED PROFIT/(LOSS)	73 546	-24 926
Change in reserve for net exchange differences	-7 750	4 571
Profit or loss on AFS financial assets	583 246	96 494
Profit or loss on cash flow hedges	-1 875	13 980
Profit or loss on a net foreign investment hedge		0
Change in net equity of holdings	3 009	-1 486
Change in revaluation reserve of intangible assets		0
Change in revaluation reserve of tangible fixed assets		0
Income/(charges) on non-current assets or of a discontinued group held for sale		0
Actuarial profits and losses and adjustments to employee defined plans	-6 111	-2 662
Others income		5 442
TOTAL OTHER COMPREHENSIVE INCOME STATEMENT ITEMS	570 519	116 339
TOTAL COMPREHENSIVE CONSOLIDATED INCOME STATEMENT	644 065	91 413
group share	461 385	75 582
minority share	182 680	15 831

STATEMENT OF CHANGES IN THE CONSOLIDATED SHAREHOLDERS' EQUITY AS AT MARCH 31, 2012

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

In particular:

- The column “Allocation” relates to, among others, the allocation of the profit for the year, the allocation of the profit for the previous year to the reserves, the increase in share capital and other reserves, and the changes in profits and losses recorded directly in equity.
The column “Reclassification adjustments to the Income Statement” includes the gains and losses previously recorded directly to net equity which are reclassified to the Income Statement in accordance with international accounting standards;
- The account “Transfers” reports, among others, the ordinary distribution of dividends and the decrease of capital and other reserves, among which the purchase of treasury shares.

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

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in Euro thousand)

		Balance at 31-12-2010	Change in opening balances	Allocation	Adjustments from reclassifications to Income Statement	Transfers	Balance at 31-03-2011
Group shareholders' equity	Share Capital	167 044					167 044
	Other equity instruments	0					0
	Capital reserves	209 947					209 947
	Retained earnings and other reserves (Treasury shares)	2 620 792		-709 642			1 911 150
	Loss for period	-321 933					-321 933
		-717 582		692 719			-24 863
	Other comprehensive income	-76 141		74 867	25 578	0	24 304
Total Group	1 882 127	0	57 944	25 578	0	1 965 649	
Shareholders' equity – minority interest	Share capital and reserves	902 126		-158 256			743 870
	Loss for period	-211 279		211 321		-105	-63
	Other comprehensive income	-22 869		9 270	6 624		-6 975
	Minority share	667 978	0	62 335	6 624	-105	736 832
Total	2 550 105	0	120 279	32 202	-105	2 702 481	

(in Euro thousand)

		Balance at 31-12-2011	Change in opening balances	Allocation	Adjustments from reclassifications to Income Statement	Transfers	Balance at 31-03-2012
Group shareholders' equity	Share Capital	494 731					494 731
	Other equity instruments	0					0
	Capital reserves	315 460		-4 470			310 990
	Retained earnings and other reserves (Treasury shares)	1 834 570		-848 739		0	985 831
	Profit/(loss) for period	-213 026					-213 026
		-852 719		913 233		0	60 514
	Other comprehensive income	-542 064		368 522	32 349	0	-141 193
Total Group	1 036 952	0	428 546	32 349	0	1 497 847	
Shareholders' equity – minority interest	Share capital and reserves	903 659		-181 059		0	722 600
	Profit/(loss) for period	-181 919		194 951		0	13 032
	Other comprehensive income	-201 984		153 414	16 234		-32 336
	Minority share	519 756	0	167 306	16 234	0	703 296
Total	1 556 708	0	595 852	48 583	0	2 201 143	

CONSOLIDATED CASH FLOW STATEMENT AT MARCH 31, 2012

In relation to the Cash Flow Statement, the attachment as per Regulation No. 7/2007 is provided which complies with IAS 7; this statement provides for a schedule prepared in a free format with a series of minimum requirements and, relating to the presentation of the cash flow deriving from operating activities requires the utilisation, alternatively, of the direct method, which indicates the principal categories of gross receipts and payments or the indirect method, in which the results for the period are adjusted for the effects of non-cash items, of any deferral or accrual of future operating receipts and payments, and from revenues or costs relating to financial cash flows deriving from investments and financial activities.

The indirect form of the cash flow statement, reported below, separately shows the net liquidity deriving from operating activity and that deriving from investment and financial activity.

CASH FLOW STATEMENT (indirect method)

(in Euro thousands)	31/03/2012	31/03/2011
Profit/(loss) before taxes	114 650	-23 682
Non-cash adjustments	-564 747	487 685
Change in non-life unearned premium reserve	-155 314	-121 457
Change in claims reserve and other non-life technical reserves	-75 495	-7 250
Change in actuarial reserves and other life technical reserves	-326 064	367 647
Change in deferred acquisition costs	-378	9 403
Change in provisions	-7 221	13 083
Non-cash income/charges from financial instruments, property investments and holdings	-56 231	27 537
Other Changes	55 956	198 722
Change in payables/receivables from operating activities	486 514	219 416
Change in payables and receivables from direct insurance operations and reinsurance	423 065	301 385
Change in other payables and receivables	63 449	-81 969
Income taxes paid	0	0
Net liquidity generated/absorbed from cash items relating to investing and financing activities	220 409	-489 848
Liabilities from financial contracts by insurance companies	-610 369	-48 598
Bank and interbank payables	-25 951	-22 107
Loans and receivables from banks and interbank	-97 651	-21 067
Other financial instruments at fair value recorded to P&L	954 380	-398 076
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES	256 826	193 571
Net liquidity generated/absorbed from property investments	20 293	-3 948
Net cash generated/absorbed from investments in subsidiaries, associates and joint ventures	-13 389	-8 791
Net cash generated/absorbed from loans and receivables	45 622	-449 082
Net cash generated/absorbed from investments held to maturity	-25 543	-9 081
Net cash generated/absorbed from AFS financial assets	-432 395	198 629
Net cash generated/absorbed intangible/tangible fixed assets	-1 848	-12 696
Net cash generated/absorbed from investing activities	87 602	2 186
TOTAL NET CASH FLOW FROM INVESTING ACTIVITIES	-319 658	-282 783
Net cash generated/absorbed from Group equity instruments	0	0
Net cash generated/absorbed from treasury shares	0	0
Distribution of Dividends relating to the Group	0	0
Net cash generated/absorbed minority interest capital/reserves	0	53 023
Net cash generated/absorbed from sub-ordinated liabilities and financial instruments in holdings	0	0
Net cash generated/absorbed from other financial liabilities	25 016	-103 344
TOTAL NET CASH FLOW FROM INVESTING ACTIVITIES	25 016	-50 321
Exchange difference effect on cash and cash equivalents	-1 880	877
CASH AND EQUIVALENTS AT BEGINNING OF THE PERIOD	976 582	625 940
INCREASE/(DEC) IN CASH AND CASH EQUIVALENTS	-37 816	-139 533
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	938 766	486 407



Explanatory Notes

PART A - Accounting principles

The accounting principles utilised, the measurement and recognition criteria, in addition to the consolidation principles applied for the preparation of the Condensed consolidated interim financial statements at 31/03/2012, are in line with those adopted for the Consolidated financial statements at December 31, 2011 - to which reference should be made - and therefore are in compliance with the IAS/IFRS international accounting standards issued by the IASB approved by the EU and interpreted by the official bodies.

Reference should therefore be made to the 2011 Consolidated financial statements for detailed illustration of the methods utilised.

The entry into force of the accounting standards with application from January 1, 2012 (including the amendments to IAS 12 – Income Taxes) did not have significant impacts on the present condensed consolidated interim financial statements at 31/03/2012.

The balance sheet and income statement data and relative Explanatory Notes were prepared as per IAS 34 relating to interim reporting, highlighting the significant operations and events in the period. In the preparation of the interim data, the application of the accounting principles and policies for the financial statements require a greater recourse to valuations and estimates which affect the application of the accounting principles and consequently the amount of net assets and costs and revenues recorded to the financial statements.

The estimates and assumptions are revised regularly and any changes recorded in the period in which they are carried out.

Some considerations in relation to the principal valuation criteria adopted for the quarter are reported below. For that not commented upon, reference should be made to the accounting principles utilised for the preparation of the 2011 annual accounts.

Non-Life Claims Reserves

Motor TPL:

For current claims, the valuation of the reserve, in consideration of the low maturity levels reached by these claims, also took account of valuations related to the average cost of the same generation, relating this value also to the available market targets. In particular the technical reserve, established through the application of the statistical average costs previously applied for the 2011 financial statements (except for specific changes made by the settlement networks), was supplemented in order to obtain an average current accepted claims cost in line with that established for 2011, taking account of the forecasts for the average cost for the present year.

For previous year claims, already recorded to reserves at the beginning of the period, the valuation was based on the last costs at the end of 2011 based on the same statistical methodology of the claims cost taking account of the reversals to the reserve in the quarter.

Other Non-Life Classes:

For both the current generation and previous generations, the technical offices estimate was supplemented utilising the parameters already utilised for the 2011 annual accounts, where there were not significant statistical changes compared to the consolidated trends.

Reinsurance

The technical reserves relating to the reinsurers are calculated based on the portion ceded for the proportional reinsurance and in a revisional manner for the excess and stop-loss reinsurance, on the basis of the information available and utilising the same criteria for the direct premium reserves, taking into account the contractual clauses.

The accounts relating to the indirect premiums represent the portion of the results estimated for the full year; in the determination of the values account was taken of the data certified relating to obligatory contracts accepted by the companies outside of the Group, whose technical results refer to the year 2011.

Valuation and impairment of financial instruments

With reference to the valuation of financial instruments, reference should be made to the financial statements at 31/12/11.

The “fair value policy” outlined therein did not incur changes and, therefore, with reference to the listed financial instruments in active markets, the stock exchange price at 31/03/2011 was utilised.

Similarly no changes in the Group impairment policy took place and in relation to which reference should be made to the 2011 Consolidated financial statements.

Currency

The present interim financial statements are expressed in Euro as this is the currency in which the majority of the operations of the Group are carried out. It is also reported in the interim accounts whether the amounts are in thousands or millions of Euro. Where applicable, the conversion of the interim balance sheet accounts expressed in currencies other than the Euro is made applying the exchange rates at the reporting date.

Consolidation principles

The same consolidation principles were utilised in the current interim report as for the last consolidated financial statements.

For detailed information on the accounting principles utilised, reference should be made to these latter. Any such references to 31/12 should be considered as similar for 31/03.

For the preparation of the present consolidated interim financial statements, the interim reports approved by the Boards of Directors of the respective Companies were utilised or, alternatively, the quarterly financial statements which were reviewed by the respective management boards.

GROUP STRUCTURE

Consolidation scope

At 31/03/2012, the Fondiaria-SAI Group, including the Parent Company, was made up of 106 Companies, of which 17 operated in the insurance sector, 1 in the banking sector, 43 in the real estate and agricultural sectors and 17 in the financial services sector; the remaining companies are various service companies. The company has 17 overseas offices.

The number of fully consolidated companies is 80, those consolidated under the Equity Method 16, while the remaining companies are consolidated under the proportional method or maintained at cost due to limited size or the nature of the activities and are not significant for the purposes of a true and fair representation of the present financial statements.

There are 84 subsidiary companies, of which 29 are controlled directly by the Parent Company.

In the first quarter of 2012 the Fondiaria SAI Group consolidation scope did not significantly change, except for the exit from the consolidation scope of the company IGLI S.p.A. and MB Venture Capital and the merger by incorporation of the company Sistemi Sanitari S.c.a.r.l. into the Fondiaria-SAI Servizi S.c.a.r.l. Group.

Finally, in accordance with IAS 27 paragraph 40 d) the associated company Fondiaria-SAI Servizi Tecnologici S.p.A. is valued at net equity in that, although Fondiaria-SAI has a majority shareholding (51%) of the voting rights, the operating control of the company is undertaken by the other shareholder Hp Enterprise Services Italia S.r.l. in accordance with governance agreements made.

Sector	Percentage of control		Group holding
	Direct	Indirect	
SUBSIDIARY COMPANIES			
Companies consolidated line-by-line			
APB CAR SERVICE S.r.l. Turin			
Share Capital Euro 10,000	Services	AUTO PRESTO&BENE S.p.A.	100.00
100.00			100.00
ATAHOTELS COMPAGNIA ITALIANA AZIENDE TURISTICHE ALBERGHIERE S.p.A. Milan			
Share Capital Euro 15,000,000	Services	MILANO ASSICURAZIONI S.p.A.	49.00
51.00			82.06
ATAVALUE S.r.l. Turin			
Share Capital Euro 10,000	Services	SAI HOLDING ITALIA S.p.A.	100.00
100.00			100.00
ATHENS R.E. FUND – FONDO SPECULATIVO	Real Estate	MILANO ASSICURAZIONI S.p.A.	100.00
63.39			63.39
AUTO PRESTO&BENE S.p.A. Turin			
Share Capital Euro 5,000,000	Services		100.00
100.00			100.00
BANCASAI S.p.A. Turin			
Share Capital Euro 116,677,161	Banking		100.00
100.00			100.00
BIM VITA S.p.A. Turin			
Share Capital Euro 11,500,000	Life Insurance		50.00
50.00			50.00
BRAMANTE S.r.l. Milan			
Share Capital Euro 10,000	Real Estate	IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00
100.00			100.00
CAMPO CARLO MAGNO S.p.A. Pinzolo (TN)			
Share Capital Euro 9,311,200	Real Estate	MILANO ASSICURAZIONI S.p.A.	100.00
100.00			63.39
CARPACCIO S.r.l. Milan			
Share Capital Euro 10,000	Real Estate	IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00
100.00			100.00
CASA DI CURA VILLA DONATELLO S.p.A. Florence			
Share Capital Euro 361,200	Services		100.00
100.00			100.00
CASCINE TRENNO S.r.l. Turin			
Share Capital Euro 10,000	Real Estate	IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00
100.00			100.00
CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA S.r.l. Sesto Fiorentino (FI)			
Share Capital Euro 182,000	Services		100.00
100.00			100.00

	Sector	Percentage of control		Group holding	
		Direct	Indirect		
CITTÀ DELLA SALUTE S.c.r.l. Florence Share Capital Euro 100,000	Services		CASA DI CURA VILLA DONATELLO S.p.A. CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA S.r.l. DONATELLO DAY SURGERY S.r.l. FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE S.r.l.	50.00 45.00 2.50 2.50	100.00
COLPETRONE S.r.l. Umbertide (PG) Share Capital Euro 10,000	Agriculture		SAIAGRICOLA S.p.A. – Società Agricola	100.00	97.51
CASTELLO CONSORTIUM Florence Share Capital Euro 401,000	Real Estate		NUOVE INIZIATIVE TOSCANE S.r.l.	99.57	98.43
DDOR NOVI SAD ADO Novi Sad (Serbia) Share capital Rsd 2,579,597,280	Mixed Insurance	99.99			99.99
DDOR RE JOINT STOCK REINSURANCE COMPANY Novi Sad (Serbia) Share Capital Euro 5,130,603.91	Insurance		THE LAWRENCE R.E. DDOR NOVI SAD ADO	99.998 0.002	100.00
DIALOGO ASSICURAZIONI S.p.A. Milan Share Capital Euro 8,831,774	Non-Life Insurance		MILANO ASSICURAZIONI S.p.A.	99.85	63.29
DOMINION INSURANCE HOLDING Ltd London (GB) Share Capital GBP 35,438,267.65	Financial		FINSAI INTERNATIONAL S.A.	100.00	99.99
DONATELLO DAY SURGERY S.r.l. Florence Share Capital Euro 20,000	Services		CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA S.r.l.	100.00	100.00
EUROPA TUTELA GIUDIZIARIA S.p.A. Milan Share Capital Euro 5,160,000	Non-Life Insurance	100.00			100.00
EUROSAI FINANZIARIA DI PARTECIPAZIONI S.r.l. Turin Share Capital Euro 100,000	Financial	100.00			100.00
FINITALIA S.p.A. Milan Share Capital Euro 15,376,285	Financial		BANCASAI S.p.A.	100.00	100.00
FINSAI INTERNATIONAL S.A. Luxembourg Share Capital Euro 44,131,900	Financial	19.92	SAINTERNATIONAL S.A. SAILUX S.A.	43.92 36.15	99.99
FLORENCE CENTRO DI CHIRURGIA AMBULATORIALE S.r.l. Florence Share Capital Euro 10,400	Services		CENTRO ONCOLOGICO FIORENTINO CASA DI CURA VILLANOVA S.r.l.	100.00	100.00
FONDIARIA-SAI NEDERLAND B.V. Amsterdam (NL) Share Capital Euro 19,070	Financial	100.00			100.00

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

Share Capital Euro 5,536,000

	Sector	Percentage of control		Group holding	
		Direct	Indirect		
MASACCIO S.r.l. Milan Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
MERIDIANO AURORA S.r.l. Milan Share Capital Euro 10,000	Real Estate	100.00			100.00
MERIDIANO BELLARMINO S.r.l. Turin Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
MERIDIANO BRUZZANO S.r.l. Turin Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
MERIDIANO PRIMO S.r.l. Turin Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
MERIDIANO SECONDO S.r.l. Turin Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
MILANO ASSICURAZIONI S.p.A. Milan Share Capital Euro 373,682,600.42	Mixed Insurance	61.10	FONDIARIA-SAI NEDERLAND B.V. POPOLARE VITA S.p.A. PRONTO ASSISTANCE S.p.A. SAI HOLDING ITALIA S.p.A. SAINTERNATIONAL S.A.	1.51 0.02 0.06 0.51 0.20	63.39
MIZAR S.r.l. Rome Share Capital Euro 10,329	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
NUOVA IMPRESA EDIFICATRICE MODERNA S.r.l. Rome Share Capital Euro 10,329	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
NUOVE INIZIATIVE TOSCANE S.r.l. Florence Share Capital Euro 26,000,000	Real Estate	96.88	MILANO ASSICURAZIONI. S.p.A.	3.12	98.86
PONTORMO S.r.l. Milan Share Capital Euro 50,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
POPOLARE VITA S.p.A. Verona Share capital Euro 219,600,005	Life Insurance	24.39	SAI HOLDING ITALIA S.p.A.	25.61	50.00
PROGETTO BICOCCA LA PIAZZA S.r.l. in liquidation Milan Share Capital Euro 3,151,800	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	74.00	74.00
PRONTO ASSISTANCE S.p.A. Turin Share Capital Euro 2,500,000	Non-Life Insurance	100.00			100.00

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

	Sector	Percentage of control		Group holding	
		Direct	Indirect		
SINTESI SECONDA S.r.l.					
Milan					
Share Capital Euro 10,400	Real Estate		IMMOBILIARE MILANO ASS.NI S.r.l.	100.00	63.39
SOCIETÀ EDILIZIA IMMOBILIARE SARDA S.E.I.S. S.p.A.					
Rome					
Share capital Euro 3,877,500	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	51.67	51.67
SOGEINT S.r.l.					
Milan					
Share Capital Euro 100,000	Other		MILANO ASSICURAZIONI S.p.A.	100.00	63.39
SRP Services S.A.					
Lugano (CH)					
Share Capital CHF 1,000,000	Services		SAINTERNATIONAL S.A.	100.00	100.00
STIMMA S.r.l.					
Florence					
Share Capital Euro 10,000	Real Estate	100.00			100.00
SYSTEMA COMPAGNIA DI ASS.NI S.p.A.					
Milan					
Share Capital Euro 5,164,600	Non-Life Insurance		MILANO ASSICURAZIONI S.p.A.	100.00	63.39
THE LAWRENCE LIFE ASSURANCE CO. LTD					
Dublin (IRL)					
Share Capital Euro 802,886	Life Insurance		POPOLARE VITA S.p.A.	100.00	50.00
THE LAWRENCE R.E. IRELAND LTD					
Dublin (IRL)					
Share Capital Euro 635,000	Mixed Insurance		FONDIARIA-SAI NEDERLAND B.V.	100.00	100.00
TIKAL R.E. FUND					
	Real Estate	59.65	MILANO ASSICURAZIONI S.p.A.	35.36	82.06
TRENNO OVEST S.r.l.					
Turin					
Share Capital Euro 10,000	Real Estate		IMMOBILIARE FONDIARIA-SAI S.r.l.	100.00	100.00
VILLA RAGIONIERI S.r.l.					
Florence					
Share Capital Euro 78,000	Real Estate	100.00			100.00
Companies valued at cost:					
ATA BENESSERE S.r.l.					
in liquidation					
Milan					
Share Capital Euro 100,000	Services		ATAHOTELS S.p.A.	100.00	82.06
DDOR AUTO DOO					
Novi Sad (Serbia)					
Share Capital Euro 9,260.97	Services		DDOR NOVI SAID ADO.	100.00	99.99
GLOBAL CARD SERVICE S.r.l.					
in liquidation					
Milan					
Share Capital Euro 98,800	Services		LIGURIA VITA S.p.A. LIGURIA SOC. DI ASSICURAZIONI S.p.A.	51.00 44.00	60.20
HOTEL TERME DI SAINT VINCENT S.r.l.					
Saint Vincent (AO)					
Share Capital Euro 15,300	Services		ATAHOTELS S.p.A.	100.00	82.06

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

Sector	Percentage of control		Group holding	
	Direct	Indirect		
SERVIZI IMMOBILIARI MARTINELLI				
S.p.A.				
Cinisello Balsamo (MI)				
Share Capital Euro 100,000	Real Estate	IMMOBILIARE MILANO ASS.NI S.r.l.	20.00	12.68
SOCIETÀ FUNIVIE DEL PICCOLO				
SAN BERNARDO S.p.A.				
La Thuile (AO)				
Share Capital Euro 9,213,417.5	Other	IMMOBILIARE FONDIARIA-SAI S.r.l.	27.38	27.38
SVILUPPO CENTRO EST S.r.l.				
Rome				
Share Capital Euro 10,000	Real Estate	IMMOBILIARE MILANO ASS.NI S.r.l.	40.00	25.36
VALORE IMMOBILIARE S.r.l.				
Milan				
Share Capital Euro 10,000	Real Estate	MILANO ASSICURAZIONI S.p.A.	50.00	31.69
Companies valued at cost:				
DDOR GARANT				
Belgrado (Serbia)				
Share Capital Euro 3,309,619	Services	DDOR RE JOINT STOCK REINSURANCE COMPANY	7.54	
		DDOR NOVI SAID ADO	32.46	40.00
QUINTOGEST S.p.A.				
Milan				
Share Capital Euro 3,000,000	Financial		49.00	49.00
SOCIETÀ FINANZ. PER LE				
GEST.ASSICURATIVE S.r.l.				
in liquidation				
Rome				
Share Capital Euro 47,664,600	Financial	MILANO ASSICURAZIONI S.p.A.	7.50	19.66
SOAIMPIANTI - ORGANISMI				
DI ATTESTAZIONE S.r.l.				
in liquidation				
Monza				
Share Capital Euro 84,601	Other			21.64
UFFICIO CENTRALE ITALIANO				
S.c.a.r.l.				
Milan				
Share Capital Euro 510,000		SIAT SOC. ITALIANA ASS. E RIASS. S.p.A.	0.0948	
		MILANO ASSICURAZIONI S.p.A.	10.9752	
		LIGURIA SOC. DI ASSICURAZIONI S.p.A.	0.3093	
		SYSTEMA COMPAGNIA DI ASS.NI S.p.A.	0.0002	
		DIALOGO ASSICURAZIONI S.p.A.	0.0001	
	Other	INCONTRA ASSICURAZIONI S.p.A.	0.0024	21.38

PART B - Information on the Consolidated Balance Sheet

Balance Sheet - Assets

1. INTANGIBLE ASSETS

The breakdown is as follows:

(in Euro thousands)	31/03/2012	31/12/2011	Change
Goodwill	1,362,850	1,367,737	(4,887)
Other intangible assets	87,267	95,153	(7,886)
TOTAL	1,450,117	1,462,890	(12,773)

Goodwill

The Goodwill is broken down as follows:

(in Euro thousands)	31/03/2012	31/12/2011	Change
Goodwill deriving from the incorporation of La Fondiaria	504,763	504,763	-
Goodwill relating to the consolidation of Milano Assicurazioni	167,379	167,379	-
Other goodwill	530	530	-
Consolidation difference	690,178	695,065	(4,887)
TOTAL	1,362,850	1,367,737	(4,887)

The Group verifies the recovery of the goodwill allocated to the Cash Generating Units (CGU's) at least on an annual basis or more frequently when there is an indication of a loss in value.

Reference should be made to the financial statements of 31/12/11 for the description of the methods utilised for the determination of the recoverable value of the goodwill recorded.

The change in the account "Consolidation differences" relates to the subsidiary DDOR NOVI SAD following the appreciation of the Euro against the Serb Dinar.

In the first quarter of the year, there were no indications that the goodwill recorded had incurred a reduction in value compared to the existing book value at 31/12/2011, when subjected to impairment test as per IAS 36.

Other Intangible Assets

The other intangible assets amount to Euro 87,267 thousand (Euro 95,153 thousand at 31/12/11) and are composed of:

(in Euro thousands)	Gross carrying value	Amortisation and impairment	Net value 31/03/2012	Net value 31/12/2011
Studies and research expenses	198,786	(174,630)	24,156	25,516
Utilisation rights	20,157	(14,662)	5,495	6,511
Other intangible assets	270,400	(212,784)	57,616	63,126
TOTAL	489,343	(402,076)	87,267	95,153

None of the above intangible assets were generated internally.

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

These charges are prevalently incurred by the Consortium Fondiaria SAI Servizi S.c.a.r.l. Group, which undertakes the management of all resources, assets and services already existing and those newly acquired relating to Group operations.

The other intangible assets principally include the values relating to the client portfolios acquired by some subsidiary companies (Value in Force and VOBA) recorded upon acquisition.

The intangible assets principally relate to the values relating to the client portfolios acquired of the following companies:

(in Euro thousands)	31/03/2012	31/12/2011	Change
Liguria Assicurazioni S.p.A.	8,280	10,054	(1,774)
DDOR Novi Sad ADO	5,941	8,115	(2,174)
TOTAL	14,221	18,169	(3,948)

Following verifications made, there was no impairment in the values recorded.

2. PROPERTY, PLANT & EQUIPMENT

The total amount of the account is Euro 398,582 thousand (Euro 401,744 thousand at December 31, 2011), a decrease of Euro 3 thousand.

The breakdown of the investments is as follows:

(in Euro thousands)	Buildings		Land		Other fixed assets		Total	
	31/03/2012	31/12/2011	31/03/2012	31/12/2011	31/03/2012	31/12/2011	31/03/2012	31/12/2011
Gross carrying value	333,023	333,821	25,832	25,832	210,511	212,950	569,366	572,603
Depreciation and impairment	(44,226)	(44,153)	-	-	(126,558)	(126,706)	(170,784)	(170,859)
Net value	288,797	289,668	25,832	25,832	83,953	86,244	398,582	401,744

The buildings included under property, plant and equipment are those utilised by the business operations (so-called buildings for direct use). These buildings are recorded at cost and are depreciated over their useful lives only on the definite useful life components.

The account also includes the buildings held by the subsidiaries of Immobiliare Fondiaria-SAI (excluding the subsidiary Società Edilizia Immobiliare Sarda S.E.I.S.) which were considered inventories and therefore valued in accordance with IAS 2.

In the first quarter of 2012, no indications emerged of a permanent loss in value of property owned.

The residual “other tangible fixed assets” prevalently relates to assets of the Group utilised in the exercise of its activities, such as hardware, furnishings, plant and office equipment, as well as the final inventory of the companies operating in the agricultural sector valued in accordance with IAS 2.

3. TECHNICAL RESERVES – REINSURANCE AMOUNT

The total amount of the account is Euro 703,414 thousand (Euro 701,880 thousand at 31/12/11) with an increase of Euro 1,534 thousand. The breakdown of the account is as follows:

(in Euro thousands)	31/03/2012	31/12/2011	Change
Non-life division technical reserves attributed to reinsurers	614,611	608,617	5,994
Life division technical reserves attributed to reinsurers	88,803	93,263	(4,460)
Class D reserves attributed to reinsurers	-	-	-
TOTAL	703,414	701,880	1,534

Of this amount, Euro 424 million refers to reinsurance (Euro 423 million at 31/12/2011), while Euro 279 million refers to reserve cessions (Euro 279 million 31/12/2011).

4. INVESTMENTS

The breakdown is as follows:

(in Euro thousands)	31/03/2012	31/12/2011	Change
Investment property	2,695,945	2,759,245	(63,300)
Investments in subsidiaries, associates and joint ventures	111,881	116,558	(4,677)
Investments held-to-maturity	625,256	599,713	25,543
Loans and receivables	3,745,475	3,688,865	56,610
AFS financial assets	19,151,606	17,598,287	1,553,319
Financial assets at fair value recorded through the profit & loss account	8,173,582	9,026,664	(853,082)
TOTAL	34,503,745	33,789,332	714,413

Investment property

The account includes all the buildings held by the Group for rental or for capital appreciation.

The investment properties are recorded at purchase cost in accordance with IAS 16 (which IAS 40 refers to in the case of adoption of the cost model).

The part of the property referring to buildings is depreciated systematically with regard to the useful life of the components therein. Of the significant components, those relating to the plant of the building are depreciated separately.

The composition of the investment property and the movement in the period is shown below.

(in Euro thousands)	31/03/2012	31/12/2011	Change
Gross carrying value	3,134,182	3,187,016	(52,834)
Depreciation and impairment	(438,237)	(427,771)	(10,466)
Net value	2,695,945	2,759,245	(63,300)

The reduction in investment property is due for Euro 47.3 million to the reclassification to “Discontinued assets” of the building located in Milan - Piazza S. Maria Beltrade held by the subsidiary Milano Assicurazioni.

During the year, the rental income from investment property amounted to approx. Euro 22 million (Euro 20 million in Q1 2011).

There are no significant limits on the realisation of the investment property due to legal or contractual restrictions or restrictions of any other nature, with the exception of 7 buildings of the Tikal Fund and of the Immobiliare Fondiaria-SAI Group which are mortgaged for the loans received on these buildings.

In addition the sequestration of the Castello Area held by the subsidiary Nit is considered.

In the first quarter of 2012, no indications emerged of a permanent loss in value of property owned.

Investments in subsidiaries, associates and joint ventures

Fondiarria-SAI fully consolidates all the Companies of the Group, including those which undertake dissimilar activities. The account therefore includes the book value of some subsidiary investments which, given the insignificance in relation to the size and nature of the activities undertaken, are not significant in order to ensure the reliability of the present interim accounts.

The Group investments in associated companies are measured under the net equity method.

The breakdown is as follows:

(in Euro thousands)	31/03/2012	31/12/2011	Change
Subsidiary companies	1,323	1,405	(82)
Associated companies and joint ventures	110,558	115,153	(4,595)
TOTAL	111,881	116,558	(4,677)

In relation to investments in associated companies we report the most significant holdings:

(in Euro millions)	31/03/2012	31/12/2011	Change
Garibaldi S.C.A.	54.5	56.1	(1.6)
Fin. Priv.	19.8	20.5	(0.7)
Isola S.C.A.	9.8	11.1	(1.3)
Others	26.5	27.5	(1.0)
Total	110.6	115.2	(4.6)

The adjustments to values recorded in the income statement in the quarter due to the valuation of the investments in associated companies amounted to approx. Euro 7 million, concerning Garibaldi S.C.A. for Euro 4.4 million and Isola S.C.A. for Euro 1.7 million.

Investments held to maturity

The account amounts to Euro 625,256 thousand (Euro 599,713 thousand at 31/12/11) and is composed as follows:

(in Euro thousands)	31/03/2012	31/12/2011	Change
Debt securities	625,256	599,713	25,543
Total	625,256	599,713	25,543

The category only includes financial instruments from the Life sector held for policies with specific provisions as defined by the current sector regulations.

This category exclusively includes listed securities whose current value amounts to Euro 676,666 thousand.

Loans and receivables

The account amounts to Euro 3,745,475 thousand (Euro 3,688,865 thousand at 31/12/11) and is composed as follows:

(in Euro thousands)	31/03/2012	31/12/2011	Change
Bank and interbank receivables	763,113	665,462	97,651
Debt securities	2,423,219	2,465,849	(42,630)
Loans on life policies	42,365	44,140	(1,775)
Deposits held by reinsurers	22,931	24,895	(1,964)
Receivables from sub-agents for indemnities paid to agents terminated	237,821	238,569	(748)
Other loans and receivables	256,026	249,950	6,076
TOTAL	3,745,475	3,688,865	56,610

Bank receivables for interbank deposits and bank clients includes the receivables of the subsidiary BancaSai from other credit institutions for deposits of Euro 144,232 thousand and the receivable from bank clients of Euro 618,881 thousand.

The account debt securities includes:

- the book values of some issuers (in particular the securities of the special ANIA issues) for which it is considered appropriate to utilise the amortised cost and not the fair value in the absence of an active market. The account refers to financial assets for which it is considered that the relative fair value cannot be calculated in a precise manner.
- prevalently some reserved issues (so-called “private placements”) of Italian public debt, for Euro 1,505 thousand, which ensure stability in Group returns and eliminate the volatility in the valuation of such instruments where underwritten in a traditional market context. The classification in this category therefore results in the absence of a reference market.

- issues by corporate entities: they relate to financial structures principally supported by subordinated clauses transferred to this category in 2009. There was no permanent loss in value on any security and the effect of the amortised cost resulted in the recording of income of Euro 15,252 thousand. The negative AFS reserve on these securities at 01/01/2009 amounted to Euro 75,222 thousand and is amortised in accordance with the provisions of IAS 39. The residual negative AFS reserve amounts to Euro 50,923 thousand.

On the reasons for the classification, reference should be made to the section Accounting Principles.

The debt securities within the “Loans and receivables” category report a book value greater than the market value of Euro 35 million.

The receivables from sub-agents for the recovery of indemnities paid to agents are recorded in this account in accordance with the requirements of Isvap Regulation No. 7/2007 and in consideration of their interest bearing nature, in favour of the Group.

The account "Other loans and receivables" includes Euro 230 million (Euro 222 million at 31/12/2011) relating to the receivables of the subsidiary Finitalia from its customers.

AFS financial assets

The AFS financial assets include bonds and equity securities, as well as investment unit funds, not otherwise classified.

The financial assets are divided as follows:

(in Euro thousands)	31/03/2012	31/12/2011	Change
Equity securities	1,237,623	1,171,370	66,253
Fund units	804,300	788,143	16,157
Debt securities	17,107,585	15,636,678	1,470,907
Other financial investments	2,098	2,096	2
TOTAL	19,151,606	17,598,287	1,553,319

The change in the account is principally due to the recovery in stock market values in the first quarter of the year.

The equity securities include listed securities of Euro 977 million, while the debt securities listed amount to Euro 17,082 million.

We report that, prevalently, the debt and equity securities included in this category are valued at fair value.

Of the equity securities, the holding of the Group in the Bank of Italy is 2%. There were no changes in the valuation carried out at the end of 2011.

Similarly in the quarter, no movements took place in AFS assets within the level 3 of the fair value.

In relation to the reduction in values of the AFS securities recorded to the Income Statement in the period, the application of the criteria under the “impairment policy” of the Group (and described in detail in the 2011 annual accounts) led to a valuation loss of Euro 21.0 million (at 31/03/2011 the amount was Euro 24.3 million). This amount refers for Euro 18.1 million to equity securities and for Euro 2.9 million to investment funds.

With reference to the composition of the AFS reserve (for the Group share and gross of the fiscal effects, both in relation to that borne by Life policyholders under the shadow accounting technique) it is reported that the gross amount, negative for Euro 403 million, includes a negative component of Euro 448 million with reference to debt securities, a positive component of Euro 22 million relating to investment funds and finally a positive amount of Euro 23 million (of these Euro 104 million relates to the investment held in the Bank of Italy) concerning shares held.

Greek sovereign debt crisis

On February 24, 2012 the exchange offer on Greek government securities was approved which provides for every Euro 1,000 of nominal value of securities in circulation, the substitution with:

- 20 Greek government securities for a total nominal value of Euro 315 and expiry between 11 and 30 years;
- 2 new securities issued by the European Financial Stability Fund for a total nominal value of Euro 150;
- GDP linked securities issued by Greece with a notional value equal to the new exchanged securities (Euro 315) which will produce additional interest if Greek GDP grows beyond a fixed threshold;
- short-term Zero Coupon securities issued by the EFSF to hedge the interest matured and not paid on the old Greek government issues at the date of the agreement.

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

In relation to the Fondiaria SAI Group Interim Report for the First Quarter of 2012, the same Greek sovereign debt securities previously held by the Group until that date are shown; the “new” Greek securities deriving from the above-stated swap operation were principally allocated subsequent to March 31, 2012.

In addition, a current valuation of new securities substantially confirms the book value of the present Report.

Government bonds issued by Spain, Portugal, Ireland and Italy

The following table breaks down the exposure of the Fondiaria SAI Group to government securities issued by other countries (the so-called Peripheral countries of the Eurozone) recorded to AFS assets. In accordance with that recently requested by the European Securities and Markets Authority (ESMA) also the Italian government securities are reported in the table (in thousands of Euro).

State	Due within 12 months	Maturity from 1 to 5 years	Maturity from 6 to 10 years	Maturity over 10 years	Total Fair value (level 1)	AFS Reserve (gross)	AFS Reserve (net of shadow)
Spain	-	15,593	-	40,563	56,156	(13,291)	(4,675)
Portugal	-	2,979	-	-	2,979	(1,080)	(358)
Ireland	-	1,244	19,606	-	20,850	(2,593)	(747)
Italy	1,683,631	4,874,908	4,329,259	1,705,739	12,593,537	(571,832)	(196,581)

Also in portfolio at March 31, 2012 are:

- Euro 1,508.2 million of Italian government debt securities classified in the Loans & Receivables category (of which Euro 276.1 million with maturity between 1 and 5 years and Euro 1,232.1 million with maturity between 6 and 10 years);
- Euro 73.9 million of Italian government debt securities classified in the Held to Maturity category (of which Euro 18.0 million with maturity within 1 year, Euro 55.8 million with maturity between 1 and 5 years and Euro 0.1 million with maturity beyond 10 years).

Financial assets at Fair Value recorded through profit or loss

The breakdown is as follows:

(in Euro thousands)	31/03/2012	31/12/2011	Change
Equity securities	40,116	30,599	9,517
Fund units	645,942	636,124	9,818
Debt securities	7,004,029	8,072,935	(1,068,906)
Other financial investments	483,495	287,006	196,489
TOTAL	8,173,582	9,026,664	(853,082)

The change in debt securities is due to the disposals carried out by the subsidiary Lawrence Life following the reduction in the technical reserves whose investment risk is borne by the policyholder, following requests for redemption from the policyholder.

The component relating to the financial assets designated at fair value through profit or loss amounted to Euro 8,080 million and these include the investments where the risk is borne by the policyholders and deriving from the management of pension funds for Euro 8,011 million (Euro 8,900 million at 31/12/11).

5. OTHER RECEIVABLES

The breakdown of the account is as follows:

(in Euro thousands)	31/03/2012	31/12/2011	Change
Receivables from direct insurance operations	1,216,042	1,698,430	(482,388)
Receivables from reinsurance operations	67,047	78,637	(11,590)
Other receivables	529,376	563,674	(34,298)
TOTAL	1,812,465	2,340,741	(528,276)

The Group considers that the carrying value of trade and other receivables approximates their fair value. The trade receivables are non-interest bearing and are generally payable within 90 days.

The composition of the receivables deriving from direct insurance operations is as follows.

(in Euro thousands)	31/03/2012	31/12/2011	Change
Receivables from policyholders for premiums in year	401,080	746,052	(344,972)
Receivables from policyholders for premiums in previous years	145,394	32,656	112,738
Receivables from insurance brokers	459,934	639,447	(179,513)
Receivables from insurance companies	73,380	132,193	(58,813)
Amounts to be recovered from policyholders and third parties	136,254	148,082	(11,828)
TOTAL	1,216,042	1,698,430	(482,388)

The reduction in receivables from policyholders for premiums in the period is as a result of the reduced concentration of contracts in the first three months of the year. Conversely, receivables from policyholders for previous years principally include the positions yet to be paid, principally from corporate clients, arising at the end of the previous year.

The receivables from reinsurance operations include Euro 64,086 thousand of receivables from insurance and reinsurance companies for reinsurance operations and Euro 2,961 thousand from reinsurance brokers.

The other receivables include:

- trade receivables of Euro 89 million principally comprising receivables from clients;
- receivables from Tax Authorities for Euro 140 million relating principally to the repayment of VAT receivables;
- receivables from the sale of the building at Rome in Località Castel Giubileo for Euro 21 million;
- insurance receivables for Euro 9 million;
- personnel receivables for Euro 5 million.

With reference to the receivables from policyholders for premiums, agents and other brokers, as well as insurance and reinsurance companies, the Group does not have significant concentrations of credit risks, as the credit exposure is divided among a large number of counterparties and clients.

The account also includes Euro 83 million paid to the counterparties as collateral of the guarantees on the market losses on all derivatives open (Credit Support Annex) as follows: Mediobanca Euro 32 million, Royal Bank Scotland Euro 17 million, Unicredit Euro 12 million, Soc.Gen. Euro 9 million, Banca IMI Euro 5 million, BNP Paribas Euro 3 million, UBS Euro 3 million and Deutsche Bank Euro 2 million.

6. OTHER ASSETS

The total amount of the account is Euro 1,692,589 thousand (Euro 1,803,440 thousand at 31/12/2011). The account decreased by Euro 110,851 thousand compared to the previous year.

The breakdown of the account is as follows:

(in Euro thousands)	31/03/2012	31/12/2011	Change
Non-current assets or of a discontinued group held for sale	49,298	87,151	(37,853)
Deferred acquisition costs	30,679	30,301	378
Deferred tax assets	978,388	1,155,060	(176,672)
Current tax assets	303,637	316,208	(12,571)
Other assets	330,587	214,720	115,867
TOTAL	1,692,589	1,803,440	(110,851)

Non-current assets or of a discontinued group held for sale

At 31/03/12, the discontinued assets amounted to Euro 49,298 thousand (Euro 87,151 thousand at 31/12/11).

These refer to:

- Euro 47.3 million concerning the property located in Milan - Piazza S. Maria Beltrade held by the subsidiary Milano Assicurazioni, for which a sales agreement was signed with the purchasers;
- Euro 1.9 million concerning the investment in Penta Domus S.p.A. held by Immobiliare Milano.

Deferred acquisition costs

The deferred acquisition costs, amounting to Euro 30,679 thousand (Euro 30,301 thousand at 31/12/2011), principally refer to the acquisition commissions to be amortised on the long-term Life Division contracts. These amounts are deferred and amortised over six years for the traditional companies in accordance with analysis on the average duration of the contracts in portfolio. The amortisation period for the bancassurance vehicles is on average three years. This is in accordance with the accruals principle.

Deferred tax assets

The account amounts to Euro 978,388 thousand (Euro 1,155,060 thousand at 31/12/2011) and is calculated on the total amount of the temporary differences between the book value of the assets and liabilities in the accounts and the respective tax value according to the “balance sheet liability method” as per IAS 12 in relation to the probability of their recovery related to the capacity to generate assessable taxable income in the future.

The balance at the end of the period takes into account the compensation, where possible, of the same tax assets with the corresponding deferred tax liabilities in accordance with IAS 12.

Current tax assets

The current tax assets, amounting to Euro 303,637 thousand (Euro 316,208 thousand at 31/12/2011), refer to the financial receivables for payments on account, withholding taxes and income tax credits, before compensation, where permitted, of the current tax liabilities in accordance with IAS 12.

The account also includes the amounts paid on account pursuant to article 1, paragraph 2 of Legislative Decree No. 209/02, converted into article 1 of Law 265/2002, as supplemented. This is in accordance with Isvap Provision No. 7/2007, even though not applicable in accordance with IAS 12 as it is not related to taxes on income.

Other assets

The other assets amount to Euro 330,587 thousand (Euro 214,720 thousand at 31/12/2011) and include other accounts for Euro 28 million, payments on account for the actuarial reserves as per Legislative Decree 209/03 for Euro 53 million, indemnities paid to agents awaiting application of recovery for Euro 25 million and amounts paid for guarantee provisions for policyholders, with particular reference to the contribution to the Road Victim Fund of Euro 66 million and receivables for reinstatement premium reserve of the subsidiary The Lawrence Re for Euro 12 million.

7. CASH AND CASH EQUIVALENTS

The account amounts to Euro 938,766 thousand (Euro 976,582 thousand at 31/12/2011).

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

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

Balance Sheet – Shareholders’ Equity & Liabilities

1. SHAREHOLDERS’ EQUITY

The consolidated net equity, amounting to Euro 2,201,143 thousand, includes the result for the period and minority share, and increased by Euro 644,435 thousand compared to 31/12/2011.

The movements in the year are shown below:

(in Euro thousands)	31/03/2012	31/12/2011	Change
Group Net Equity	1,497,847	1,036,952	460,895
Share capital	494,731	494,731	-
Other equity instruments	-	-	-
Capital reserves	310,990	315,460	(4,470)
Retained earnings and other reserves	985,831	1,834,570	(848,739)
<i>Treasury shares</i>	(213,026)	(213,026)	-
Translation reserve	(64,521)	(56,772)	(7,749)
Profit or loss on AFS financial assets	(65,950)	(478,283)	411,754
Other gains and losses recorded directly in equity	(10,722)	(7,009)	(3,713)
Group profit/(loss)	60,514	(852,719)	913,233
Minority interest shareholders’ equity	703,296	519,756	183,540
Share capital and reserves pertaining to minority interests	722,600	903,659	(181,059)
Gains and losses recorded directly in equity	(32,336)	(201,984)	169,648
Minority interest profit/(loss)	13,032	(181,919)	194,951
TOTAL	2,201,143	1,556,708	644,435

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

The disclosures required by IAS 1.76 A is provided below:

	Ordinary 31/03/2012	Savings 31/03/2012	Ordinary 31/12/2011	Savings 31/12/2011
Number of shares issued	367,047,470	127,683,666	367,047,470	127,683,666

The table below shows the movements of the share capital of the Parent Company Fondiaria-SAI in the first quarter of the year.

	Ordinary	Savings	Total
Shares existing at 01/01/12	367,047,470	127,683,666	494,731,136
Treasury shares (-)	14,382,557		14,382,557
Shares outstanding: balance at 01/01/12	352,664,913	127,683,666	480,348,579
<u>Increases:</u>			
Sale of treasury shares	-	-	-
Exercise of warrants	-	-	-
<u>Decreases:</u>			
Acquisition of treasury shares	-	-	-
Shares outstanding: balance at 31/03/2012	352,664,913	127,683,666	480,348,579

The ordinary and savings shares issued both have a nominal value of Euro 1.

The capital reserves, amounting to Euro 310,990 thousand, refers to the share premium reserve recorded in the financial statements of the Parent Company.

Nature and purpose of the other reserves

The profit reserves and the other equity reserves include the other net equity reserves of the Parent Company, decreased by the losses carried forward from the previous year and the distribution of dividends by the Parent Company.

The minority interest shareholders' equity, included in the result, increased by Euro 185 million.

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

Treasury shares

The account amounts to Euro 213,026 thousand (Euro 213,026 thousand at 31/12/11). This account includes the book value of the equity instruments of the Parent Company Fondiaria-SAI (Euro 64.4 million), Milano Assicurazioni S.p.A. (Euro 132.3 million) and Sai Holding S.p.A. (Euro 16.3 million).

The account is negative in accordance with the provisions of IAS 32. Following the sale/purchases operations undertaken during the year, no profits or losses were recorded in the income statement.

Reserve for net exchange differences

The balance is a negative amount of Euro 64,521 thousand (Euro -56,772 thousand at 31/12/2011) and includes the translation differences deriving from the conversion of the foreign subsidiaries financial statements into Euro.

Profit or loss on AFS financial assets

The account, amounting to Euro -65,950 thousand (Euro -478,283 thousand at 31/12/2011), includes the gains and losses deriving from the valuation of the AFS financial assets. This is shown net of the related deferred tax liability, both for the part attributable to the policyholders and allocated to the insurance liabilities.

In particular the account includes a negative amount of Euro 403 million relating to the AFS financial instruments in portfolio and a positive amount of Euro 264 million relating to the application of the shadow accounting technique. To this is added Euro 73 million (positive) relating to the fiscal effects of the two matters outlined above.

Other gains and losses in the year recorded directly in equity

The account, amounting to Euro -10,722 thousand (Euro -7,009 thousand at 31/12/2011) includes the reversal of the gains realised on subsidiary companies of Euro 53.6 million. In fact, the transactions of the shares of subsidiaries and which do not result in the loss or acquisition of control do not impact the consolidated results as they are considered only as modifications in the ownership structure of the Group. An exception are the results in the separated management of the Life Division.

The amount also includes the gains and losses on cash flow hedging instruments for Euro 36 million (gross of the tax effect) while the residual amount principally includes the direct recording under equity of the gains and losses from actuarial valuations, in accordance with IAS 19.

2. PROVISIONS

The account amounts to Euro 315,089 thousand (Euro 322,310 thousand at 31/12/11) and comprises:

(in Euro thousands)	31/03/2012	31/12/2011	Change
Provisions of a fiscal nature	281	11	270
Other provisions	314,808	322,299	(7,491)
TOTAL	315,089	322,310	(7,221)

The other provisions include amounts for which uncertainty exists as to the payment date or the amount of future expenses required to comply with the obligation.

That provisioned at 31/12/2011 against the principal disputes of the Group did not undergo significant movements in that no situations arose such as to require further provisions or release from existing funds, which appear adequate.

3. TECHNICAL RESERVES

These amount to Euro 34,813,175 and increased by Euro 294,330 thousand on 31/12/2011.

The breakdown of the technical reserves is as follows:

(in Euro thousands)	31/03/2012	31/12/2011	Change
Non-Life division technical reserves	12,385,507	12,610,322	(224,815)
Life technical reserves	15,038,662	14,830,838	207,824
Technical reserves where investment risk borne by policyholders and from pension fund management	7,389,006	7,666,345	(277,339)
TOTAL TECHNICAL RESERVES	34,813,175	35,107,505	(294,330)

The technical reserves of the Non-Life Division include the unearned premium reserve of Euro 2,586 million (Euro 2,742 million at 31/12/2011) and the claims reserve of Euro 9,790 million (Euro 9,858 million at 31/12/2011).

The Life technical reserves includes the actuarial reserve of Euro 14,934 million, the reserves for sums to be paid of Euro 516 million and reduced by deferred liabilities against contracts with profit participation (IFRS4.IG22f) for Euro 487 million (negative for Euro 772 million at 31/12/2011).

In relation to this reserve, for the Separated Management, the yields were however greater than the minimum guaranteed.

4. FINANCIAL LIABILITIES

(in Euro thousands)	31/03/2012	31/12/2011	Change
Financial liabilities at fair value through profit or loss account	748,061	1,303,886	(555,825)
Other financial liabilities	1,830,007	1,839,387	(9,380)
Total	2,578,068	3,143,273	(565,205)

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

Financial liabilities held for trading

The account amounts to Euro 9,349 thousand (Euro 7,855 thousand at 31/12/2011).

Financial liabilities designated at Fair Value recorded through profit or loss

The account amounts to Euro 738,712 thousand (Euro 1,296,031 thousand at 31/12/2011). In accordance with IAS 39, the account includes the investment contracts not in application of IFRS 4 and accounted in accordance with the Deposit Accounting method. The account amounts to Euro 629,240 thousand (Euro 1,239,609 thousand at 31/12/11).

Other financial liabilities

The account amounts to Euro 1,830,007 thousand (Euro 1,839,387 thousand at 31/12/2011).

The account includes the financial liabilities defined and governed by IAS 39 not included in the category “Financial liabilities at fair value through profit or loss”.

They include deposits as guarantee in relation to risks ceded in reinsurance of Euro 168,511 thousand (Euro 171,542 thousand at 31/12/11) and sub-ordinated payables of Euro 1,041,022 thousand (Euro 1,049,467 thousand at 31/12/11).

In accordance with CONSOB Resolution No. DEM/6064293 of 28/7/2006, the subordinated and/or hybrid payables are supported by particular contractual clauses protecting the rights and interests of the lenders.

In relation to the subordinated loan contract of Euro 300 million of 22/6/2006 (undertaken for 50% by Fondiaria-SAI S.p.A. and the other 50% by Milano Assicurazioni S.p.A.), Article 6.2.1 letter (e) establishes, as a general obligation, the continued control (in accordance with Article 2359, paragraph 1, No. 1 of the Civil Code) of the direction and coordination of Milano Assicurazioni S.p.A. by Fondiaria-SAI S.p.A..

In relation to the hybrid loan contract of Euro 250 million of 14/7/2008, the faculty to convert into shares of the Company is subject to, in addition to any resolution by the extraordinary shareholders’ meeting of the Company of a share capital increase to service the conversion in line with the contractual terms indicated, the occurrence at the same time (and for a consecutive three year period) of the following situations:

- (i) the downgrade of the Standard & Poor’s rating (or any other agency to which the Company is voluntarily subject, no longer being subject to the Standard & Poor’s rating) of the beneficiary companies to “BBB-” or a lower grade;
- (ii) the reduction in the solvency margin of the beneficiary companies, as established by Article 44 of the Insurance Code, to a level below or equal to 120% of the solvency margin required by Article 1, paragraph hh) of the Insurance Code,

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

No clauses are in place in the Group loan contracts (other than those indicated above) which place limitations on the use of significant financial resources for the activities of the Company.

The defining factors of the subordinated and/or hybrid loans relate in general not just to the repayment of such before the payment of all other payables owing by the insurance company at the settlement date, but also the need to obtain, in accordance with the applicable regulation, prior authorisation for repayment by ISVAP.

The residual payables to banks and other lenders, amounting to Euro 620 million (Euro 618 million at 31/12/11), include the following significant amounts, already commented upon in the Directors' Report:

- Euro 111.5 million relates to the loan signed by the Tikal Closed Real Estate Fund with Mediobanca as the Agent Bank;
- Euro 94 million refers to the bonds issued in 2009 and 2010 by BancaSai;
- Euro 71.3 million refers to the debt of the subsidiary Immobiliare Fondiaria-SAI.

The account also includes customer deposits of the subsidiary BancaSai of Euro 206 million (Euro 232 million at 31/12/2011).

5. PAYABLES

The account amounts to Euro 930,911 thousand and is comprised of:

(in Euro thousands)	31/03/2012	31/12/2011	Change
Payables to direct insurance operations	89,239	78,999	10,240
Payables to reinsurance operations	130,317	84,912	45,405
Other payables	711,355	628,179	83,176
Total	930,911	792,090	138,821

With reference to the payables deriving from the direct insurance operations, they consist of:

(in Euro thousands)	31/03/2012	31/12/2011	Change
Payables to insurance brokers	64,240	60,252	3,988
Payables to insurance companies	18,546	10,590	7,956
Payables for policyholder deposits	1,606	118	1,488
Payables for guarantee provisions for policyholders	4,847	8,039	(3,192)
Total	89,239	78,999	10,240

The payables deriving from reinsurance operations refer to reinsurance companies of Euro 120,390 thousand (Euro 62,733 thousand at 31/12/2011) and Euro 9,927 thousand to reinsurance brokers (Euro 22,179 thousand at 31/12/2011).

The breakdown of the other payables is shown below:

(in Euro thousands)	31/03/2012	31/12/2011	Change
Staff termination pay	67,564	65,262	2,302
Policyholders' tax due	57,012	97,271	(40,259)
Other taxes due	125,557	150,990	(25,433)
Due to social security and welfare institutions	16,382	23,300	(6,918)
Other payables	444,840	291,356	153,484
Total	711,355	628,179	83,176

The other payables include trade payables for Euro 182 million, pension and similar obligation payables for Euro 40 million, employee payables for Euro 6 million, payables for deposits for Euro 4 million and insurance payables for Euro 4 million.

Staff termination pay

The principal statistical-actuarial and financial assumptions utilised for the Employee Leaving Indemnity estimates as per IAS 19 are not substantially different from those utilised in the preparation of the consolidated annual accounts of the previous year.

The movements in the year are shown below:

(in Euro thousands)	31/03/2012	31/12/2011
Balance at beginning of year	65,262	77,588
Provisions to income statement for Interest Cost	185	1,484
Provisions to income statement for Service Cost	10	63
Actuarial Gains/Losses	5,524	(1,468)
Utilisations	(3,682)	(13,371)
Other changes	264	966
Balance at end of period	67,564	65,262

Health assistance post service

The principal statistical-actuarial and financial assumptions utilised for the determination of the Health Assistance of employees as per IAS 19 is not substantially different from that utilised in the preparation of the consolidated annual accounts of the previous year.

Reference should therefore be made to the 2011 annual accounts for the numeric assumptions made.

At 31/3/2011, the liabilities related to the health coverage for Executives amounted to Euro 35,789 thousand (Euro 34,531 thousand at 31/12/2011).

6. OTHER LIABILITIES

The breakdown is as follows:

(in Euro thousands)	31/03/2012	31/12/2011	Change
Liabilities of a discontinued group held for sale	-	-	-
Deferred tax liabilities	186,356	133,452	52,904
Current tax liabilities	38,555	16,522	22,033
Other liabilities	436,381	404,749	31,632
Total	661,292	554,723	106,569

Deferred tax liabilities

The deferred tax liabilities, amounting to Euro 186,356 thousand, include all the temporary tax differences, relating to balance sheet and income statement accounts, which will reverse in future years.

The balance takes into account the compensation, where permitted, with the corresponding deferred tax asset in accordance with IAS 12.

Current tax liabilities

The account amounts to Euro 38,555 thousand (Euro 16,522 thousand at 31/12/2011) and refers to the total income taxes accrued by the Group at the period-end, net of the current tax asset compensated in accordance with IAS 12.

The income taxes are calculated applying the respective income tax rates, determined based on prudent estimates of the nominal tax rates applied for the full year results.

Other liabilities

The Other liabilities amount to Euro 436,381 thousand (Euro 404,749 thousand at 31/12/2011) and comprise:

(in Euro thousands)	31/03/2012	31/12/2011	Change
Commissions on premium collection	74,438	109,753	(35,315)
Deferred commission expenses for life investment management services	632	1,604	(972)
Cheques issued against claims and life sums collected by the beneficiaries after year end	38,875	40,390	(1,515)
Transitory reinsurance accounts	-	3,850	(3,850)
Other liabilities	322,436	249,152	73,284
TOTAL	436,381	404,749	31,632

The “Other Liabilities” include expenses for approx. Euro 43 million, claim payments being processed for Euro 80 million, bank current accounts for Euro 44 million, life division provisional payment accounts for Euro 27 million, administration liabilities for Euro 16 million, over-commissions to be settled Euro 12 million, insurance provisional accounts Euro 9 million and pension fund provision accounts for Euro 1.1 million.

PART C - Information on the Income Statement

NET PREMIUMS

The net premiums consolidated totalled Euro 2,574,989 thousand (Euro 3,024,780 thousand in the first quarter of 2011).

Total Group gross premiums written amounted to Euro 2,494,631 thousand (down 16.54% on Q1 2011), as follows:

(in Euro thousands)	Q1 2012	Q1 2011	Change	FY 2010
Gross Life premiums written	858,990	1,247,542	(388,552)	3,753,573
Gross Non-Life premiums written	1,635,641	1,741,453	(105,812)	7,059,924
Change gross premium reserve	(153,671)	(120,364)	(33,307)	(36,761)
Total Non-Life Division	1,789,312	1,861,817	(72,505)	7,096,685
Gross premiums written	2,648,302	3,109,359	(461,057)	10,850,258

The account “gross premiums written” does not include the cancellation of securities issued in previous years, which were recorded in the account “Other costs”. The above amounts are net of inter-group reinsurance.

In relation to the breakdown of the gross premiums written among the different classes in the accounts, the division between direct and indirect business, reference should be made to the tables in the Directors’ Report.

The premiums ceded, amounting to Euro 73,388 thousand, accounted for 2.9% of the total premiums written (2.7% in the first quarter of 2011).

(in Euro thousands)	Q1 2012	Q1 2011	Change	FY 2010
Life Division	4,034	3,613	421	18,285
Non-Life Division	69,354	78,436	(9,082)	311,829
Change in reinsurers reserves	(75)	2,530	(2,605)	(7,200)
Total Non-Life Division	69,279	80,966	(11,687)	304,629
Premiums ceded to re-insurers	73,313	84,579	(11,266)	322,914

The Group reinsurance policy negatively impacted on the consolidated accounts for Euro 8,353 thousand (Euro 7,284 thousand in the Non-Life Division).

In relation to further illustration on the Non-Life and Life Divisions of the account 1.1 of the Income Statement, reference should be made to the Attachment at the end of the quarterly report.

COMMISSION INCOME

The commission income in the first quarter of 2012 amounted to Euro 4,934 thousand, a decrease on the first quarter of the previous year of Euro 2,489 thousand.

(in Euro thousands)	Q1 2012	Q1 2011	Change	FY 2011
Commission income	4,934	7,423	(2,489)	24,433

The account includes both the explicit and implicit loading relating to the investment contracts issued by the Group insurance companies and, as such, are not recorded in accordance with IFRS 4, as well as the commissions for the management of internal funds.

In particular Euro 1 million refers to the subsidiary Popolare Vita.

They also include approx. Euro 4 million of commission income matured by the companies operating in the asset management and consumer credit sectors.

NET INCOME FROM FINANCIAL INSTRUMENTS RECORDED AT FAIR VALUE THROUGH PROFIT AND LOSS

These amount to Euro 253,377 thousand, an increase on the first quarter of 2011 of Euro 290,756 thousand.

The table is broken down as follows:

(in Euro thousands)	Interest	Other net income	Profits realised	Losses realised	Valuation gains and recovery in values	Valuation losses and adjust. in values	Total Q1 2012	Total Q1 2011	Change	Total FY 2011
<i>Result of investments from:</i>										
Financial assets held for trading	365	(14)	2,367	(305)	42,623	(329)	44,707	5,401	39,306	3,103
Financial assets designated at fair value recorded through profit or loss	34,966	24,247	53,736	(9,043)	164,350	(18,756)	249,500	(41,368)	290,868	321,280
Financial liabilities held for trading	-	-	-	-	-	(40,830)	(40,830)	(1,412)	(39,418)	(2,684)
TOTAL	35,331	24,233	56,103	(9,348)	206,973	(59,915)	253,377	(37,379)	290,756	321,699

The result of the investments deriving from financial assets designated at fair value through profit or loss include Euro 249,626 thousand relating to investments in class D, offset by similar decreases in the commitments to policyholders.

FINANCIAL INCOME AND CHARGES FROM INVESTMENTS IN SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES, FROM OTHER FINANCIAL INSTRUMENTS AND INVESTMENT PROPERTIES

The following table shows the breakdown:

	Net interest	Other Net income	Profits realised	Losses realised	Valuation gains and recovery in values	Valuation losses and adjustment in values	Total Q1 2012	Total Q1 2011	Change	Total FY 2011
<i>Result from:</i>										
Investment property	-	9,928	1,017	-	-	(18,566)	(7,621)	(8,690)	1,069	(252,042)
Investments in subsidiaries, associates and joint ventures	-	(6,940)	110	-	-	(80)	(6,910)	(908)	(6,002)	(21,306)
Investments held to maturity	8,745	24	-	-	-	-	8,769	9,336	(567)	35,554
Loans and receivables	44,312		326	(1,557)	4,598	(18)	47,661	35,507	12,154	141,797
AFS financial assets	149,331	14,020	80,619	(14,511)	-	(21,017)	208,442	144,895	63,547	321,171
Other receivables	1,610	8	-	-	-	-	1,618	1,897	(279)	13,803
Cash and cash equivalents	3,541	(169)	-	-	-	-	3,372	1,054	2,318	11,124
Other financial liabilities and other payables	(16,959)	(194)	-	-	-	-	(17,153)	(16,208)	(945)	(77,395)
TOTAL	190,580	16,677	82,072	(16,068)	4,598	(39,681)	238,178	166,883	71,295	172,706

The columns gains and losses realised show the economic effects deriving from the sale of the various financial instruments.

The reductions on investment property concerns the depreciation recorded in the period.

The write-downs on AFS financial instruments refer to the impact on the Income Statement of the Group impairment policy: of these Euro 18.1 million refers to shares, while the residual relates to investment funds.

The interest expense on the other financial liabilities includes the Group debt charges.

In relation to Attachment 11, reference should be made to the end of the present report.

OTHER REVENUES

The other revenues amount to Euro 109,473 thousand (Euro 174,381 thousand in the first quarter of 2011) and are summarised in the table below:

(in Euro thousands)	Q1 2012	Q1 2011	Change	FY 2011
Gains related to non-current assets	7	-	7	16,523
Other technical income	26,481	38,628	(12,147)	54,291
Utilisation of provisions	22,059	18,213	3,846	164,768
Exchange differences	1,099	183	916	4,731
Prior year income	1,853	4,175	(2,322)	38,030
Gains realised on fixed assets	6	5	1	271
Other revenue	57,968	113,177	(55,209)	388,106
Total	109,473	174,381	(64,908)	666,720

The sub-account “other revenues” relates to the following income:

- Euro 22 million (Euro 22 million in Q1 2011) relating to management costs of the Atahotels Group;
- Euro 16 million (Euro 15 million in Q1 2011) relating to ordinary revenues of the subsidiary Auto Presto&Bene;
- Euro 13 million (Euro 11 million in the first quarter of 2011) revenues from retirement home subsidiaries of the Group;
- Euro 4 million (Euro 18 million in the first quarter of 2011) relating to ordinary revenues from the subsidiary Immobiliare Lombarda and the Immobiliare Fondiaria-SAI and Immobiliare Milano Groups;
- Euro 2 million (Euro 2 million in the first quarter of 2011) of revenues from the agricultural holdings.

NET CHARGES RELATING TO CLAIMS

The claims paid, including the sums of the Life Classes and the relative expenses, gross of the quota ceded in reinsurance, amount to Euro 2,972,677 thousand, an increase of 30.02% on the previous period.

Claims costs, amounts paid and changes in technical reserves

(in Euro thousands)	Q1 2012	Q1 2011	Change	FY 2011
<i>Non-Life Division</i>				
Amount paid	1,373,168	1,413,801	(40,633)	5,488,355
Change in recoveries	(24,436)	(46,175)	21,739	(167,944)
Change in other technical reserves	(336)	(609)	273	(269)
Change in claims reserve	(66,356)	(25,759)	(40,597)	751,863
Total Non-Life	1,282,040	1,341,258	(59,218)	6,072,005
<i>Life Division</i>				
Amount paid	1,599,509	872,607	726,902	4,393,334
Change in actuarial and other technical reserves	(228,984)	(79,999)	(148,985)	(918,433)
Change in technical reserves where investment risk borne by policyholders and from pension fund management	(281,784)	434,658	(716,442)	721,290
Change reserve for sums to be paid	70,451	65,849	4,602	138,661
Total Life	1,159,192	1,293,115	(133,923)	4,334,852
Total Non-Life + Life	2,441,232	2,634,373	(193,141)	10,406,857
Amount paid	2,948,241	2,240,233	708,008	9,713,745
Change reserves	(507,009)	394,140	(901,149)	693,112

Claims costs, reinsurers portion

(in Euro thousands)	Q1 2012	Q1 2011	Change	FY 2011
<i>Non-Life Division</i>				
Amounts paid by reinsurers	35,880	34,593	1,287	166,130
Change in recoveries	4,098	7,087	(2,989)	4,970
Change in other technical reserves	-	-	-	-
Change in claims reserve	3,164	(16,733)	19,897	(23,912)
Total Non-Life	43,142	24,947	18,195	147,188
<i>Life Division</i>				
Amounts paid by reinsurers	5,395	6,991	(1,596)	24,226
Change in actuarial reserve and other technical reserves	(2,672)	(1,816)	(856)	(6,319)
Change reserve for sums to be paid	(26)	56	(82)	992
Total Life	2,697	5,231	(2,534)	18,899
Total Non-Life + Life	45,839	30,178	15,661	166,087
Amounts paid by reinsurers	45,373	48,671	(3,298)	195,326
Change reserves	466	(18,493)	18,959	(29,239)

The decrease in the net technical reserves of the Non-Life Classes amounts to Euro 69,856 thousand, with a reduction of Euro 60,221 thousand on 31/03/2011.

The net technical reserves of the Life Division, including the reserves for amounts to be paid, decreased by Euro 437,619 thousand (Euro 422,268 thousand at 30/03/2011).

In relation to further details on the Non-Life and Life division of the account 2.1 of the Income Statement, reference should be made to Attachment 10 at the end of the present report.

COMMISSION EXPENSE

Commission expenses in the first quarter of 2011 amounted to Euro 2,807 thousand, a decrease on the first quarter of 2011 of Euro 1,922 thousand.

(in Euro thousands)	Q1 2012	Q1 2011	Change	FY 2011
Commission expenses	2,807	4,729	(1,922)	15,855

This account includes the acquisition costs related to investment contracts which do not fall under the application of IFRS 4.

MANAGEMENT EXPENSES

(in Euro thousands)	Q1 2012	Q1 2011	Change	FY 2011
<i>Non-Life Division</i>				
Acquisition commissions and changes in deferred acquisition costs	244,557	269,459	(24,902)	1,108,433
Other acquisition expenses	49,378	52,312	(2,934)	213,502
Collection commissions	8,441	9,085	(644)	36,140
Reinsurers commissions and profit participation	(18,853)	(23,269)	4,416	(80,658)
Total Non-Life	283,523	307,587	(24,064)	1,277,417
<i>Life Division</i>				
Acquisition commissions and changes in deferred acquisition costs	23,685	41,166	(17,481)	97,982
Other acquisition expenses	6,623	5,869	754	24,485
Collection commissions	1,432	1,476	(44)	7,921
Reinsurers commissions and profit participation	(268)	(76)	(192)	(1,182)
Total Life	31,472	48,435	(16,963)	129,206
Investment management charges	3,493	3,504	(11)	16,016
Other administration expenses	106,184	111,379	(5,195)	452,674
Total	424,672	470,905	(46,233)	1,875,313

OTHER COSTS

The other costs amount to Euro 243,429 thousand (Euro 279,940 thousand in the first quarter of 2011) and are summarised below:

(in Euro thousands)	Q1 2012	Q1 2011	Change	FY 2011
Other technical charges	153,039	152,105	934	247,015
Provisions	19,518	34,732	(15,214)	136,603
Losses on receivables	4,931	1,122	3,809	35,831
Prior year charges	4,443	10,155	(5,712)	38,523
Depreciation of property, plant & equipment	6,477	3,979	2,498	14,959
Amortisation of intangible assets	6,424	10,606	(4,182)	43,093
Exchange differences	1,019	5,083	(4,064)	2,867
Other costs	47,578	62,158	(14,580)	519,708
Total	243,429	279,940	(36,511)	1,038,599

In particular, the sub-account “other costs” relates to the following charges:

- Euro 16 million (Euro 15 million in Q1 2011) concerning the ordinary costs of the subsidiary Auto Presto & Bene;
- Euro 14 million (Euro 14 million in Q1 2011) relating to ordinary costs of the Atahotels Group;
- Euro 10 million (Euro 8 million in Q1 2011) relating to the costs incurred by the retirement home subsidiaries of the Group for their normal operations and personnel costs;
- Euro 5 million (Euro 19 million in Q1 2011) relating to ordinary costs of the subsidiary Immobiliare Lombarda and of the Immobiliare Fondiaria-SAI and Immobiliare Milano Groups;
- Euro 2 million (Euro 1 million in Q1 2011) relating to management costs of the subsidiary Saiagricola.

INCOME TAXES

The breakdown of the account is as follows:

(in Euro thousands)	Q1 2012	Q1 2011	Change	FY 2011
Current taxes	(80,724)	(14,185)	(66,539)	(138,815)
Deferred taxes	37,309	12,941	24,368	530,962
Total	(43,415)	(1,244)	(42,171)	392,147

Income taxes for the period amounted to Euro 43,415 thousand (Euro 1,244 thousand in the first quarter of 2011) of which current taxes of Euro 80,724 thousand and deferred tax income of Euro 37,309 thousand.

The national income taxes (IRES and IRAP) and the income taxes of the foreign subsidiary are determined applying the relative nominal income tax rates applicable to the annual accounts.

The tax rate in the quarter was comparable with the tax charge in the same quarter of the previous year.

Compared to the theoretical tax charge, based on nominal tax rates, the non provisioning of deferred tax assets on tax losses by, among others, the foreign subsidiaries Lawrence RE and Sainernational SA, increased the tax charge.

The tax charge in the period was impacted by the impairments and the unrealised losses on AFS securities recorded to the income statement, particularly concerning the subsidiary Milano Assicurazioni, in possession of the PEX requirements.

COMPREHENSIVE INCOME STATEMENT

The Comprehensive Income Statement results, set out in the relevant statements, saw a significant impact from movements in the prices of AFS financial instruments.

In fact the most significant component of the Comprehensive Income Statement comprises a profit of Euro 583 million (Euro 96 million in the first quarter of 2011) on AFS financial assets considered net of the portion of policyholders and of taxes.

PART D – Segment Information

In accordance with IFRS 8, segment information provides the readers of the accounts with an additional tool for a better understanding of the financial results of the Group.

The underlying logic in the application of the principle is to provide information on the manner in which the Group results are formed, consequently providing information on the overall operations of the Group, and, specifically, on the areas where profits and risks are concentrated.

The Group reporting is by sector of activity. The companies of the Group are organised and managed separately based on the nature of their products and services, for each sector of activity which represents a strategic business unit which offers different products and services.

The sectors of activity are identified through the Group's Management Reporting system. The Non-Life sector provides insurance cover pursuant to article 2, paragraph 3 of Legislative Decree 209/05. The Life sector offers insurance cover with payment of capital or an annuity against an event relating to human life, as well as the securitisation contracts with or without significant insurance risk (article 2, paragraph 1 of Legislative Decree 209/05).

The Real Estate sector rents offices, buildings and residential homes which exceed the coverage requirements of the technical/assurance reserves of the Group and actively operate in the management of investment properties.

The Other Activities Sector, by its nature residual, offers products and services in asset management and the financial, hotel and agricultural sectors. The identification of the residual sector is based on a discretionary valuation in order to illustrate the primary sources of risks and benefits for the Group.

The inter-sector operations are generally concluded on the same conditions with third parties.

The balance sheet and income statement by segment follow.

Balance sheet by segment
(in Euro thousands)

	Non-Life Insurance Sector		Life Insurance Sector		Real Estate Sector		Other Activities Sector		Inter-segment Eliminations		Total	
	31/03/2012	31/12/2011	31/03/2012	31/12/2011	31/03/2012	31/12/2011	31/03/2012	31/12/2011	31/03/2012	31/12/2011	31/03/2012	31/12/2011
1 INTANGIBLE ASSETS	794 394	803 797	587 741	587 761	1 158	1 264	66 824	70 128			1 450 117	1 462 890
2 PROPERTY, PLANT & EQUIPMENT	90 327	94 632	9 430	7 030	197 208	197 552	101 642	102 556	-26	-26	398 582	401 744
3 TECHNICAL RESERVES – REINSURANCE AMOUNT	514 611	606 917	58 303	82 263							733 414	791 680
4 INVESTMENTS	8 451 823	7 974 622	23 601 119	23 525 366	1 389 238	1 382 478	1 442 455	1 287 925	-360 890	-381 058	34 503 745	33 789 332
4.1 Investment property	1 408 891	1 463 160	4 306	4 434	1 260 871	1 267 976	23 874	23 675			2 695 945	2 759 245
4.2 Investments in subsidiaries, associates and joint ventures	96 027	79 448	0	21 135	14 589	14 780	1 165	1 215			111 581	116 556
4.3 Investments held to maturity	0	0	527 916	657 795	0	0	0	0	-2 060	-2 042	626 266	659 913
4.4 Loans and receivables	683 815	716 893	2 102 655	2 118 511	27 162	41 286	1 227 589	1 128 490	-295 746	-316 315	3 745 475	3 688 605
4.5 AFS Financial assets	6 230 860	5 689 702	12 790 506	11 783 990	63 641	56 581	123 186	115 565	-56 617	-56 551	19 151 606	17 598 287
4.6 Financial assets at fair value through the profit or loss	34 200	25 419	8 076 333	8 985 540	2 875	2 875	66 641	18 960	-6 467	-6 150	8 173 582	9 026 664
5 OTHER RECEIVABLES	1 724 970	2 307 376	187 810	282 688	89 585	59 572	162 064	308 976	-330 984	-618 072	1 912 665	2 340 741
6 OTHER ASSETS	1 172 544	1 091 564	383 320	589 961	61 272	136 346	74 630	78 518	-9 177	-62 949	1 692 589	1 803 440
6.1 Deferred acquisition costs			30 679	30 301							30 679	30 301
6.2 Other assets	1 172 544	1 091 564	352 641	559 660	61 272	136 346	74 630	78 518	-9 177	-62 949	1 661 910	1 773 139
7 CASH AND CASH EQUIVALENTS	706 123	965 478	554 595	279 194	133 152	42 391	95 026	73 102	-544 130	-384 173	938 766	976 882
TOTAL ASSETS	13 547 892	13 846 088	25 432 818	25 336 052	1 821 534	1 819 543	1 942 641	1 821 204	-1 245 207	-1 446 278	41 499 678	41 476 609
1 SHAREHOLDERS' EQUITY											2 201 143	1 586 708
2 PROVISIONS	246 789	252 102	30 694	38 417	16 534	16 661	19 672	23 130			315 989	322 310
3 TECHNICAL RESERVES	12 385 007	12 610 322	22 427 668	22 487 163							34 813 174	35 107 505
4 FINANCIAL LIABILITIES	1 115 390	1 090 310	1 082 020	1 684 688	193 737	211 958	1 087 074	911 113	-800 153	-754 966	2 578 068	3 143 273
4.1 Financial liabilities at fair value through profit or loss	83 784	39 725	658 302	1 257 930	5 085	4 743	890	1 488			748 051	1 303 886
4.2 Other financial liabilities	1 031 606	1 050 585	423 718	426 758	188 652	207 215	1 086 184	909 625	-800 153	-754 966	1 830 007	1 839 387
5 PAYABLES	845 206	633 971	143 389	132 350	33 963	39 290	243 658	415 563	-333 536	-625 984	930 911	792 090
6 OTHER LIABILITIES	326 440	386 719	281 819	172 418	31 533	31 169	33 376	29 893	-11 676	-65 476	661 292	564 723
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES											41 499 678	41 476 609

Segment Income Statement

(Euro thousands)

	Non-Life Insurance Sector		Life Insurance Sector		Real Estate Sector		Other Activities Sector		Inter-segment Eliminations		Total	
	31/03/2012	31/03/2011	31/03/2012	31/03/2011	31/03/2012	31/03/2011	31/03/2012	31/03/2011	31/03/2012	31/03/2011	31/03/2012	31/03/2011
1.1 Net premiums	1 720 033	1 780 851	854 956	1 243 925	0	0	0	0	0	0	2 574 989	3 024 760
1.1.1 Gross premiums written	1 769 312	1 861 817	858 990	1 247 542	0	0	0	0	0	0	2 648 302	3 109 569
1.1.2 Premiums ceded to reinsurers	-89 279	-80 966	-4 034	-3 615	0	0	0	0	0	0	-73 313	-84 579
1.2 Commission income	0	0	1 203	2 744	0	0	6 291	5 922	-2 560	-1 243	4 534	7 423
1.3 Income & charges from fn. instruments recorded at fair value through profit or loss	794	-3 586	252 219	-33 847	-317	-126	681	190	0	-8	253 377	-37 379
1.4 Income from investments in subsidiaries, associates and joint ventures	151	0	0	0	0	26	0	0	0	0	151	26
1.5 Income from other financial instruments and property investments	122 985	75 791	194 346	204 215	12 604	10 208	15 638	15 444	-12 993	-10 188	332 580	295 469
1.6 Other revenues	110 938	147 097	9 568	16 215	4 858	29 427	157 164	156 000	-172 043	-174 358	109 473	174 381
1 TOTAL REVENUES AND INCOME	1 984 899	2 000 151	1 311 282	1 433 256	17 145	39 535	179 774	177 556	-167 596	-165 798	3 275 504	3 464 700
2.1 Net charges relating to claims	-1 238 898	-1 316 311	-1 156 495	-1 287 884	0	0	0	0	0	0	-2 395 393	-2 604 195
2.1.2 Amounts paid and changes in technical reserves	-1 282 040	-1 341 258	-1 159 192	-1 293 115	0	0	0	0	0	0	-2 441 232	-2 634 373
2.1.3 Reinsurers' share	43 142	24 947	2 697	5 237	0	0	0	0	0	0	45 839	30 178
2.2 Commission expenses	0	0	-1 221	-2 530	0	0	-1 586	-2 199	0	0	-2 807	-4 729
2.3 Charges from investments in subsidiaries, associates and joint ventures	-6 909	-7	0	0	-71	0	-81	-927	0	0	-7 061	-934
2.4 Charges from other financial instruments and property investments	-47 915	-67 995	-19 636	-42 501	-15 746	-15 177	-9 966	-6 629	4 771	4 624	-87 492	-127 678
2.5 Management expenses	-353 872	-381 007	-50 908	-66 399	-51	-49	-77 648	-81 698	57 807	58 238	-424 672	-470 906
2.6 Other costs	-236 744	-259 676	-23 202	-24 274	-6 979	-19 826	-101 522	-99 100	125 018	122 836	-243 420	-279 940
2 TOTAL COSTS AND CHARGES	-1 884 338	-2 024 996	-1 251 462	-1 423 588	-22 847	-35 052	-189 903	-190 544	187 596	185 798	-3 160 854	-3 488 382
PROFIT/(LOSS) BEFORE TAXES	70 561	-24 845	59 820	9 668	-5 702	4 483	-10 029	-12 988	0	0	114 650	-23 682

PART E - Information on business combinations and sold or discontinued operations

On December 27, 2011 Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l. agreed the acquisition with Argo Finanziaria S.p.A. of 8,040,000 ordinary shares of IGLI S.p.A., held by Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l. and comprising 33.33% of the share capital of IGLI S.p.A.. As previously reported, IGLI S.p.A. in turn holds 120,576,293 Impregilo S.p.A. ordinary shares – 29.96% of the share capital with voting rights.

The acquisition price of each IGLI S.p.A. share subject to the agreement was established at Euro 10.89572, based on the forecast balance sheet of IGLI S.p.A. at December 31, 2011, with each ordinary share of Impregilo S.p.A. attributed a value of Euro 3.65.

Argo Finanziaria S.p.A. then designated its subsidiary Autostrada Torino Milano S.p.A. to acquire the IGLI S.p.A. shares held by Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l. .

On March 8, 2012, the sale was completed with simultaneous payment of the price of Euro 43,800,794.40 for each seller.

Immobiliare Fondiaria-SAI S.r.l. and Immobiliare Milano Assicurazioni S.r.l. have committed, on their own behalf and on behalf of their affiliates, to abstain from acquiring directly or indirectly, shares, rights and equity instruments of Impregilo S.p.A., financial instruments or debt securities convertible into shares or equity instruments of Impregilo S.p.A., in addition to any option rights concerning the subscription and/or the acquisition of any of the above-stated instruments for a period of 12 months from the execution of the operation.

PART F - Transactions with related parties

Disclosure in the interim financial statements on “Related Parties” is governed by IAS 24 and by Consob Communications.

The principal equity, financial and economic transactions of the Parent Company with its subsidiaries (whether within the application of article 2497 of the Civil Code or otherwise) are reported in the Directors’ Report to the separate financial statements.

The operations between the Parent Company and its subsidiaries were eliminated in the interim financial statements and are not shown in these notes.

On December 23, 2011, the Board of Directors of Fondiaria-SAI approved the updating of the previous version of the document “Conduct principles for carrying out significant transactions and those with related parties”, in compliance with that established by CONSOB through resolution No. 17221 of March 12, 2010 (“CONSOB Regulation”). In approving the resolution, the Board of Directors took account of the unanimous approval by the specifically appointed committee comprising exclusively independent directors. The new procedures were published on the internet site of the Company on December 23, 2011 and applied from January 1, 2012. For 2011 and the previous years, the existing provisions remain valid. In compliance with that stated above, the Board also approved the updated text of the guidelines for transactions with related parties in accordance with ISVAP Regulation No. 25 of May 27, 2010, in relation to which reference is made to the above stated document concerning the procedural aspects of the transactions with related parties.

The tables below report the balance sheet, income statement and financial data concerning transactions with related parties in the first quarter of 2012 or relating to the real estate activities commenced in previous years and not yet completed, deriving from operations.

The operations between Group and other related parties are detailed in the following tables:

Account balance

(in Euro thousands) COUNTERPARTY	31/03/2012		31/12/2011	
	Assets	Liabilities	Assets	Liabilities
Holding company	329	625	181	1,770
Associated companies	108,141	837	106,131	837
Group companies	7	8	7	8
Other related parties	476,653	18,961	460,221	18,572
TOTAL	585,130	20,431	566,540	21,187

(in Euro thousands) NATURE	31/03/2012		31/12/2011	
	Assets	Liabilities	Assets	Liabilities
Real estate activities	270,297	3,462	272,123	7,827
Insurance activities	419	8,129	199	3,988
Financial activities	313,213	7,259	293,198	5,349
Service provided	1,195	-	949	-
Services received	6	1,016	63	2,319
Emoluments for corporate officers	-	565	8	1,704
Remuneration to key management personnel	-	-	-	-
TOTAL	585,130	20,431	566,540	21,187

(in Euro thousands) COUNTERPARTY	31/03/2012		31/03/2011	
	Income	Charges	Income	Charges
Holding company	88	118	57	589
Associated companies	308	-	10,415	9,288
Group companies	-	-	-	-
Other related parties	16,294	31,530	16,141	22,421
TOTAL	16,690	31,648	26,613	32,298

(in Euro thousands) NATURE	31/03/2012		31/03/2011	
	Income	Charges	Income	Charges
Real estate activities	336	361	13,198	12,467
Insurance activities	15,750	24,302	13,246	9,940
Financial activities	485	578	93	493
Service provided	74	-	76	1
Services received	45	1,775	-	4,020
Emoluments for corporate officers	-	1,791	-	4,271
Remuneration to key management personnel	-	2,841	-	1,106
TOTAL	16,690	31,648	26,613	32,298

Financial cash flows

(in Euro thousands) COUNTERPARTY	31/03/2012		31/03/2011	
	Cash inflow	Cash outflow	Cash inflow	Cash outflow
Holding company	76	32	69	720
Associated companies	96	14,180	7,556	11,452
Group companies	-	-	-	-
Other related parties	16,123	45,310	13,874	50,341
TOTAL	16,295	59,522	21,499	62,513

(in Euro thousands) NATURE	31/03/2012		31/03/2011	
	Cash inflow	Cash outflow	Cash inflow	Cash outflow
Real estate activities	280	9,645	7,774	38,213
Insurance activities	15,753	26,972	13,246	10,014
Financial activities	136	15,262	269	4,379
Service provided	126	5	130	-
Services received	-	2,727	80	4,401
Emoluments for corporate officers	-	2,070	-	4,401
Remuneration to key management personnel	-	2,841	-	1,105

TOTAL	16,295	59,522	21,499	62,513
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All of the above operations were concluded at normal market conditions. The receivables recorded under assets are not guaranteed and will be paid in cash. No provision was made in the quarter for any losses on receivables from related entities.

REAL ESTATE ACTIVITIES

The income statement and balance sheet effects of a real estate nature are reported in the table below.

(in Euro thousands) COUNTERPARTY	31/03/2012					
	Assets	Liabilities	Income	Charges	Cash inflow	Cash outflow
Holding company	114	-	42	-	-	-
Associated companies	3,018	147	22	-	28	-
Group companies	-	-	-	-	-	-
Other related parties	267,166	3,315	273	361	252	9,645
TOTAL	267,532	3,462	337	361	280	9,645

The amount recorded under **assets** principally include:

Transactions with **Other Related Parties**:

- Euro 92.4 million refers to amounts recorded under inventory of the real estate project relating to the Loano Tourist Port. The amount capitalised by Immobiliare Fondiaria-SAI S.r.l. through the subsidiary Marina di Loano S.p.A. is Euro 92.4 million and refers to amounts for the current year and previous years to the company Marcora Costruzioni S.p.A. In addition the amount recorded under inventory includes Euro 9.6 million incurred by the company Sepi 97 S.r.l. for design work, as well as Euro 2.6 million from I.C.E.IN. S.p.A. and Euro 1 million from IM.CO. S.p.A. for construction work;
- Euro 72.6 million payments on account in previous years to Avvenimenti e Sviluppo Alberghiero S.r.l. by Milano Assicurazioni S.p.A., in relation to construction contracts on the building at Via Fiorentini, Rome. The amount recognised for this operation to the account *Investment Property* at March 31, 2012 is unchanged on December 31, 2011, in that no further payments were made in the quarter. We recall that this operation, undertaken in 2003, included the sale to “Avvenimenti e Sviluppo Alberghiero S.r.l.” of a site and the purchase of the completed real estate complex to be constructed on the land in question at a price of Euro 110 million, including the supplementary contract signed in 2009. The residual commitment at March 31, 2011 amounts to Euro 8.3 million;
- Euro 60.6 million due from IM.CO.S.p.A. to Milano Assicurazioni S.p.A. for payments on account in the first quarter of 2012 of Euro 3.6 million and in previous years of Euro 57 million in relation to the real estate operations concerning the land at Milan, Via Confalonieri-Via de Castilia (Lunetta dell’Isola). The project included the sale in 2005 to IM.CO. S.p.A. of land and the purchase of a building for office use to be constructed on the land for a price of Euro 99.1 million in accordance with the supplement to the contract signed in 2011. The residual commitment amounts to approx. Euro 26.2 million;

-
- Euro 11.6 million relating to payments on account made by Immobiliare Fondiaria-SAI S.r.l. to IM.CO. S.p.A. for the future construction of the hotel complex with wellness centre which is currently in progress in the municipality of S. Pancrazio Parmense (Parma). The company appointed an independent expert to value the initiative at 31/12/2011. Against this valuation, the Company wrote down the asset for approx. Euro 11.7 million;
 - Euro 7.2 million payment on account, in previous years, by the subsidiary Nuove Iniziative Toscane S.r.l. to the company Europrogetti S.r.l. for design work in the Castello Area (FI). The residual commitment amounts to Euro 28.8 million;
 - Euro 5.8 million refers to amounts recorded under inventory of dismantlement and reconstruction work of the area owned by the subsidiary Meridiano Secondo S.r.l. in the current and previous years from the related company IC.E.IN. S.p.A., and Euro 2.2 million for design work incurred by MI.PR.AV. S.r.l..

In relation to the above-mentioned real estate project Milano Assicurazioni will only become owner of the buildings once the work is completed and approved.

These types of contracts expose the companies of the Group, where the selling counterparties (IM.CO. and Avvenimenti e Sviluppo Alberghiero, subsidiaries of Sinergia Holding di Partecipazioni S.p.A.) are unable to comply with their obligations, to the risk of losing their right to the delivery of the assets subject to these contracts, remaining debtor of the sums paid on account, as these real estate projects under development do not have guarantees.

Finally, we report that the above-mentioned related parties have recently requested for the payment of further sums against changes to the original plans. It is considered that these requests, for which the necessary examinations are taking place, are not founded and for the moment are therefore rejected.

Therefore following the Bankruptcy Proceedings instituted by the Court against the company Im.Co. and Sinergia (hereafter “the Holdings”) on May 2, 2012, the case was heard at the 2nd section court of the Bankruptcy Court of Milan. The hearing was postponed to June 13 of this year, the date by which the Holdings must present a Restructuring Plan as per Article 182 *bis* of the bankruptcy law for ratification by the Court. In order to achieve ratification it is essential that the Restructuring Plan is approved by the creditors of the Holdings and that financial equilibrium is proven.

In order to secure the receivables of the Group, establish relations with the Holdings and contribute to the creation of a plan ensuring the financial equilibrium of the Holdings, the Fondiaria SAI Group, once the requirements have been fulfilled, will undertake a settlement agreement with the Holdings. The settlement, which will be subject to the ratification of the Restructuring Plan as per Article 182 *bis* by the Court, must be signed by the parties in sufficient time for its presentation at the hearing of June 13, 2012. In relation to this, the estimated charges of the settlement have already been provisioned in the Group risks provisions.

The amount recorded to assets, although relating to initiatives begun in previous years, will be eliminated only on the completion of the project.

The property improvement costs already existing and in operation are recorded only in the period in which they are incurred.

The amount recorded to **liabilities** includes principally transactions with **Other Related Parties**:

- trade payables of the subsidiary Marina di Loano S.r.l. with Marcora Costruzioni S.p.A. for Euro 1.2 million in relation to construction work at the Loano tourist port;
- trade payables of Immobiliare Lombarda S.p.A. to SO.GE.PI S.r.l. of Euro 1 million against invoices to be received.

The payments to **Other Related Parties** refer to:

- Euro 7 million payments of Milano Assicurazioni S.p.A. to IM.CO. S.p.A. in relation to the real estate project relating to the land located at Via Confalonieri - Via de Castilia Milan (Lunetta dell'Isola) and for work on the building at Via Lancetti in Milan;
- Euro 1.7 million for the payment of invoices by Tikal Re Fund to I.C.E.IN. S.p.A..

INSURANCE ACTIVITIES

The income statement and balance sheet effects of an insurance nature are reported in the table below.

(in Euro thousands)	31/03/2012					
COUNTERPARTY	Assets	Liabilities	Income	Charges	Cash inflow	Cash outflow
Holding company	-	-	-	-	-	-
Associated companies	-	4	19	-	19	-
Group companies	-	-	-	-	-	-
Other related parties	419	8,125	15,731	24,302	15,734	26,972
TOTAL	419	8,129	15,750	24,302	15,753	26,972

From 2010, the transactions with the Group Pension Fund are considered as related party transactions. **Insurance income from other related parties** includes, in addition to Non-Life and Life premiums for Euro 2.9 million, also the premiums which the Fondiaria SAI Group Employee Pension Fund and the Fondiaria-SAI Executive Pension Fund paid respectively to Fondiaria-SAI for Euro 8.6 million and Milano Assicurazioni S.p.A. for Euro 4.2 million. These payments are for the investment in Life policies of the contributions from the policyholders.

Insurance charges from Other Related Parties refer to:

- payment of contributions on behalf of Group companies, in favour of the Fondiaria-SAI Group Employee and Executive Pension Funds for Euro 7 million. These payments were made in accordance with contractual agreements in force;
- settlement of claims, against redemption or maturity of Life policies for Euro 11 million;
- Commissions paid to insurance brokers for Euro 6 million.

Insurance income from other related parties includes, in addition to Non-Life and Life premiums for Euro 2.9 million, also the premiums which the Fondiaria SAI Group Employee Pension Fund and the Fondiaria-SAI Executive Pension Fund paid respectively to Fondiaria-SAI for Euro 8.6 million and Milano Assicurazioni S.p.A. for Euro 4.2 million. These payments are for the investment in Life policies of the contributions from the policyholders.

Insurance cash outflow to Other Related Parties refer to:

- payment of contributions on behalf of Group companies, in favour of the Fondiaria-SAI Group Employee and Executive Pension Funds for Euro 7 million. These payments were made in accordance with contractual agreements in force;
- settlement of claims, against redemption or maturity of Life policies for Euro 11 million;
- Commissions paid to insurance brokers for Euro 8.4 million.

The amount recorded to **liabilities** essentially includes the insurance transactions with **Other Related Parties** for Euro 7.6 million concerning commission payables to insurance intermediaries.

FINANCIAL ACTIVITIES

The income statement and balance sheet effects of a financial nature are reported in the table below.

(in Euro thousands)	31/03/2012					
COUNTERPARTY	Assets	Liabilities	Income	Charges	Cash inflow	Cash outflow
Holding company	-	349	-	84	-	-
Associated companies	104,570	685	267	-	49	14,180
Group companies	-	8	-	-	-	-
Other related parties	208,707	6,217	217	494	88	1,082
TOTAL	313,277	7,259	484	578	137	15,262

The amount recorded under **assets** principally include:

Transactions with **Associated Companies** refer to:

- Euro 65.5 million from the associated company Garibaldi S.c.s and Euro 14.8 million from the associated company HEDF Isola S.c.s., against investment holdings made by Milano Assicurazioni S.p.A.;
- in relation to loans receivable, we report the amounts due to Immobiliare Milano from respectively Borsetto S.r.l. (Euro 7.8 million), Sviluppo Centro Est S.r.l. (Euro 8.2 million), Metropolis S.p.A (Euro 4.1 million) and Penta Domus S.r.l. (Euro 1.2 million);
- Euro 2.6 million refers to the loans of Immobiliare Fondiaria-SAI due from the associated company Progetto Alfiere S.p.A..

Transactions resulting in **assets of a financial nature with Other Related Parties** refer to:

- Euro 145.7 million to the signing of the bond issued by Unicredit S.p.A. respectively by Milano Assicurazioni S.p.A. for Euro 85.5 million and Fondiaria-SAI S.p.A. for Euro 60.2 million;

- Euro 24.3 million relates to the granting of credit lines by the subsidiary BancaSai. Of these, Euro 11.6 million and Euro 8.8 million are respectively with Sinergia Holding S.p.A. and IM.CO. S.p.A. while the residual Euro 3.8 million relates to loans provided to individuals. There are guarantees against these credit lines of Euro 7.9 million from IM.CO. S.p.A. and Euro 12 million from Sinergia Holding S.p.A.. In relation to Sinergia Holding S.p.A., the guarantee on the opening of the current account credit line and loan bullet of Euro 7 million refers to the share in the Closed Speculative Real Estate Investment Fund “UNO-FONDO SVILUPPO” managed by Zero SGR S.p.A.;
- Euro 15.5 million relates to current accounts of the Parent Company and other companies of the Fondiaria-SAI Group with Unicredit S.p.A.;
- Euro 16 million relates to the receivable respectively of Fondiaria-SAI S.p.A. for 12.5 million and Milano Assicurazioni S.p.A. for Euro 3.5 million with Unicredit S.p.A., in relation to the Margin Call Unicredit Bank which was paid to the counterparty against the market changes in the underlying derivative instruments;
- Euro 6.4 million with Unicredit S.p.A. relates to the capitalisation of the expenses concerning the share capital increase in July 2011, in favour respectively of Milano Assicurazioni S.p.A. for Euro 5.5 million and Fondiaria-SAI S.p.A. for Euro 0.9 million.

The **financial liabilities to Other Related Parties** refer to:

- current account credit line with Unicredit S.p.A. undertaken by the subsidiary Atahotels S.p.A. for Euro 3.8 million;
- bank current accounts with other related parties, both physical and legal persons, with the subsidiary BancaSai, for Euro 2.4 million.

Financial payments to Associated Companies refer to:

- Euro 13.2 million from the associated company Garibaldi S.c.a and Euro 0.7 million from the associated company HEDF Isola S.c.s., against investment holdings made by Milano Assicurazioni S.p.A.;

SERVICES PROVIDED

(in Euro thousands)		31/03/2012				
COUNTERPARTY	Assets	Liabilities	Income	Charges	Cash inflow	Cash outflow
Holding company	214	-	46	-	76	-
Associated companies	553	-	-	-	-	-
Group companies	7	-	-	-	-	-
Other related parties	421	-	28	-	50	5
TOTAL	1,195	-	74	-	126	5

These include principally receivables for invoices to be received and diversified sector ordinary revenues.

SERVICES RECEIVED

(in Euro thousands)	31/03/2012					
COUNTERPARTY	Assets	Liabilities	Income	Charges	Cash inflow	Cash outflow
Holding company	-	277	-	34	-	32
Associated companies	-	-	-	-	-	-
Group companies	-	-	-	-	-	-
Other related parties	103	739	45	1,779	-	2,826
TOTAL	-	1,016	45	1,813	-	2,858

The **liabilities for services received from Other Related Parties** amount to Euro 0.7 million against invoices to be received.

In relation to the **services received from Other Related Parties** we report:

- A total of Euro 1.8 million (of which principally Euro 0.5 million to the company Parametrica Consulting for technical consulting, Euro 0.3 million to Mr. Rapisarda Fausto for legal consultancy, Euro 0.24 to SO.GE.PI S.r.l. for technical-real estate consultancy and Euro 0.16 million to Studio Gismondi & Associati for legal consultancy).

Finally charges include emoluments for members of the Group Company boards for Euro 1.8 million and salaries to senior managers with strategic responsibility for Euro 2.8 million.

The **residual payments to Other Related Parties** refer to the fees to Directors for offices covered in companies of the Group for Euro 2 million and to salaries of senior management for Euro 2.8 million.

Assets referring to transactions with related parties at 31/03/2012 (including associated companies) account for approx. 1.4% of the total reported in the consolidated financial statements with liabilities accounting for 0.05% excluding the items relating to shareholders' equity.

The Cash Flows absorb 16.8% of net liquidity deriving from operating activities as reported in the Consolidated Cash Flow Statement at 31/03/2012.

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. are related parties in that some directors have declared interests and investments in Sinergia Holding di Partecipazioni S.p.A, which controls them. 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. and Gilli Communication S.r.l. are related parties of the Issuer, as Jonella Ligresti, Giulia Maria Ligresti and Gioacchino Paolo Ligresti declared interests and holdings in Sinergia Holding di Partecipazioni S.p.A., which control either directly or indirectly these companies. In relation to that stated above, Sinergia Holding di Partecipazioni is controlled by Starlife S.A. ("Starlife"), a company with registered office in Luxembourg, whose share capital, based on the information made publicly available, is held as follows: 25% by Giulia Maria Ligresti; 25% by Jonella Ligresti; 25% by Gioacchino Paolo Ligresti; 25% by Salvatore Ligresti; no single party controls Starlife in accordance with Article 93 of the CFA.

In relation to the operations with related parties, there were no significant positions or transactions deriving from atypical and/or unusual transactions.

PART G - Other information

DIVIDENDS

Following the decisions of the Shareholders' Meeting of April 24, 2012, no dividends were distributed.

EARNINGS PER SHARE

The earnings/(loss) per share are calculated by dividing the Group net result attributable to the ordinary shareholders of the Parent Company by the average weighted number of ordinary shares outstanding during the year. It is reported that the weighted average shares outstanding is reduced by the weighted average treasury shares held by the Fondiaria-SAI Group.

In accordance with IAS 33, information is shown below for the calculation of the basic and diluted earnings (loss) per share:

	Q1 2012	Q1 2011
Group result (Euro thousands)	73,546	(24,863)
Theoretical part of result attributable to savings shareholders (Euro thousands)	(8,299)	(2,766)
Profit/(loss) attributed to the ordinary shareholders of the parent company (Euro thousands)	65,247	(27,629)
Weighted average number of ordinary shares to calculate the basis earnings/(loss) per share	352,664,913	110,099,933
Earnings/(loss) per share	0.19	(0.25)
<i>Effect of the dilution:</i>		
Adjusted weighted average number of ordinary shares to calculate the diluted earnings per share	352,664,913	110,099,933
Diluted earnings/(loss) per share	0.19	(0.25)

It should also be noted that the net profit/(loss) attributable to the ordinary shares of the Parent Company was adjusted deducting the theoretical result of the saving shareholders from the Group consolidated result.

EXCHANGE RATES

The exchange rates of the principal currencies utilised for the conversion of the balance sheet accounts are as follows:

	31/03/2012	31/12/2012	31/03/2011
US Dollar	1.3356	1.2939	1.4207
UK Sterling	0.8339	0.8353	0.8837
Japanese Yen	109.56	100.2	117.61
Swiss Franc	1.2045	1.2156	1.3005
Serbian Dinar	111.554	106.177	103.664

SUBSEQUENT EVENTS AFTER THE END OF THE QUARTER

No significant events took place after the end of the quarter such as to require an adjustment to the values recorded in the present Report.

SELECTED EXPLANATORY NOTES

With reference to paragraph 16 of IAS 34, it is noted that:

- the insurance sector is not, per se, a seasonal type of activity. At the current moment, there are therefore no indicators that would highlight cyclical elements in the preparation of the accounts;
- There are no unusual matters in the period considered that would significantly impact on the income statement, balance sheet or cash flow statements;
- There are no changes in the estimates made in the period or previous periods that would result in a significant effect on the result for the period.

With reference to the provisions of IAS 37, it is reported that the Group is not aware of any significant potential assets or liabilities of a significant size acquired since 31/12/2011 for which it is necessary to provide specific information.

Milan, 10/05/12

For the Board of Directors

Mr. Emanuele ERBETTA

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

The undersigned Massimo Dalfelli, as Executive Responsible for the preparation of the corporate financial documents of Fondiaria-SAI S.p.A.

affirms

pursuant to the provisions of Article 154 *bis* of the “Finance Act for financial intermediaries” that the Interim Report at March 31, 2012 corresponds to the underlying accounting documents, records and accounting entries.

Milan, 10/05/12

*The Executive Responsible
for the preparation of the corporate accounting
documents*

Mr. Massimo DALFELLI