PRESS RELEASE

FONDIARIA SAI GROUP: Q1 2011 CONSOLIDATED RESULTS APPROVED

- **SIGNIFICANT IMPROVEMENT IN THE COMBINED RATIO**
- **SUBSTANTIAL RECOVERY IN CONSOLIDATED RESULT**
- **ADJUSTED SOLVENCY MARGIN OF 100.9%**
- **COMPREHENSIVE INCOME STATEMENT RETURNS TO PROFIT**

Consolidated result: loss of Euro 24.9 million (loss of Euro 104.4 million in Q1 2010)
Comprehensive Income Statement: profit of Euro 91.4 million (loss of Euro 116.9 million)

Euro millions	Q1 2011	Q1 2010	
Total premiums written	2,989.0	3,495.6	-14.5%
CoR	100.9%	106.9%	
Operating CoR	94.9%	100.3%	

FONDIARIA SAI GROUP: BOARD EXERCISES RIGHT TO INCREASE SHARE CAPITAL BY EURO 450,000,000

Milan, May 14, 2011 - In a meeting chaired by Jonella Ligresti, the Fondiaria-SAI S.p.A. Board of Directors approved the consolidated results for the first quarter of 2011.

Total premiums written amounted to Euro 2,989.0 million (Euro 3,495.6 million in Q1 2010), a decrease of 14.5% on the same period of the previous year. The reduction in overall premiums essentially relates to the Popolare Vita Group (Euro 812.8 million, -34.4%), which was affected by the timing of the commercial initiatives agreed with the banking partners. The life market in general experienced a contraction in premiums.

In the **Non-Life** Division, premiums written amounted to Euro 1,741.5 million compared to Euro 1,767.0 million in Q1 2010 (-1.4%).
In the **Motor Classes**, despite the difficult economic conditions and considering also the close monitoring of the portfolio, slight growth was achieved (+0.2%) to Euro 1,172.1 million.

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The increase in **Motor TPL** premiums is highlighted in this context (+1.0%, Euro 1,001 million): the actions undertaken in the previous year to protect portfolio profitability resulted in an increase in the average premium of approx. 7.5% - in line with budget objectives.

The policy to reduce the number of multi-risk contracts in portfolio, in addition to the closure of agencies with particularly poor performances, resulted in an improvement in the technical result in the period. The current generation contracts, continuing the trend established at the end of the previous year, reported a decisive and significant turnaround in profitability.

As a result, the **claims reported** in the Motor TPL class saw a significant drop of 14.2%.

The **Land Vehicle Class** reports a positive balance, in line with that recorded at March 31, 2010; premiums decreased as a result of the difficult market conditions (-4%), however a reduction in claims of over 10% was reported - confirming the commercial initiatives undertaken at the end of 2010 concerning the adoption of compensation in specific forms which has resulted in a reduction in payments on claims.

In the **Other Non-Life Classes** a comparison with Q1 2010 reveals a decrease in overall premiums of 4.6% due to the discontinuation actions focused on less balanced portfolios and the continued prudent underwriting policy within the Corporate sector. The technical performances report substantial breakeven - based on losses in the Health and General TPL classes offset by satisfying results in the other classes.

Overall, the technical performance of the Non-Life sector reported a **Combined Ratio** of 100.9%, an improvement on 106.9% in Q1 2010. The **Operating Combined Ratio**, which excludes the other technical charges, was 94.9% (100.3% in the first quarter of 2010).

The **Non-Life sector** reports a pre-tax loss of Euro 24.8 million (loss of Euro 118.0 million in Q1 2010), affected by the reduction in value of AFS financial instruments recorded through profit and loss for Euro 19.2 million (Euro 13.4 million in Q1 2010).

Life Division premiums amounted to Euro 1,247.5 million compared to Euro 1,728.6 million (-27.8%), owing to the previously stated market situation.
New premiums written in terms of **APE** totalled Euro 114.1 million (Euro 152.3 million in the first quarter of 2010).

The sector reports a pre-tax profit of Euro 9.7 million (Euro 27.1 million in Q1 2010), impacted for Euro 5.1 million (Euro 13.9 million in Q1 2010) by the reduction in value of AFS financial instruments recorded through profit and loss, in addition to the temporary increase for Euro 38 million in deferred liabilities to policyholders, undertaken based on separated management income objectives. This non-recurring effect will be rebalanced during the year.

Excluding the contribution of the financial instruments recorded at fair value through profit or loss, the total net income from investments amounted to Euro 168 million (Euro 200 million in Q1 2010). This amount consists of Euro 192 million of interest income (Euro 172 million in Q1 2010), Euro 20 million of net income (Euro 22 million in Q1 2010) and net profits to be realised on real estate and securities of Euro 14 million (Euro 69 million in Q1 2010). Net valuation gains and losses reported a loss of approx. Euro 42 million including impairments (Euro 43 million in Q1 2010). Interest expense amounting to approx. Euro 16 million (Euro 20 million in the first quarter of 2010) refers almost entirely to financial debt.
The total impairment on AFS financial instruments was Euro 24.3 million (Euro 27.3 million in Q1 2010).

The **real estate sector** recorded a pre-tax profit of Euro 4.5 million (loss of Euro 10.5 million in Q1 2010). The sector performance benefited from the realisation of some inter-group gains previously reversed. Excluding this effect, the pre-tax result would have reported a loss of Euro 4 million.

The **Other Activities sector** reports a net loss of Euro 13.0 million (loss of Euro 10.3 million in Q1 2010), principally stemming from the Atahotels result, whose revenues in the period - affected by the seasonal nature of the business - did not sufficiently offset overhead costs.

Management expenses amounted to Euro 471 million (Euro 460 million in Q1 2010): the increase is principally due to the greater impact compared to the previous year of long-term contract acquisition costs.

The Group reports a **consolidated loss** of approx. Euro 25 million, improving significantly on the loss in Q1 2010 of Euro 104 million. This result was significantly impacted by AFS financial instrument impairments of Euro 24.3 million, of which Euro 19.6 million relating to shares of the parent company Premafin Finanziaria.
Associated company write-downs of Euro 0.9 million are also considered.

The **comprehensive income statement**, including also the profits and losses recorded to net equity, benefitted from the increase of the AFS financial instrument valuation reserve and consequently recorded a profit of Euro 91.4 million compared to a loss of Euro 116.9 million in Q1 2010.

The **Consolidated Solvency Margin** improved to 100.9% from 97.4% at the end of December 2010. In relation to the calculation, for the securities in portfolio at December 31, 2010, the option permitted by Isvap Regulation No.37 of March 15, 2011 in relation to the verification of the adjusted solvency margin was utilised.

Significant uncertainties continue to pervade the general economic situation: widespread currency market tensions and worries regarding the public deficits of some countries in the Eurozone – with a destabilising effect on the financial markets - now accompany previous concerns regarding the weakness of internal demand and unemployment levels.

In the coming months, we will implement the new Group strategy, recently communicated to the financial community.
In particular, with reference to the Non-Life sector:

- in the Motor classes we will strengthen the initiatives taken to increase the average policy premium and reduce the tariff flexibility. We will continue the actions with poorly performing agencies and the organisational structure will be strengthened to cope with the high incidence of fraud;
- in the Other Non-Life classes particular attention will be focused on market positioning, with development policies focused on the geographic areas which report satisfying technical performances.

The tariff policy will comply with correct technical parameters in order to guarantee tariff equilibrium. This will allow us to serve the needs of the client better, and at the same time be more in tune with the spending capacity of clients who have been significantly impacted by the recent economic crisis. The underwriting policy will focus on the retail client and on the Small-Medium size business sector, while the risk exposure to the Corporate and Public Body sectors will be reduced, which have historically returned negative technical performances.

In the Life Division, the portfolio will be improved through focusing on products which fulfil the pension objectives of clients and at the same time returning additional income for the Group.
The products which at least potentially fulfil these goals are those categorised in Class I.
Particular focus will be placed on the level of service and the assistance of clients in choosing products which best fit their insurance and pension needs.

Investment management will focus more on the containment of volatility with consequent benefits and greater stability in the separated management returns.

In the real estate sector, the focus will centre on improving ordinary income from real estate, while also remaining alert to opportunities that may arise.
In particular, benefits are expected during the year from the Put option on the CityLife investment.

Finally, particular attention will be placed on the containment of operating costs through a more stringent resource allocation plan, the elimination of non essential services and the containment of personnel costs through the further restructuring of activities.

In relation to the diversified sector, which is affected by pervasive inefficiencies, an extensive evaluation of possible actions to speedily restructure operating processes and results is in progress.

Cautious optimism is expressed with regard to reaching the 2011 budget objectives on the basis of the first quarter result, although we are cognisant of the limited time period involved and also must consider unforeseeable events such as continued volatility on the financial markets.

The Board of Directors of Fondiaria-SAI, based on the power granted by the Extraordinary Shareholders' Meeting of the Company of January 26, 2011, approved a paid-in divisible share capital increase for a total maximum amount of Euro 450,000,000, including any share premium, through the issue of ordinary and saving shares, all with a nominal value of Euro 1.00 each and with the same rights as those in circulation at the date of issue, to be offered as options respectively to ordinary and saving shareholders of the Company from the initial subscription date, in proportion to the number of ordinary and/or savings shares held.

The Board of Directors will also establish at a subsequent meeting to be held shortly before the beginning of the rights offer and in accordance with Article 2443 of the Civil Code:

- the share issue price based on the theoretical ex-rights price (TERP) of the share and calculated according to current accepted methodologies, discounted by the Board of Directors according to the market conditions at the time of the launch of the operation, on the performance of the share in the period preceding the launch, as well as based on market practices for similar operations and the general performance of the Company;
- the exact number of ordinary and savings shares to be issued and the relative number of options.

The by-law amendment resulting from the above-stated resolution is subject to authorisation by ISVAP, in accordance with applicable regulations.

In passing the resolution, the Board considered the approval of the agreement signed on March 22, 2011 between Premafin Finanziaria S.p.A. and Unicredit S.p.A. and therefore the confirmation from Consob of the inexistence of any Public Purchase Offer obligations on Fondiaria-SAI disallowing the agreement and also the attainment of the necessary waivers in accordance with the loan contract signed by Premafin with Unicredit and the other financing banks on December 22, 2004 which will permit Premafin to utilise funds from the sale of Fondiaria-SAI rights sold by Unicredit as per the above-stated agreement.

The conditions, among others, are subject also to the pre-underwriting agreement signed by the Company with Credit Suisse (Europe) Limited and Unicredit Bank A.G. as the Joint Global Coordinator and Joint Bookrunner, concerning the full subscription of any unsubscribed shares from the share capital increase and the commitment of Premafin and Unicredit S.p.A. to subscribe to the increase for a maximum amount of Euro 150,000,000 which currently represents the irrevocable commitment of Premafin and Unicredit S.p.A..

Subject to authorisation from Consob to publish the share capital increase prospectus it is expected that the capital increase will take place by the end of July 2011.

On Monday May 16 at the time of 14:30 CET, a conference call will be held with the financial community in which the Chief Executive Officer, Emanuele Erbetta, will illustrate the Group results.
The details will be available on the internet site www.fondiaria-sai.it on the home page.

The Executive Responsible for the preparation of the corporate accounting documents, Pier Giorgio Bedogni, declares in accordance with Article 154 *bis*, paragraph 2, of the Consolidated Finance Act, that the accounting information contained in the present press release corresponds to the underlying accounting documents, records and accounting entries.

Definitions and Glossary

Combined Ratio = the Loss Ratio and total expenses (general and acquisition charges and other net technical charges) on premiums.

Combined Operating Ratio = the Loss Ratio and general and acquisition charges (Expense Ratio) on premiums.

Annual Premium Equivalent (APE) = Total of new business annual premiums and one-tenth of single premiums.

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BALANCE SHEET - ASSETS

(in Euro thousands)

		31/03/2011	31/12/2010
1	**INTANGIBLE ASSETS**	**1.584.947**	**1.587.734**
1.1	Goodwill	1.470.899	1.468.570
1.2	Other intangible assets	114.048	119.164
2	**PROPERTY, PLANT & EQUIPMENT**	**597.866**	**594.334**
2.1	Buildings	506.606	500.691
2.2	Other tangible assets	91.260	93.643
3	**TECHNICAL RESERVES – REINSURANCE AMOUNT**	**808.095**	**823.184**
4	**INVESTMENTS**	**36.704.651**	**36.013.873**
4.1	Investment property	2.882.152	2.894.209
4.2	Investments in subsidiaries, associates and joint ventures	194.054	325.369
4.3	Investments held to maturity	601.219	592.138
4.4	Loans and receivables	3.629.424	3.159.211
4.5	AFS financial assets	20.259.147	20.302.882
4.6	Financial assets at fair value through the profit or loss account	9.138.655	8.740.064
5	**OTHER RECEIVABLES**	**1.751.206**	**2.314.375**
5.1	Receivables from direct insurance operations	1.337.871	1.747.611
5.2	Receivables from reinsurance operations	97.537	101.773
5.3	Other receivables	315.798	464.991
6	**OTHER ASSETS**	**1.174.223**	**996.064**
6.1	Non-current assets or of a discontinued group held for sale	79.340	3.452
6.2	Deferred acquisition costs	78.200	87.603
6.3	Deferred tax assets	352.762	361.195
6.4	Current tax assets	387.278	387.573
6.5	Other assets	276.643	156.241
7	**CASH AND CASH EQUIVALENTS**	**486.407**	**625.940**
	TOTAL ASSETS	**43.107.395**	**42.955.504**

BALANCE SHEET – SHAREHOLDERS' EQUITY & LIABILITIES

(in Euro thousands)

		31/03/2011	31/12/2010
1	**SHAREHOLDERS' EQUITY**	**2.702.481**	**2.550.105**
1.1	**Group**	**1.965.649**	**1.882.127**
1.1.1	Share Capital	167.044	167.044
1.1.2	Other equity instruments	0	0
1.1.3	Capital reserves	209.947	209.947
1.1.4	Retained earnings and other reserves	1.911.150	2.620.792
1.1.5	(Treasury shares)	-321.933	-321.933
1.1.6	Translation reserve	-52.028	-56.598
1.1.7	Profit or loss on AFS financial assets	45.612	-34.759
1.1.8	Other gains and losses recorded directly in equity	30.720	15.216
1.1.9	Group net loss	-24.863	-717.582
1.2	**minority interest**	**736.832**	**667.978**
1.2.1	Minority capital and reserves	743.870	902.126
1.2.2	Gains and losses recorded directly in equity	-6.975	-22.869
1.2.3	Minority interest loss	-63	-211.279
2	**PROVISIONS**	**353.720**	**340.637**
3	**TECHNICAL RESERVES**	**35.080.645**	**34.827.972**
4	**FINANCIAL LIABILITIES**	**3.670.926**	**3.850.106**
4.1	Financial liabilities at fair value through profit or loss account	1.594.452	1.646.935
4.2	Other financial liabilities	2.076.474	2.203.171
5	**PAYABLES**	**733.041**	**836.934**
5.1	Payables from direct insurance operations	114.310	91.887
5.2	Payables from reinsurance operations	85.325	106.862
5.3	Other payables	533.406	638.185
6	**OTHER LIABILITIES**	**566.582**	**549.750**
6.1	Liabilities in a discontinued group held for sale	0	0
6.2	Deferred tax liabilities	127.390	132.060
6.3	Current tax liabilities	59.322	54.306
6.4	Other liabilities	379.870	363.384
	TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**43.107.395**	**42.955.504**

INCOME STATEMENT

(in Euro thousands)

		Q1 2011	Q1 2010
1.1	Net premiums	3.024.780	3.501.295
1.1.1	*Gross premiums written*	*3.109.359*	*3.589.775*
1.1.2	*Premiums ceded to re-insurers*	*-84.579*	*-88.480*
1.2	Commission income	7.423	14.883
1.3	Income and charges from financial instruments recorded at fair value through profit or loss	-37.379	191.388
1.4	Income from investments in subsidiaries, associates and joint ventures	26	0
1.5	Income from other financial instruments and property investments	295.469	301.682
1.5.1	*Interest income*	*191.896*	*171.939*
1.5.2	*Other income*	*35.276*	*38.537*
1.5.3	*Profits realised*	*68.219*	*90.561*
1.5.4	*Valuation gains*	*78*	*645*
1.6	Other revenues	174.381	97.102
1	**TOTAL REVENUES AND INCOME**	**3.464.700**	**4.106.350**
2.1	Net charges relating to claims	-2.604.195	-3.371.156
2.1.2	*Amounts paid and changes in technical reserves*	*-2.634.373*	*-3.418.606*
2.1.3	*Reinsurers' share*	*30.178*	*47.450*
2.2	Commission expenses	-4.729	-10.806
2.3	Charges from investments in subsidiaries, associates and joint ventures	-934	-1.287
2.4	Charges from other financial instruments and property investments	-127.678	-101.722
2.4.1	*Interest expense*	*-15.984*	*-20.344*
2.4.2	*Other charges*	*-15.644*	*-15.892*
2.4.3	*Losses realised*	*-53.862*	*-21.410*
2.4.4	*Valuation losses*	*-42.188*	*-44.076*
2.5	Management expenses	-470.906	-460.273
2.5.1	*Commissions and other acquisition expenses*	*-356.023*	*-351.945*
2.5.2	*Investment management charges*	*-3.504*	*-2.529*
2.5.3	*Other administration expenses*	*-111.379*	*-105.799*
2.6	Other costs	-279.940	-272.700
2	**TOTAL COSTS AND CHARGES**	**-3.488.382**	**-4.217.944**
	LOSS BEFORE TAXES	**-23.682**	**-111.594**
3	Income tax	**-1.244**	**10.300**
	NET LOSS FOR THE PERIOD	**-24.926**	**-101.294**
4	**PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS**	**0**	**-3.069**
	CONSOLIDATED LOSS	**-24.926**	**-104.363**
	group share	-24.863	-92.281
	minority share	-63	-12.082

EARNINGS/(LOSS) PER SHARE (in Euro)	-0,25	-0,86
DILUTED EARNINGS/(LOSS) PER SHARE (in Euro)	-0,25	-0,86

Segment Income Statement

(in Euro thousands)

		Non-Life Insurance Sector		Life Insurance Sector		Real Estate Sector		Other Activities Sector		Inter-segment Eliminations		Total	
		Q1 2011	**Q1 2010**	**Q1 2011**	**Q1 2010**	**Q1 2011**	**Q1 2010**	**Q1 2011**	**Q1 2010**	**Q1 2011**	**Q1 2010**	**Q1 2011**	**Q1 2010**
1.1	Net premiums	1.780.851	1.778.676	1.243.929	1.722.619	0	0	0	0	0	0	3.024.780	3.501.295
1.1.1	*Gross premiums written*	*1.861.817*	*1.861.149*	*1.247.542*	*1.728.626*	*0*	*0*	*0*	*0*	*0*	*0*	3.109.359	3.589.775
1.1.2	*Premiums ceded to re-insurers*	*-80.966*	*-82.473*	*-3.613*	*-6.007*	*0*	*0*	*0*	*0*	*0*	*0*	-84.579	-88.480
1.2	Commission income	0	0	2.744	3.375	0	0	5.922	12.049	-1.243	-541	7.423	14.883
1.3	Income and charges from financial instruments recorded at fair value through profit or loss	-3.588	-804	-33.847	191.245	-126	-643	190	1.590	-8	0	-37.379	191.388
1.4	Income from investments in subsidiaries, associates and joint ventures	*0*	*0*	*0*	*0*	*26*	*0*	*0*	*0*	*0*	*0*	26	0
1.5	Income from other financial instruments and property investments	75.791	94.786	204.215	185.986	10.208	7.954	15.444	17.580	-10.189	-4.624	295.469	301.682
1.6	Other revenues	147.097	77.667	16.215	9.548	29.427	24.632	156.000	140.876	-174.358	-155.621	174.381	97.102
1	**TOTAL REVENUES AND INCOME**	**2.000.151**	**1.950.325**	**1.433.256**	**2.112.773**	**39.535**	**31.943**	**177.556**	**172.095**	**-185.798**	**-160.786**	**3.464.700**	**4.106.350**
2.1	Net charges relating to claims	-1.316.311	-1.415.649	-1.287.884	-1.955.507	0	0	0	0	0	0	-2.604.195	-3.371.156
2.1.2	*Amounts paid and changes in technical reserves*	*-1.341.258*	*-1.457.115*	*-1.293.115*	*-1.961.491*	*0*	*0*	*0*	*0*	*0*	*0*	-2.634.373	-3.418.606
2.1.3	*Reinsurers' share*	*24.947*	*41.466*	*5.231*	*5.984*	*0*	*0*	*0*	*0*	*0*	*0*	30.178	47.450
2.2	Commission expenses	0	0	-2.530	-6.559	0	0	-2.199	-4.247	0	0	-4.729	-10.806
2.3	Charges from investments in subsidiaries, associates and joint ventures	-7	0	0	0	0	-1.230	-927	-57	0	0	-934	-1.287
2.4	Charges from other financial instruments and property investments	-67.995	-49.987	-42.501	-35.511	-15.177	-13.408	-6.629	-7.440	4.624	4.624	-127.678	-101.722
2.5	Management expenses	-381.007	-384.434	-66.399	-56.173	-49	-46	-81.689	-72.061	58.238	52.441	-470.906	-460.273
2.6	Other costs	-259.676	-218.213	-24.274	-31.897	-19.826	-27.732	-99.100	-98.579	122.936	103.721	-279.940	-272.700
2	**TOTAL COSTS AND CHARGES**	**-2.024.996**	**-2.068.283**	**-1.423.588**	**-2.085.647**	**-35.052**	**-42.416**	**-190.544**	**-182.384**	**185.798**	**160.786**	**-3.488.382**	**-4.217.944**
	PROFI/(LOSS) BEFORE TAXES	**-24.845**	**-117.958**	**9.668**	**27.126**	**4.483**	**-10.473**	**-12.988**	**-10.289**	**0**	**0**	**-23.682**	**-111.594**