

PRESS RELEASE

FONDIARIA-SAI S.p.A.: CONSOLIDATED HALF-YEAR REPORT AT JUNE 30, 2011 APPROVED

TOTAL PREMIUMS WRITTEN: EURO 6,216.8 MILLION (-16.1%)
COMBINED RATIO IMPROVES 3.5 POINTS TO 101.9%
NET DEBT DECREASES FROM EURO 1,572.3 MILLION AT DECEMBER 31, 2010 TO EURO 1,376.8 MILLION

Direct premiums written

- Non-Life division: Euro 3,655.0 million (-1.2% on H1 2010)
- Life division: Euro 2,559.9 million (-31.0% on H1 2010)

Technical performance

- Motor TPL reported claims drop 13.1%
- Motor TPL frequency -9.8%
- Life insurance APE Euro 239.4 million (-28.8% on H1 2010)

Group net result: loss of Euro 61.9 million (loss of Euro 144.8 million in H1 2010)

Balance Sheet

- Shareholders' equity of Euro 2,607.2 million (Euro 2,550.1 million at 31/12/2010)
- Solvency I ratio (pre share capital increase) increases to 100.3% from 97.4% at the end of 2010

Milan, August 29, 2011. The Fondiaria-SAI S.p.A. Board of Directors, meeting today, approved the consolidated report at June 30, 2011.

Total premiums written amounted to Euro 6,216.8 million, a decrease of 16.1% on the same period of the previous year.

This amount does not include premiums from investment contracts in the Life Division of approx. Euro 27 million (Euro 24 million in H1 2010).

In the **Non-Life Division** direct premiums written amounted to Euro 3,655.0 million, a slight decrease (-1.2%) on the same period of the previous year.

In the **Motor sector**, premiums in the Motor TPL class grew 1.2% while persistently sluggish demand in addition to more selective underwriting for some risks impacted premium income in Land Vehicle class (-6.2%).

The target of growing average per vehicle Motor TPL premium was achieved through tariff changes, reduced flexibility and tighter controls on group policies. These initiatives - introduced at the end of the previous year - have been fully implemented and have now been reinforced by the reorganisation currently in progress.

In the **Other Non-Life Classes** premiums written contracted 3.8%; this follows the changes in policy terms and cancellation of loss making contracts; in the Corporate risks the existing portfolio has also been reduced after prudent review of renewal terms.

On the claims side there's also evidence of a technical improvement.

In Motor TPL claim trends are encouraging, with a significant decrease in claims reported (-13.1%), following the extensive action taken on portfolios in problematic areas and the stepping up of measures taken to counter fraud. The decrease in claims frequency by 0.78 p.p. (-9.8%) is also encouraging.

The motor sector also saw a significant drop in claims reported in Motor Other Lines (-9.5%).

In other Non-Life lines, claims reported fell by 2.5%.

As a result of the above factors, the Combined Ratio including technical charges amounted to 101.9% (105.4% in H1 2010), which is a promising development.

The Non-Life division recorded a pre-tax loss of Euro 91 million, a significant improvement on a loss of Euro 221 million in H1 2010.

The improvement in current year underwriting, particularly in the Motor sector, was not sufficient to offset the reinforcement of claim reserves on prior years.

The Non Lives pretax result was also affected by impairments on AFS financial instruments of Euro 33.2 million and by a Euro 7.3 million write-down on estate investments.

In the **Life** Division, direct premiums written reached Euro 2,559.9 million (-31.0% year-on-year): the significant contraction in premiums principally relates to the bancassurance channel; although Popolare Vita group premiums fell by 39.3%, the Fondiaria SAI Parent Company premiums fell by only 4.7%, well ahead of the general market trend.

Life new business amounted to Euro 239.4 million (-28.8% year-on-year) under the APE calculation.

The New Business Margin in the first half of 2011 was 14.4%, an improvement on 12.0% for the full year 2010.

The Life Division reported a pretax profit of Euro 74 million (Euro 107 million in H1 2010). Against a significant reduction in premiums there was a positive contribution from ordinary investment income, and a negative impact from impairments on AFS financial instruments of Euro 44 million (Euro 15 million in H1 2010), of which Euro 33.8 million relate to impairments on Greek bonds, gross of the policyholder's share.

Management expenses amounted to Euro 977 million (Euro 979 million in H1 2010).

Total net income from investments, excluding the contribution of financial instruments recorded at fair value through the profit and loss and the net income from investments in subsidiaries, associates and joint ventures, the **total net income from investments** amounted to Euro 334 million (Euro 420 million in H1 2010). This consists of Euro 390 million of interest income, Euro 50 million of other income and charges and net realised gains on real estate and securities of Euro 58 million, and net unrealised gains and losses of Euro -125 million.

Interest expense amounting to Euro 37 million (unchanged on H1 2010) refers almost entirely to financial debt.

The total impairment on AFS financial instruments was Euro 78 million (Euro 76 million in H1 2010). At June 30, 2011, total Group investments amounted to Euro 36,525 million, an increase of 1.4% on 31/12/2010.

The **Real Estate sector** recorded a pre-tax profit of Euro 8 million (loss of Euro 16 million in H1 2010) due to the absence of significant sales in the period, property impairments of Euro 5 million and the positive effect from the recognition to the income statement of some intra-group gains previously reversed.

Other Activities recorded a pre-tax loss of Euro 30 million (unchanged on H1 2010); this loss principally relates to the Atahotels Group, which suffers from the seasonality of the business in the first half of the year, as well as the Group's healthcare interests, where revenues did not offset fixed overhead costs.

The Group **net result after tax** was a loss of Euro 61.9 million, an improvement on the loss of Euro 144.8 million in the first half of the previous year.

The consolidated net result after tax and minorities was a loss of Euro 61.5 million (loss of Euro 157.4 million in H1 2010).

Group **net financial debt** fell by more than Euro 195 million from December 31, 2010, at Euro 1,377 million compared to Euro 1,572 million at the end of the previous year.

Group **consolidated net equity**, including minorities, increased from Euro 2,550 million at 31/12/2010 to Euro 2,607 million.

The **Group solvency margin** (before the effect of the share capital increase) amounted to 100.3% at June 30, 2011 (97.4% at 31/12/2010).

The effect on the Group solvency margin of the share capital increase was a benefit of 26 percentage points.

In the coming months the implementation of the new Group strategy will continue.

In particular, with reference to the Non-Life division:

Motor sector initiatives will continue so as to increase average policy premiums and reduce tariff flexibility. Further anti-fraud initiatives will be undertaken;

In Other Non-Life classes the Group's market positioning will be reinforced by concentrating the Group's marketing effort on the geographic areas with superior technical results. The Group's underwriting policy will focus on the retail and client the Small-Medium business segments, while risk exposure to the corporate and public institutional sectors, which have historically produced negative underwriting results, will be reduced.

In the Life Division, the portfolio will be improved through focusing on products which meet the pension objectives of clients and at the same time offer attractive margins for the Group, such as Class I products.

Particular focus will be placed on the level of service and on assisting clients in choosing those products which best fit their insurance and pension needs.

In the real estate sector, the focus will centre on improving ordinary income, while also remaining alert to opportunities that may arise. The sector will benefit in particular from the exercise of the put option on the CityLife investment, following the closing of August 3.

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.

Further details on the Group's financial results will be provided to the financial community by the CEO Mr. Emanuele Erbetta tomorrow at 4:00 PM CET, through a conference call and webcast. Further information is available on the Group Internet site.

The presentation will be available on the Internet site at the beginning of the conference call.



Definitions and Glossary

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

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

New Business Margin (NBM) = Value of new Life business/APE

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BALANCE SHEET - ASSETS

(Euro thousands)

| | | 30/06/2011 | 31/12/2010 |
|----------|---|-------------------|-------------------|
| 1 | INTANGIBLE ASSETS | 1.582.572 | 1.587.734 |
| 1.1 | Goodwill | 1.473.455 | 1.468.570 |
| 1.2 | Other intangible assets | 109.117 | 119.164 |
| 2 | PROPERTY, PLANT & EQUIPMENT | 602.549 | 594.334 |
| 2.1 | Buildings | 510.493 | 500.691 |
| 2.2 | Other tangible assets | 92.056 | 93.643 |
| 3 | TECHNICAL RESERVES – REINSURANCE AMOUNT | 758.066 | 823.184 |
| 4 | INVESTMENTS | 36.525.346 | 36.013.873 |
| 4.1 | Investment property | 2.856.621 | 2.894.209 |
| 4.2 | Investments in subsidiaries, associates and joint ventures | 200.975 | 325.369 |
| 4.3 | Investments held to maturity | 603.901 | 592.138 |
| 4.4 | Loans and receivables | 3.633.171 | 3.159.211 |
| 4.5 | AFS financial assets | 19.715.952 | 20.302.882 |
| 4.6 | Financial assets at fair value through the profit or loss account | 9.514.726 | 8.740.064 |
| 5 | OTHER RECEIVABLES | 1.885.529 | 2.314.375 |
| 5.1 | Receivables from direct insurance operations | 1.479.474 | 1.747.611 |
| 5.2 | Receivables from reinsurance operations | 98.689 | 101.773 |
| 5.3 | Other receivables | 307.366 | 464.991 |
| 6 | OTHER ASSETS | 1.265.517 | 996.064 |
| 6.1 | Non-current assets or of a discontinued group held for sale | 81.539 | 3.452 |
| 6.2 | Deferred acquisition costs | 70.149 | 87.603 |
| 6.3 | Deferred tax assets | 390.066 | 361.195 |
| 6.4 | Current tax assets | 434.699 | 387.573 |
| 6.5 | Other assets | 289.064 | 156.241 |
| 7 | CASH AND CASH EQUIVALENTS | 523.127 | 625.940 |
| | TOTAL ASSETS | 43.142.706 | 42.955.504 |

BALANCE SHEET – SHAREHOLDERS' EQUITY & LIABILITIES

(Euro thousands)

| | | 30/06/2011 | 31/12/2010 |
|------------|--|-------------------|-------------------|
| 1 | SHAREHOLDERS' EQUITY | 2.607.163 | 2.550.105 |
| 1.1 | Group | 1.922.907 | 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 | 1.840.835 | 2.620.792 |
| 1.1.5 | (Treasury shares) | -213.026 | -321.933 |
| 1.1.6 | Translation reserve | -46.700 | -56.598 |
| 1.1.7 | Profit or loss on AFS financial assets | -2.659 | -34.759 |
| 1.1.8 | Other gains and losses recorded directly in equity | 29.377 | 15.216 |
| 1.1.9 | Group net loss | -61.911 | -717.582 |
| 1.2 | minority interest | 684.256 | 667.978 |
| 1.2.1 | Minority capital and reserves | 707.951 | 902.126 |
| 1.2.2 | Gains and losses recorded directly in equity | -24.057 | -22.869 |
| 1.2.3 | Minority interest profit/loss | 362 | -211.279 |
| 2 | PROVISIONS | 306.211 | 340.637 |
| 3 | TECHNICAL RESERVES | 35.383.802 | 34.827.972 |
| 4 | FINANCIAL LIABILITIES | 3.429.087 | 3.850.106 |
| 4.1 | Financial liabilities at fair value through profit or loss account | 1.529.401 | 1.646.935 |
| 4.2 | Other financial liabilities | 1.899.686 | 2.203.171 |
| 5 | PAYABLES | 822.373 | 836.934 |
| 5.1 | Payables from direct insurance operations | 94.881 | 91.887 |
| 5.2 | Payables from reinsurance operations | 96.114 | 106.862 |
| 5.3 | Other payables | 631.378 | 638.185 |
| 6 | OTHER LIABILITIES | 594.070 | 549.750 |
| 6.1 | Liabilities in a discontinued group held for sale | | 0 |
| 6.2 | Deferred tax liabilities | 139.917 | 132.060 |
| 6.3 | Current tax liabilities | 53.656 | 54.306 |
| 6.4 | Other liabilities | 400.497 | 363.384 |
| | TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | 43.142.706 | 42.955.504 |

INCOME STATEMENT

(Euro thousands)

| | | H1 2011 | H1 2010 |
|----------|---|-------------------|-------------------|
| 1.1 | Net premiums | 6.035.870 | 7.209.804 |
| 1.1.1 | Gross premiums written | 6.188.403 | 7.361.678 |
| 1.1.2 | Premiums ceded to re-insurers | -152.533 | -151.874 |
| 1.2 | Commission income | 13.745 | 31.827 |
| 1.3 | Income and charges from financial instruments recorded at fair value through profit or loss | 84.064 | 272.728 |
| 1.4 | Income from investments in subsidiaries, associates and joint ventures | 15.021 | 175 |
| 1.5 | Income from other financial instruments and property investments | 597.918 | 666.536 |
| 1.5.1 | Interest income | 389.795 | 350.617 |
| 1.5.2 | Other income | 82.874 | 97.573 |
| 1.5.3 | Profits realised | 125.084 | 218.215 |
| 1.5.4 | Valuation gains | 165 | 131 |
| 1.6 | Other revenues | 316.979 | 268.364 |
| 1 | TOTAL REVENUES AND INCOME | 7.063.597 | 8.449.434 |
| 2.1 | Net charges relating to claims | -5.340.703 | -6.849.571 |
| 2.1.2 | Amounts paid and changes in technical reserves | -5.430.267 | -6.940.789 |
| 2.1.3 | Reinsurers' share | 89.564 | 91.218 |
| 2.2 | Commission expenses | -9.105 | -15.968 |
| 2.3 | Charges from investments in subsidiaries, associates and joint ventures | -7.701 | -14.764 |
| 2.4 | Charges from other financial instruments and property investments | -263.434 | -246.114 |
| 2.4.1 | Interest expense | -37.090 | -37.014 |
| 2.4.2 | Other charges | -33.224 | -35.378 |
| 2.4.3 | Losses realised | -67.437 | -64.180 |
| 2.4.4 | Valuation losses | -125.683 | -109.542 |
| 2.5 | Management expenses | -976.881 | -979.199 |
| 2.5.1 | Commissions and other acquisition expenses | -734.568 | -731.491 |
| 2.5.2 | Investment management charges | -6.797 | -6.235 |
| 2.5.3 | Other administration expenses | -235.516 | -241.473 |
| 2.6 | Other costs | -505.066 | -503.036 |
| 2 | TOTAL COSTS AND CHARGES | -7.102.890 | -8.608.652 |
| | LOSS BEFORE TAXES | -39.293 | -159.218 |
| 3 | Income tax | -22.256 | -536 |
| | NET LOSS FOR THE PERIOD | -61.549 | -159.754 |
| 4 | PROFIT/(LOSS) FROM DISCONTINUED OPERATIONS | 0 | 2.341 |
| | CONSOLIDATED LOSS | -61.549 | -157.413 |
| | group share | -61.911 | -144.790 |
| | minority share | 362 | -12.623 |
| | EARNINGS/(LOSS) PER SHARE (in Euro) | -0,59 | -1,34 |
| | DILUTED EARNINGS/(LOSS) PER SHARE (in Euro) | -0,60 | -1,34 |

COMPREHENSIVE INCOME STATEMENT

(Euro thousands)

| | H1 2011 | H1 2010 |
|---|----------------|-----------------|
| CONSOLIDATED LOSS | -61.549 | -157.413 |
| Change in reserve for net exchange differences | 9.898 | -10.809 |
| Profit or loss on AFS financial assets | 31.018 | -278.661 |
| Profit or loss on cash flow hedges | 8.819 | -22.366 |
| Profit or loss on a net foreign investment hedge | 0 | 0 |
| Change in net equity of holdings | 887 | -3.911 |
| Change in revaluation reserve of intangible assets | 0 | 0 |
| Change in revaluation reserve of tangible fixed assets | 0 | -8.763 |
| Income/(charges) on non-current assets or of a discontinued group held for sale | 0 | 407 |
| Actuarial profits and losses and adjustments to employee defined plans | -159 | -5.066 |
| Others items | 4.508 | 1.135 |
| TOTAL OTHER COMPREHENSIVE INCOME STATEMENT ITEMS | 54.971 | -328.034 |
| TOTAL COMPREHENSIVE CONSOLIDATED INCOME | -6.578 | -485.447 |
| group share | -5.752 | -423.262 |
| minority share | -826 | -62.185 |

Segment Income Statement

(Euro thousands)

| | Non-Life Insurance Sector | | Life Insurance Sector | | Real Estate Sector | | Other Activities Sector | | Inter-segment Eliminations | | Total | |
|---|---------------------------|-------------------|-----------------------|-------------------|--------------------|----------------|-------------------------|-----------------|----------------------------|-----------------|-------------------|-------------------|
| | 30/06/2011 | 30/06/2010 | 30/06/2011 | 30/06/2010 | 30/06/2011 | 30/06/2010 | 30/06/2011 | 30/06/2010 | 30/06/2011 | 30/06/2010 | 30/06/2011 | 30/06/2010 |
| 1.1 Net premiums | 3,486,625 | 3,510,478 | 2,549,245 | 3,699,326 | 0 | 0 | 0 | 0 | 0 | 0 | 6,035,870 | 7,209,804 |
| 1.1.1 Gross premiums within | | | | | | | | | | | | |
| 1.1.2 Premiums ceded to reinsurers | 3,628,126 | 3,652,019 | 2,560,277 | 3,799,659 | | | | | | | 6,168,403 | 7,361,678 |
| 1.2 Commission income | -141,501 | -141,541 | -11,032 | -10,333 | | | | | | | -152,533 | -151,874 |
| 1.3 Income and charges from financial instruments recorded at fair value through profit or loss | -10,612 | 5,902 | 5,557 | 9,364 | | | 11,668 | 23,566 | -3,480 | -1,113 | 13,745 | 31,827 |
| 1.4 Income from investments in subsidiaries, associates and joint ventures | 122 | 21 | 94,696 | 265,362 | -86 | -482 | 81 | 1,926 | -15 | | 84,064 | 272,728 |
| 1.5 Income from other financial instruments and property investments | 163,550 | 192,876 | | | 14,699 | 154 | | | 0 | | 15,021 | 175 |
| 1.6 Other revenues | 268,406 | 215,828 | 404,213 | 430,658 | 23,331 | 19,305 | 31,164 | 38,835 | -24,340 | -15,338 | 597,916 | 666,536 |
| 1 TOTAL REVENUES AND INCOME | 3,905,061 | 3,925,105 | 3,064,665 | 4,434,700 | 80,474 | 71,505 | 365,695 | 365,745 | -365,528 | -365,621 | 7,063,597 | 8,449,434 |
| 2.1 Net charges relating to claims | -2,626,016 | -2,785,345 | -2,714,687 | -4,064,226 | 0 | 0 | 0 | 0 | 0 | 0 | -5,340,703 | -6,849,571 |
| 2.1.2 Amounts paid and charges in technical reserves | -2,709,168 | -2,697,030 | -2,730,079 | -4,073,769 | | | | | | | -5,430,267 | -6,940,789 |
| 2.1.3 Reinsurers' share | 74,172 | 81,665 | 15,392 | 9,533 | | | | | | | 89,954 | 91,218 |
| 2.2 Commission expenses | | | -4,800 | -8,146 | | | -4,305 | -7,822 | | | -9,105 | -15,968 |
| 2.3 Charges from investments in subsidiaries, associates and joint ventures | -48 | -1,994 | | -1,044 | -56 | -2,839 | -7,597 | -8,867 | | | -7,701 | -14,764 |
| 2.4 Charges from other financial instruments and property investments | -126,926 | -146,993 | -99,565 | -63,512 | -35,412 | -29,677 | -12,898 | -18,931 | 11,367 | 12,999 | -263,434 | -246,114 |
| 2.5 Management expenses | -799,651 | -794,274 | -128,213 | -126,173 | -98 | -195 | -159,285 | -172,006 | 110,366 | 113,449 | -976,881 | -979,169 |
| 2.6 Other costs | -446,766 | -417,219 | -63,560 | -64,326 | -36,502 | -54,822 | -202,013 | -205,639 | 243,795 | 239,172 | -505,066 | -503,036 |
| 2 TOTAL COSTS AND CHARGES | -3,999,407 | -4,146,825 | -3,010,845 | -4,327,429 | -72,068 | -87,533 | -386,098 | -413,485 | 365,528 | 365,620 | -7,102,890 | -8,608,652 |
| PROFIT/(LOSS) BEFORE TAXES | -9,1316 | -220,720 | 73,820 | 107,271 | 8,406 | -16,028 | -30,203 | -26,740 | 0 | -1 | -39,293 | -159,218 |