



## ***Board of Directors' Management Report on the first half of the 2007 financial year***

*pursuant to CONSOB Resolution 11971 dated 14 May 1999 and subsequent amendments,  
and ISVAP Regulation no. 1207 G dated 6 July 1999 and subsequent amendments*

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Share capital € 251,217,463.64 fully paid up  
Tax Code, VAT Registration and registration number  
at the Milan Companies' Register: 00957670151  
Company authorised to operate as an insurance  
company (art. 65 R.D.L. 29-4-1923 no. 966)  
FONDIARIA-SAI Group – management and  
co-ordination FONDIARIA-SAI S.p.A.



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## BOARD OF DIRECTORS

Salvatore **Ligresti**

*Honorary Chairman*

Fausto **Marchionni** \*

*Chairman and Managing Director*

Gioacchino Paolo **Ligresti** \*

*Vice-Chairman*

Cosimo **Rucellai** \*

*Vice-Chairman*

Umberto **Bocchino** \*

Flavio **Dezzani**

Maurizio **Di Maio**

Emanuele **Erbetta**

Mariano **Frey**

Giulia Maria **Ligresti** \*

Jonella **Ligresti** \*

Lia **Lo Vecchio**

Emilio **Perrone da Zara**

Massimo **Pini** \*

Francesco **Randazzo**

Salvatore **Rubino** \*

Simone **Tabacci**

Alessandra **Talarico**

Antonio **Talarico** \*

Sergio **Viglianisi**

Alberto **Marras**

*Secretary to the Board and the Executive Committee*

## STATUTORY BOARD OF AUDITORS

**Graziano Visentin**  
*Chairman*

**Giovanni Ossola**  
*Auditor*

**Alessandro Rayneri**  
*Auditor*

**Giuseppe Aldé**  
*Alternate auditor*

**Claudio De Re**  
*Alternate auditor*

**Roberto Frascinelli**  
*Alternate auditor*

## MANAGER RESPONSIBLE

**Pier Giorgio Bedogni**  
*Manager responsible for  
producing the company's accounting documents*

- Members of the Board who are also members of the Executive Committee have an asterisk beside their name.
- There is now an internal Auditing Committee, the members of which may be consulted and may make suggestions as provided for in the Code of Conduct for Listed Companies. This Committee is made up of the Board Members Mariano Frey, Emilio Perrone Da Zara and Cosimo Rucellai.
- With reference to the provisions of CONSOB communication 97001574 of 20 February 1997, the nature of the powers conferred on the directors is indicated below.
- As well as being the Company's Legal Representative under Art. 20 of the By-laws, the Chairman and Managing Director Prof. Fausto Marchionni, has all the ordinary and extraordinary administrative powers, which may be exercised on his signature alone, and the power to grant mandates and powers of attorney, with the sole exception of the following powers:
  - sale and/or purchase of property with a value exceeding € 10m per transaction;
  - sale and/or purchase of shareholdings with a value exceeding € 25m per transaction and, in any event, those that are majority shareholdings;
  - loans for an amount in excess of € 50m per transaction;
  - issuing of securities of a non-insurance nature in favour of third parties.
- The Executive Committee continues to hold all the powers not already attributed to the Chairman and Managing Director with the exception of those that in law or under the by-laws are exclusively within the province of the Board of Directors. The Board of Directors is also exclusively responsible for any decision relating to operations with related parties that are identified as such by the Board of Directors.

The Board of Directors was appointed by the Shareholders' meeting held on 22 April 2005. Francesco Randazzo was appointed by the Shareholders' meeting held on 26 April 2006 to replace the outgoing director, the lawyer, Luigi Pisanu. The entire Board will remain in office until the Shareholders' meeting called to approve the annual accounts on 31 December 2007.

**CONSOLIDATED HALF YEAR REPORT  
OF THE MILANO GROUP  
AS AT 30 JUNE 2007**

# Macroeconomic scenario and insurance market in the first half of 2007

## International economic scenario

The European Commission raised growth forecasts for 2007 and 2008, with an upswing in Euro zone GDP, estimated at +2.7% at year end, due both to favourable conditions in terms of domestic demand, which should continue throughout the year, and to an upturn in exports.

Europe, like Japan, would in fact appear to have developed an internal capacity for development such as to guarantee production capacity for the current year – even against a background of moderate growth. In particular, please note the high GDP performances at the end of 2006 displayed by the Euro zone as a whole and by Germany and Italy which, with values amounting, respectively, to 2.8%, 2.9% and 2%, recorded rises well in excess of expectations (2.6% for the Euro Zone and Germany, 1.8% for Italy).

Medium-term prospects for economic activity still continue to be favourable. The prerequisites are, in fact, in place for sustained growth in the Euro zone, also in consideration of the fact that economic expansion has become more balanced between the different regions of the world. Conditions in terms of the scenario beyond the Euro zone are, in addition, favouring exports.

In the coming months, domestic demand should also keep up its relatively strong momentum, due both to investment which is still booming, and to the benefits of a prolonged period of favourable borrowing terms. Finally, private consumption should get even stronger over time, in line with the trend in real disposable income and with improved growth prospects, accelerating with projected growth of 2.1% due to the significant increase both in employment and in salaries, not accompanied by major inflationary pressures.

With reference to the American economy, the economic scenario was brought down by the crisis in the property market, again counterbalanced by growth in private consumption and by the driving force of exports, the latter incentivised by the relative weakness of the dollar against other currencies.

With reference to Japan, the main elements of risk that could influence the economy derive from major dependency on some industrial sectors, in particular those linked to the high-tech segment, which have had a determining role in the upturn recorded over the last few years, as well as the trend in exports, with the resultant danger of a possible major slowdown in the American and Chinese economy, upon which a significant percentage of trade exchanges are dependent.

Economic growth in China, India and Latin America continues to be sustained.

## The Italian market

As for the Italian market, over the last few years demand for goods and services has, in the main, remained unchanged. Business confidence is more or less the same but is still slightly up on the average for the first quarter, consolidating the strong recovery from the lows of the last few years, the bottom being hit in Spring 2005. 3-4 month forecasts for major corporate variables, such as those relating to regulation and production, appear, in the main, to be stable (albeit with different directions). Warehouse stocks remain unchanged. The order book is viewed in a positive light, foreign market capacity being consolidated, whilst the domestic market proved to be more uncertain. Short-term prospects for the Italian economy continue, therefore, to be marked by caution, conditioned by continuing uncertainty over the domestic political framework.

From January to April 2007, the negative trade balance was reduced (-7.0 billion Euro, from -11.0 billion in the same period of 2006), due to the upswing in exports (+13.3% in total according to value data) in European Union countries (+14.6%), in Switzerland (+12%), Russia (+32%) and the OPEC area (+15%).

Inflation prospects for the next few months are still uncertain, since the calculations have to be made without knowing about oil prices (in July the national consumer price index showed a slight drop, nearing +1.6%). In the immediate future, forecasts are for current rates to continue at just under 2%, with possible re-ignition of some tension over corporate listings.

## The insurance sector

In 2006, insurance sector results were, on the whole, positive despite the decline in life premiums and the drop in income of a financial nature. Life business premium income recorded a drop of 5.6% compared with 2005; on the other hand, Non-life business recorded a modest rise of 2.4%.

In the Non-life sector, against a generalised reduction in expenditure, the deterioration in the loss ratio contributed to a rise in the combined ratio. Motor TPL business supported the positive results due, in the main, to the capacity of the reserve for claims from previous years, whilst the deterioration in the loss ratio for the year was confirmed.

With reference to prospects for 2007, the trade association estimates overall growth of 2.5%, with premium income of around € 38bn. This data will prove to have been influenced by the rise in Motor TPL income, where the estimated rise in premiums (+0.8%) will be nearly one percentage point below the growth estimated for fleet business.

In Non-life business, due to the upturn in economic activity, growth rates both within the corporate and the retail sector should reach around 4%. On the other hand, Life business premium income proved to be stable.

According, however, to the recent Premethus report on Italian insurance market trends, premium income during the course of 2007 will record a rise of approximately 5% in Non-life business and a drop of around 1.5% in Life business. This situation will be consolidated during the course of the subsequent two years: growth in 2008 will total 6.5% and will rise to +11% in 2009.

The 2007 drop in Life business will be the result of companies' gradual departure from large corporate contracts (marked by significant unitary sums but with low profit margins), a factor that will, however, involve a reduction in profitability due to better quality income. What's more, the downward trend in life business premium income had already been recorded in the first quarter of 2007: final premium income data showed a drop of around 11%. Non-life business growth was more moderate than forecast, recording a modest rise of 1.6%.

In Non-life business, Motor TPL will also feel the impact of uncertainties relating to the introduction of the new mechanism for direct payment of compensation the effects of which, in terms of cost reduction, will only be shown from 2009. The keys to interpreting the current trend in Motor TPL are not, however, straightforward.

With reference to market dynamics, please note that, due to the entry into force of regulations relating to direct compensation and the so-called Bersani law, the foundations were put in place for significant restructuring both of management and sales processes with the resultant need for major investment. At the same time a gradual change in demand will be witnessed in Life business, certainly also due to the launch of the supplementary pension scheme and, more generally speaking, the development of targeted savings products.

The aforementioned factors represent a structural shift for the Italian insurance market with resultant organisational and operational complexities, management of which will demand greater investment and a generalised improvement in the quality of services offered.

In the period between 30/06/2006 and 30/06/2007, share performance analysis for insurance companies listed on the national stock market showed that, in the main, share prices mimicked the Italian stock market: the Italian insurance market index did, in fact, record an annual return of 13.0%.



## Regulatory changes

With reference to the main regulatory innovations that have affected the Italian insurance market over the last few months, and that will also have inevitable repercussions on insurance activities in years to come, please find below further details of what has already been widely discussed in the accounts.

### Direct compensation

As we know, the new insurance payment procedure, operational since 1 February 2007, makes it possible, in the event of a road accident, for non-liable or only partially liable injured parties to be compensated direct by their own insurer. Approximately three months after its entry into force, around 184,000 Motor TPL policyholder have obtained payment on the basis of the new rules. The total amount paid out with the new procedure reached, by 30 April 2007, the threshold of € 220m. Reference data were processed on 4 May by Consap and supplied by the Department of Economic Development.

Please also note that, with the aim of increasing the efficacy of insurance fraud prevention and control, the Department of Public Security and ISVAP, the Insurance Companies' Supervisory Body, signed an agreement in April to make it possible for the forces of law and order to gain direct access to the vehicle claims database, which contains analytical information relating to around 33.5 million Motor TPL claims.

The agreement does, therefore, lay the groundwork for additional forms of collaboration to be developed in the interest of the community as a whole.

### “Check box” project

The “Check Box” project, the trial launched by ISVAP, in collaboration with the Department of Economic Growth, to reduce Motor TPL tariffs, had been subscribed to by 1,321 policyholders as at 30 March this year. There had been over 3,000 telephone contacts from potential users interested in installing the device.

The result confirms the public's strong interest in the initiative, which arranges for willing policyholders to have a “check box” installed in their car (a mechanism similar to the black box already existing in aeroplanes). As well as being absolutely free of charge to join, the scheme also offers a discount from the policyholder's own insurer of at least 10% a year on Motor TPL premiums for the entire duration of the project, which is to last for three years.

Check box is a mobile device installed on the motor vehicle to record, in full accordance with privacy regulations, data relating to driving behaviour and any accidents. The device, in particular, records the dynamics of accidents in the 40 seconds before and the 10 seconds after, the impact. With the device, fraud becomes more difficult and it is possible to construct customised tariffs with resultant cost savings.

The province of Rome is leading the way in terms of numbers of policyholders signing up for the scheme, followed by Milan, Naples, Turin and Palermo.

### Insurance Code – Special Register of Insurance and Reinsurance intermediaries

The [Special Register of insurance and reinsurance intermediaries \(RUI\)](#) – available since 1 February 2007 – contains details of individuals acting as insurance and reinsurance intermediaries within Italian territory, as residents or with their registered office in Italy.

The Register was introduced by Legislative decree no. 209 of 7 September 2005, (Insurance Code), in implementation of Directive 2002/92/CE on insurance intermediation, and is governed by ISVAP with Regulation no. 5 of 16 October 2006. On the basis of this regulation, intermediation is reserved solely for those listed on the Register. The RUI does, therefore, supply a full photograph of individuals working within the field of intermediation, in order to protect consumers.

On the basis of the provisions of the Code, the Register is divided into 5 sections:

- section A (agents);
- section B (brokers);
- section C (direct producers of insurance undertakings);
- section D (banks, financial intermediaries ex art. 107 of the Consolidated Banking Law, Stock Brokers and Italian Post Office – Postal Financial Services Division);
- section E (colleagues of intermediaries listed in sections A, B and D who work off the premises of said intermediaries).

The same intermediary cannot be listed in more than one section of the Register, with the exception of the intermediaries listed in sections A and E solely for Motor TPL-related distribution tasks. Both physical persons and companies can be listed on the register: the RUI can be searched for information on an intermediary using these two passwords, as well as by section.

#### **Supplementary pension scheme:**

Nearly four months on from the entry into force of the supplementary pension reform, around one worker in 4, or 26% of the total monitored (around 2.5 million workers), had already notified their work provider of their decision regarding their staff-leaving indemnity.

This is one of the main results of the Assogestioni observatory set up in collaboration with Gfk-Eurisko to monitor workers' decision-making process.

Final data on choices regarding the allocation of staff-leaving indemnity will be made known during September when data relating to the principle of consent by silence will be available.

A recent Doxa survey (July 2007) showed that:

- 80% of workers have made a decision;
- of these, around 22% have chosen to join a supplementary pension scheme.

According to Department of Employment estimates, considering subscriptions for negotiated pension funds, open-ended funds and PIPs [Individual retirement plans] as well as those relating to workers who, on 30 June 2007, had not yet made any specific decision, the percentage of workers who have chosen to allocate their staff-leaving indemnity to a supplementary pension scheme should be around 34%.

The Doxa study shows that 96% percent of workers are aware of the reform (a figure which rises to 99% for companies with more than 50 employees) and that 91% of work providers have informed employees of the choice that has to be made.

In any event, urgent action is needed in respect of the pension system. This was the view held by 80% of Italians taking part in the survey conducted by the Bocconi University in Milan, presented at the headquarters of the ISAE, the Institute of Economic Analysis Studies in Rome.

The survey, conducted on over a thousand subjects, aged between 20 and 45, internet users extracted from a web panel, 50% of whom were women and 50% men, 81% in work, 19% students or looking for work, showed that 50% were in favour of raising the retirement age for everyone, from next year onwards, to avoid younger generations being forced to make higher contributions. The study also showed that, despite the fact that 35% of those interviewed had stated that they wished to be kept informed by the trade union about the staff-leaving indemnity, only just over 10% had, in fact, been kept informed.

#### **The new round of liberalisation**

At the suggestion of the Department of Economic Development, Decree Law no. 7 of 31/01/2007, published in the Official Journal of 01/02/2007, known as the "Bersani bis" law, inserted a new element into the "round of liberalisation", for the purposes of opening up the markets for the benefit and

protection of the consumer.

Of the many innovations brought in, please note, in particular, the measures adopted for competition and consumer protection in insurance services (ref. art. 5):

- in the non-Life sector, the abolition of monomandatory agency contracts between insurance companies and sales agents. From 2008, the agent may, however, offer policies from different companies (as already laid down for Motor TPL). The Chamber of Deputies' Commission for Production Activities did, in fact, at the start of the year, approve an amendment extending, from 4 July 2006 to 1 January 2008, the ban initially imposed solely on Motor TPL by the Decree Law of July last (ref. DL 223 of 4/7/2006, converted with Law 248 of 11/8/2006). Finally, in the event of multi-year policies, the policyholder may withdraw from the contract on an annual basis without charge by giving sixty days prior notice;
- in the Motor TPL sector, the transparency of the tariffs available on the market and the insurance company's duty to maintain the risk category shown on the last no-claims certificate, for clients stipulating a new contract for a second car, or following an interruption in insurance cover.

### **Solvency II**

Please remember that, in 2006 the European Commission, with the aim of introducing a new system of prudent vigilance (known as Solvency II), enabling Supervisory Authorities to have appropriate tools at their disposal to evaluate an insurance company's total solvency, had charged CEIOPS (Committee of European Insurance and Occupational Pension Supervisors) with the task of providing the appropriate advice with regard to the introduction of new prudential standards. One of the main objectives of the new system will be to establish a capital adequacy requirement commensurate with the risks accepted.

In April, the Committee of European Insurance and Occupational Pension Supervisors (CEIOPS) suggested a third quantitative impact study (QIS3) to European insurance companies. In addition to the recalibration of parameters for the calculation of the Solvency Capital Requirement and Minimum Capital Requirement, the QIS3 laid the foundations for the calculation of available capital and extended the test not only to individual companies but also to insurance groups in their entirety. Risk categories and related parameters taken into consideration for capital adequacy requirement calculations were reviewed following the results of the QIS2 and the suggestions made by analysts and companies. The results of QIS3, which will be made public in the Autumn, together with the collaboration between companies, analysts and supervisory authorities, will supply implementations and new proposals for the QIS4 (planned for April 2008) and, above all, for future developments of the directive.

Another major innovation within the scope of Solvency II is the Community directive proposal relating to rules on insurance company solvency, published by CEIOPS on 10 July 2007, and aiming to coordinate current regulations and increase policyholder protection, the competitiveness of the European insurance market and the efficacy of the monitoring process.

# Management Report

## Premiums

Premiums and additional income from direct and indirect business in the half year totalled € 1,816,415K and recorded an increase of 5.02% over the corresponding period the previous year.

Direct business premium income was € 1,810,043K (+ 5.43% compared with 30 June 2006). In particular, in the Non-life sector, premium income of € 1,381,959K was achieved (- 3.17%), of which € 1,008,153K related to Motor business which was down 4.75% compared with 30 July 2006, and € 373,806K related to other Non-life sectors, which signalled growth of 1.35%. The trend in motor business premiums is in line with planned sales initiatives, which aim to gradually improve the combined ratio by downsizing the fleet portfolio, in the main already achieved, and initiatives to reorganise geographical areas and tariff sectors with an unsatisfactory technical performance. The trend in other Non-life business reflects the risk-taking policy already followed for several years now which proposes to combine growth and profitability, by safeguarding the qualitative level of the portfolio acquired. In particular, compared with the effort put into the retail sector which offers satisfactory profit margins, the persistence of highly competitive market conditions in the corporate sector is making it hard to achieve significant growth in business volumes, given the fact that in some specific areas, such as Third Party business, criteria aimed at maintaining a policy of underwriting risks on the basis of adherence to strict technical parameters have been reinforced.

Life business premium income of € 428,084K was achieved, up 47.80% on the first half of 2006. This increase is derived from the 50% proportional consolidation of the Bipiemme Vita profit and loss account, as of the 4th quarter of 2006. Net of this contribution, amounting to € 143,184K, Life premiums amounted to € 284,900K (-1.64%) The drop was mainly due to the lower contribution made by banking channel products as well as fewer pure capitalisation contracts with institutional clients, a decision having been taken to operate in this sector only subject to achieving adequate profit margins, against the background of a market that often offers underwriting opportunities with insufficient profitability.

In the indirect business sector, premiums amounted to € 6,372K compared with € 12,641K achieved in the first half of the previous year (-49.59%). Indirect business continues to have a marginal percentage due to the decision, taken in the past, to stop underwriting new policies on the inward reinsurance market with companies not belonging to the Fondiaria-Sai Group. The drop compared with the 1st half of 2006 derives from the lower contribution from the proportional treaty with the affiliate Siat, covering Non-life business to the exclusion of transport business.

The table below provides a summary of premium income data, showing variations compared with the first half of the previous year.

(€K)	30/6/2007	30/6/2006	Variation
<b>DIRECT BUSINESS</b>			
Non-life business	1,381,959	1,427,233	-3.17%
Life Business	428,084	289,634	+47.80%
Total direct business	1,810,043	1,716,867	+5.43%
<b>INDIRECT BUSINESS</b>			
Non-life business	6,325	12,577	-49.71%
Life Business	47	64	-26.56%
Total indirect business	6,372	12,641	-49.59%
<b>SUM TOTAL</b>	<b>1,816,415</b>	<b>1,729,508</b>	<b>+5.02%</b>
including:			
Non-life business	1,388,284	1,439,810	-3.58%
Life Business	428,131	289,698	+47.79%

## The Consolidated Profit and Loss Account

The first half of 2007 closed with a Group net profit of € 152,849K, up 10.60% compared with the profit achieved in the corresponding period the previous year of € 138,196K. The pre-tax profit, before deductions for minorities' share of the profit, for the half year, amounted to € 232,586K, compared with € 207,539K as at 30 June 2006 (+12.1%).

The main aspects characterising the result achieved in the half year in question can be summarised as follows:

- Life business closed with a pre-tax profit of € 182,096K compared to a pre-tax profit of € 157,290K recorded at the 2006 half year-end. This sector showed signs of improved technical performance in Motor TPL business which is benefiting from sales initiatives in geographical areas and tariff sectors with an unsatisfactory technical performance and, in particular, from the downsizing of the fleet portfolio. The contribution from financial income was also higher, totalling € 107,205K, compared with € 89,658K recorded on 30 June 2006;
- the Life sector showed a pre-tax profit of € 47,031K, inclusive of the contribution made by the proportional consolidation of Bipiemme Vita, amounting to € 4,457K, already net of the depreciation allowances for the half-year. The result was hit badly by net value adjustments on the equity portfolio posted to the fair value through Profit or Loss category (€ 10,085K), generated following the continuation of the upward trend in interest rates which is penalising the prices of securities already in circulation. The drop in the overall result compared with the 1st half of 2006 (which had recorded a pre-tax profit of € 48,306K) was mainly due to a drop in capital gains realised from securities trading.

- asset and financial management recorded net income from financial instruments and investment property of € 231,711K, compared with € 187,407K for the corresponding period the previous year (+23.6%). In particular, income from other financial instruments and investment property amounted to € 215,603 (+ 9.9%), whilst net income from financial instruments at fair value recognised through profit or loss amounted to € 15,364K, compared to € 8,966K in net charges recorded in the first half of the previous year. Please note that 2007 amounts include the contribution made by the proportional consolidation of Bipiemme Vita, amounting to € 18,320K of net income. Given the same basis of consolidation, i.e. net of this contribution, net financial income therefore totals € 213,391, up 13.9% on the first half of 2006;
- operating expenses in the Non-life insurance segment amounted to € 256,483K compared with € 247,058K in the first half of 2006, 19.2% of net premium income (17.7% on 30 June 2006). The increase was mainly due to the costs of the advertising campaign conducted by the subsidiary Dialogo Assicurazioni, operating mainly over the telephone, from which significant returns are expected in terms of business growth, as well as the less positive impact made by depreciation of purchase costs on multi-year contracts.  
Life business operating expenses amounted to € 19,839K, 4.7% of net premium income, down from the 5.1% recorded on 30 June 2006;
- current year income taxes amounted to € 79,508K and accounted for a lower percentage of the gross profit than the nominal percentage rate, mainly due to uncashed dividends, which are nearly all tax exempt.

Finally, please note that the result for the period was not influenced by any significant non-recurrent or unusual events or transactions.

The table below provides a summary of the profit and loss account for the first half of 2007 compared with that relating to the corresponding period the previous year:

(€K)	30/6/2007	30/6/2006	Variations %
Net premiums	1,755,000	1,677,517	4.62
Net charges relating to claims	-1,408,405	-1,312,102	7.34
Net commissions	2,529	380	565.53
Income and expenditure deriving from financial instruments at fair value through profit or loss	15,364	-8,966	271.36
Income from holdings in subsidiaries, associates and joint ventures	744	254	192.91
Income deriving from other financial instruments and investment property	215,603	196,119	9.93
Operating expenses	-276,351	-261,837	5.54
Other costs net of other income	-71,898	-83,826	-14.23
<b>Pre-tax profit (loss) for the financial year</b>	<b>232,586</b>	<b>207,539</b>	<b>12.07</b>
Income tax	-79,508	-69,296	14.74
<b>Pre-tax profit (loss) for the financial year</b>	<b>153,078</b>	<b>138,243</b>	<b>10.73</b>
Profit (loss) on operating activities ceased	-197	-	n.s.
<b>Consolidated results of the period</b>	<b>152,881</b>	<b>138,243</b>	<b>10.59</b>
Minorities' profit (loss) for the financial year	32	47	-31.91
<b>Group profit (loss) for the financial year</b>	<b>152,849</b>	<b>138,196</b>	<b>10.60</b>

The table below also shows the pre-tax profits achieved by each individual segment. The property segment includes the results achieved by subsidiary property companies (Meridiano Eur, Meridiano Orizzonti, Campo Carlo Magno), whilst the *Other Business* segment summarises trends in subsidiaries, although of limited size, operating within the financial sector and in the Other Services segment (Maa Finanziaria, Sogeiint).

(€K)	Non-life	Life	Property	Other Business	Total
Net premiums	1,333,055	421,945	-	-	1,755,000
Net charges relating to claims	-956,307	-452,098	-	-	-1,408,405
Net commissions	-	2,529	-	-	2,529
Income and expenditure deriving from financial instruments at fair value through profit or loss	14,732	632	-	-	15,364
Net income from subsidiaries and associates and joint ventures	744	-	-	-	744
Income deriving from other financial instruments and investment property	92,473	119,358	3,770	2	215,603
Operating expenses	-256,483	-19,839	-15	-14	-276,351
Other costs net of other income	-46,118	-25,496	-211	-73	-71,898
<b>Pre-tax profit (loss) for the financial year</b>	<b>182,096</b>	<b>47,031</b>	<b>3,544</b>	<b>-85</b>	<b>232,586</b>
Income tax					-79,508
<b>Pre-tax profit (loss) for the financial year</b>					<b>153,078</b>
Profit (loss) on operating activities ceased					-197
<b>Consolidated results of the period</b>					<b>152,881</b>
Minorities' profit (loss) for the financial year					32
<b>Group profit(loss) for the financial year</b>					<b>152,849</b>

The amount shown under the *Profit (loss) on operating activities ceased* item relates to the loss as at 30 June of the subsidiary Novara Assicura, for which a preliminary contract was stipulated in June for the sale of the 100% holding to the Banco Popolare di Verona e Novara Group. The transaction should be complete by 30 November 2007.



## **Non-life insurance business**

Premium income in the first half of 2007 totalled € 1,388,284K, down 3.58% on premium income in the corresponding period the previous year which amounted to € 1,439,810K.

Direct business income was down by 3.17%, with premiums totalling € 1,381,959K, of which € 1,008,153K related to Motor business (-4.75%) and € 373,806K to other Non-life business (+1.35%).

The trend in motor business premiums is in line with planned sales initiatives, which aim to gradually improve the combined ratio by downsizing the fleet portfolio, in the main already achieved, and initiatives to reorganise geographical areas and tariff sectors with an unsatisfactory technical performance. Growth in Land Vehicles business was, in addition, conditioned by ever increasing pressure on prices at market level, in a sector which has, for several years now, guaranteed high profitability.

In other Non-life business, premium growth was mainly due to the effort put into the retail sector on the basis of the guidelines set out in the Fondiara-Sai Group strategic plan, whilst, in the corporate sector, highly competitive market conditions persist which are making it difficult to grow any significant business volumes with adequate profit margins.

In some specific segments, and in particular with regard to Public Bodies, it has, on the contrary, been necessary to tighten up criteria for underwriting risks, with a resulting drop in premium income, which has, however, been offset by a significant drop in the cost of current claims.

In the sector of public procurement of insurance services, indications are that upset prices of premiums are dropping, in the Third Party segment, we are witnessing an ever increasing recourse to the excess tool, resulting in a reduction in average premiums.

A breakdown of gross direct business premiums by class is given below:

(€K)	30/6/2007	30/6/2006	Variation %
Accident and health	117,297	114,668	+2.29
Land Vehicle TPL	871,306	916,050	-4.88
Motor insurance other classes	136,847	142,339	-3.86
Marine, aviation and goods in transit	6,789	7,411	-8.39
Fire and Other Property Damage	131,208	128,725	+1.93
General TPL	91,489	92,953	-1.57
Credit and Bonds	12,946	12,029	+7.62
Sundry pecuniary losses	3,986	3,396	+17.37
Legal protection	3,263	3,146	+3.72
Assistance	6,828	6,516	+4.79
<b>TOTAL</b>	<b>1,381,959</b>	<b>1,427,233</b>	<b>-3.17</b>

Gross claims paid amounted to € 973,869K compared with € 985,275K the previous year (-1.2%). A breakdown of the number of claims filed and the amount of claims, inclusive of costs, paid for Italian direct business is given below:

	Claims filed (Number)			Claims paid (€K)		
	30/6/2007	30/6/2006	Var. %	30/6/2007	30/6/2006	Var. %
Accident and health	38,007	37,644	1.0	55,729	55,267	0.8

Land Vehicle TPL	212,337	226,287	-6.2	695,404	712,400	-2.4
Motor insurance other classes	49,337	48,071	2.6	60,193	61,998	-2.9
Marine, aviation and goods in transit	375	371	1.1	3,017	2,765	9.1
Fire and Other Property Damage	35,062	37,540	-6.6	81,430	73,527	10.7
General TPL	20,837	22,273	-6.4	63,661	62,976	1.1
Credit and Bonds	293	302	-3.0	10,069	12,443	-19.1
Sundry pecuniary losses						
General	186	177	5.1	704	594	18.5
Legal protection	328	431	-23.9	272	275	-1.1
Assistance	18,009	18,031	-0.1	3,390	3,030	11.9
<b>TOTAL</b>	<b>374,771</b>	<b>391,127</b>	<b>-4.2</b>	<b>973,869</b>	<b>985,275</b>	<b>-1.2</b>

With regard to Motor TPL, please remember that on 1 February 2007, the new direct compensation scheme was launched which, in the event of a road accident, enables non-liable or only partially liable injured parties to be compensated direct by their own insurer. What's more, the new compensation procedure does not apply to accidents involving more than two vehicles or distinguished by permanent biological damage resulting from over 9% injuries.

As at 30 June, 76,973 consequential claims had been filed by our policyholders under the new compensation scheme (known as CARD gestionario), 41,233 of which have already been paid out in full. 88,524 consequential claims were filed and received from the clearing house set up for this purpose at CONSAP, in relation to claims for which our insurers are, wholly or partially, liable (known as CARD debitore), 43,931 of which have resulted in full payment of compensation and 44,593 of which have been posted to the reserves.

From a financial perspective, as at 30 June, 48,000 charges had been received from the clearing house with a total equivalent value of € 93,236K. On the other hand, there were 45,609 credits with an equivalent value of € 89,050K.

It has been such a short time since the start of the new compensation procedure that a complete and final evaluation of related economic and financial impacts has not yet been possible. What's more, investments made by the Fondiaria-Sai Group to update its IT systems and train the human resources involved has made it possible to manage the process of transition to the new compensation scheme very efficiently. Overall, the class's technical performance was moderately positive, even if the innovations introduced would suggest that we will have to wait a bit longer before we can trace levels of profitability and performance of economic and management indicators more accurately, the latter showing signs of disparity compared with the same period the previous year.

Land vehicle technical performance remains highly satisfactory and is in line with what was recorded for the first half of 2006.

The overall technical performance of other Non-life classes was also largely positive, although there are still some areas of criticality in the Other TPL sector, with particular reference to contracts signed with Public Bodies. Areas with unsatisfactory performances are monitored by the relevant Group Public Bodies structure, which is in the process of reforming or terminating structurally negative contracts.

### **New products brought onto the market**

The Group's Industry TPL product, which incorporates standard conditions and tariffs in the light of the changes made to employment regulation, was launched.

The new Group Collective Accident policy which standardises risk-taking procedures in the various sales division, is in the process of being published, introducing innovations both in terms of cover and pricing policies. Alignment with what is defined in the Insurance Code in terms of transparency is also provided for in the regulatory framework.

In the second half of 2007, the Group's product list will be supplemented by the sale of a Third Party Liability policy which aims to standardise the insurance industry's response to the needs of specific categories of clients operating within the world of education, sport and leisure and tourism.

A new Group product is also being developed for the sales-related risk segment which, in addition to incorporating the market's new insurance requirements, proposes to streamline and harmonise the types of cover offered by the various sales networks.

## Reinsurance

Non-life business premiums ceded amounted to € 46,874K, pretty much in line with the first half of 2006 (€ 44,753K).

Reinsurance policy remains unchanged compared with the previous year. Risks ceded in the Non-life business class were placed with leading international operators with a high rating (S&P A/AA/AAA) by the affiliated company The Lawrence Re Ireland Ltd.

Treaties underwritten give priority to non-proportional cessions for Fire, Theft, Accident, General TPL, Motor TPL and Land Vehicle classes.

Proportional cession treaties with a non-proportional structure have been maintained to protect against the risk retained in Bond and Credit classes as well as for Aviation risks.

For Technological Risks a proportional and excess of loss reinsurance structure was continued with non-proportional protection combined with Fire and Land Vehicle classes.

Assistance was proportionally reinsured with Pronto Assistance whilst Hail risks are covered by a stop-loss treaty.

Proportional cover with the affiliate SIAT started this year for Transport, Goods and Marine classes.

## Subsidiaries

Essential data for the first half of 2007 relating to operating results for subsidiaries operating in the Non-life insurance sector is given in the table below:

(€K)	gross premiums	var. %	result	net equity not inc. current year result
Dialogo Assicurazioni S.p.A.	6,101	-13.4	-3,336	10,351
Systema Assicurazioni S.p.A.	5,504	-9.6	501	12,886
Novara Assicura S.p.A.	919	71.5	-290	14,263

### DIALOGO ASSICURAZIONI S.p.A. – Milan (direct shareholding 99.85%)

The Company is mainly active in motor product placement over the telephone and on the Internet. In June 2007 the Company launched an advertising campaign aimed at promoting the "DIALOGO" brand via the national press and radio and television channels. The planned cost of these initiatives for the whole of 2007 amounts to € 5,400K. € 3,623K of this has been allocated to the first half year.

The advertising campaign was launched in June and so has not yet produced any positive effects on premium income, which at 30 June 2007 amounted to € 6,101K, down 13.4% on the same period the previous year.

The technical account closed with a negative balance of € 3,458K, compared with the loss of € 77K recorded on 30 June 2006. The deterioration is entirely due to the aforementioned advertising campaign costs, whilst the loss ratio improved.

The profit and loss account closed with a loss of € 3,336K, pretty much the same as in June 2006.

#### **SYSTEMA Compagnia di Assicurazioni S.p.A. – Milan (direct shareholding 100%)**

The company operates within the Non-life sector via the marketing of standardised products distributed through partner banks, with which specific agreements have been concluded.

Gross premiums posted to the accounts in the first half of this financial year amounted to € 5,504K compared with € 6,089K as at 30 June 2006 (-9.61%). In particular, motor business premiums recorded a drop of 16.14% whilst non-motor premiums showed a rise of 34.87% due, in the main, to income produced by the agreement signed with the Banca Popolare di Milano.

The technical account remains positive at € 585K. The drop compared with the first half of 2006 (profit of € 803K) was due to increased operating expenses relating to investment in the IT sector.

The profit and loss account closed with a profit of € 501K (€ 612K as at 30 June 2006).

#### **NOVARA ASSICURA S.p.A. – Novara (direct shareholding 100%)**

The Company had been formed to become the means of implementing the Non-life bancassurance partnership with the Banco Popolare di Verona e Novara to which, on the basis of existing agreements, 50% of the share capital was to be transferred.

In fact, the company places its own insurance products over the counter at branches of the Banca Popolare di Novara, a subsidiary of the Banco Popolare di Verona e Novara.

The prospective Joint Venture with the banco Popolare di Verona e Novara was not, however, launched and, since the initial project has ended up being much smaller than anticipated, the transfer of 100% of Novara Assicura capital to a Banco Popolare di Verona e Novara group company (a transaction already authorised by ISVAP and which will not result in any losses) is planned for the near future.

Premium income as at 30 June amounted to € 919K, including € 776K in motor business. The profit and loss account for the half year was impacted by set-up costs which were not offset by a sufficient volume of business and closed with a loss of € 290K (€ 649K as at 30 June 2006).

Considering the prospective transfer of the entire holding to the Banco Popolare di Verona e Novara, the asset was treated for accounting purposes in the Novara Assicura consolidated accounts as an asset held for sale, in accordance with what is laid down in this respect by international accounting standard IFRS 5. (non-current assets held for sale and discontinued operations).

## **Life insurance business**

## **Alliance and cooperation project with Banca Popolare di Milano in the Bancassurance sector**

On 29 June 2007, Milano Assicurazioni acquired a further 1% capital interest in Bipiemme Vita S.p.A., thereby raising its total holding to a 51% capital interest in the Company and taking exclusive control.

Please remember that, on 14 June 2006, Banca Popolare di Milano (BPM) and Milano Assicurazioni had drawn up an agreement to grow, jointly and exclusively, the BPM Group's bancassurance business in the Life business segment and this was signed on 21 December 2005.

This agreement provided for the implementation of a wider industrial alliance and cooperation project with BPM in the bancassurance sector, to be implemented, not only in the Life business segment, but also in the Non-life segment and in banking and financial services.

In accordance with this agreement, Milano initially purchased from BPM and from the subsidiary Banca di Legnano, a 46% shareholding in Bipiemme Vita S.p.A. with the option of transferring control of the latter from the BPM Group to Milano itself, by means of the sale of a further two shareholdings, of 4% and 1% respectively, on two later dates, by 31 December 2006 and 30 June 2007 respectively, by exercising put and call options, in two tranches, which the parties mutually agreed under specific terms.

BPM and Milano also signed a shareholders' agreement containing Bipiemme Vita's rules of corporate governance, as well as industrial aspects of the partnership, specifying that said Bipiemme Vita should continue to have access to BPM Group distribution networks for a period of 5 years from the closing date, with the option to renew upon expiry for a further 5 years by mutual agreement between the parties.

The purchase price for the 46% shareholding in Bipiemme Vita, initially agreed at € 94.3m, was reduced, in accordance with contract of sale forecasts – to € 90.5m, mainly due to asset variations (distribution of dividends and capital increase) occurring since the date on which the agreement was entered into (December 2005).

The price initially agreed of € 94.3m was, in fact, supposed to be a provisional price, arrived at on the basis of an "appraisal value" approach, the analysis taking into consideration all the value components relating to life business (e.g. embedded value as at 30 June 2005 and goodwill relating to the new products expected from 1 July 2005), to Non-life business (e.g. TCM and Accident and Health business), as well as to Bipiemme Vita's overheads.

The transaction had received the go-ahead from the Italian competition authority and had been authorised by ISVAP in April 2006.

On 18 October 2006, Milano Assicurazioni exercised the first tranche of the aforementioned call option, purchasing 4% of Bipiemme Vita, thereby increasing its holding to 50%. The purchase price, in accordance with contractual estimates, was fixed at € 7.9m.

Finally, as stated, on 29 June 2007, Milano Assicurazioni exercised the second and final tranche of the call option, thereby increasing its holding to 51% and taking exclusive control of the Company, meaning that Bipiemme Vita could be fully consolidated. The purchase price, in accordance with contractual provisions, was fixed at € 2.2m (as for the price already set for the purchase of the 4% shareholding) in accordance with the definitive price paid for the 46% re-valued to the date on which the options exercised at the reference rate were settled, net of any dividends distributed and plus any capital increases paid – both pro-rata – from the date of closing to the settlement date of the option strike price.

Milano's right to exercise the second tranche of the call option has obtained prior approval from a joint committee comprising four members (two per party) called upon to assess the performance and results of the agreement over time, as well as authorisation from ISVAP.

Bipiemme Vita operates via around 700 Banca Popolare di Milano Group counters. The accounts as at 31 December 2006 (compiled in accordance with Italian accounting principles) showed premium

income amounting to € 761.5m and a net profit of € 15.2m. Net equity amounted to € 71.5m whilst total technical reserves amounted to € 3,500.3m.

In the current market, characterised by clients refocusing on traditional insurance products, the partnership enables Bipiemme Vita to benefit from the technical and commercial know-how of a leading insurance operator, fostering the development of new products and improving penetration in respect of BPM clients, and will allow Milano Assicurazioni to benefit from the BPM Group's expertise in commercial banking.

The agreement makes it possible for the BPM Group to obtain wider technical/managerial support in insurance services which is needed in order to pursue, via a product range which responds more effectively to the requirements of its own clients, significant objectives in terms of production volume growth.

This support will also be needed in view of the role that banks and insurance companies can play for families and small to medium-sized companies in anticipation of future growth of supplementary welfare benefits.

The agreement is a further opportunity for the Company and for the Fondiaria-Sai Group to develop the Life sector. From an industrial perspective, the operation is perfectly in line with existing Company and Fondiaria-Sai Group bancassurance agreements which will continue to be strategic elements of the growth policies adopted by both the Company and the Group.

\* \* \*



Direct business premium income for the first half of 2007 totalled € 428,084K compared to premium income of € 289,634K in the first half of 2006, up by 47.80%. The table below gives a breakdown by class and related percentage variations.

(€K)	30/6/2007	30/6/2006	Variation %
I Whole of life insurance	218,097	160,702	+ 35.72
III Investment-related insurances referred to in points I and II	73,511	330	n.s.
IV – Health insurance	44	35	+25.71
V - Capitalisation operations	136,432	128,567	+ 6.12
<b>TOTAL</b>	<b>428,084</b>	<b>289,634</b>	<b>+ 47.80</b>

2007 data includes the proportional consolidation of 50% of the Bipiemme Vita profit and loss account resulting in a premium income contribution totalling € 143,186K, including € 75,475K for traditional-style products, € 43,278K for investment fund and market index-related insurances and € 24,421K for capitalisation products, plus € 12K for premium income relating to health insurance.

Given the same basis of consolidation, i.e. net of the contribution made by Bipiemme Vita, premium income as at 30 June amounted to € 284,900K (-1.64% compared with the 1st half of 2006). The drop was mainly due to reduced product income from the banking channel as well as to fewer pure capitalisation contracts with institutional clients, a decision having been taken to operate in this sector only subject to achieving adequate profit margins, against the background of a market that often offers underwriting opportunities with insufficient profitability. On the other hand, premium income from the agency network was, on the whole, up.

In the half-year in question, € 6,592K worth of contracts of a financial nature were also issued, € 4,472K of which related to income from Bipiemme Vita. In line with what is laid down by IFRS 4, these contracts were posted to the accounts using the deposit accounting method which provides solely for the allocation to profit and loss, under the *commission income* item, of profit margins.

Purely for information purposes, premium income for new products, determined in line with Supervisory Authority requirements, are given below:

(€K)	30/6/2007	30/6/2006	Variaz. %
Class I	117,063	77,593	+50.9
Class III	73,349	102	n.s.
Class V	115,109	105,480	+ 9.1
<b>TOTAL</b>	<b>305,521</b>	<b>183,175</b>	<b>+ 66.8</b>

The increase in new premium income is mainly derived from the contribution made by Bipiemme Vita amounting to € 133,551K.

Life sector pre-tax profit amounted to € 47,031K, inclusive of the contribution made by the proportional consolidation of Bipiemme Vita, amounting to € 4,457K, already net of depreciation allowances for the half year. The result was hit badly by value adjustments on the equity portfolio posted to the fair value through Profit or Loss category (€ 10,085K), generated following the continuation of the upward trend in interest rates which is penalising the prices of securities already in circulation. The drop in the overall result compared with the 1st half of 2006 (which had recorded a pre-tax profit of € 48,306K) was mainly due to a drop in capital gains realised from securities trading.

In the individual insurances sector, the parent company Milano Assicurazioni witnessed the continuation of the offer of products linked to Segregated Accounts which fulfil requirements of safety and high returns, always appreciated by customers.

Over the half year, a new property-linked, single premium product with an immediate return, known as RENDITA ASSICURATA was made available to the networks, which provides, in addition to the usual payment of a life annuity to the Policyholder, a decreasing return of premiums which guarantees designated beneficiaries the payment of a capital amount in the event of death, the occurrence of a "dread disease" or should the Policyholder become disabled.

The new OPEN FREE product was also launched which, responding to an increasingly heartfelt market request, does not load the premium, apart from by a fixed amount, but instead charges an annual management fee, formulated according to the amount invested and the duration of the policy. In the light of these characteristics, the product may represent a further tool for protecting capital upon expiry, particularly for middle-aged customers and above.

With regard to investment fund and market index-linked products, two new index-linked products were launched in the half-year in question:

- Index Linked MATCH RACE, characterised by an innovative optional mechanism which makes it possible to compare two stock market indices, one European index built on a selection of high-return securities and a "general" index, representing the USA stock market as a whole.
- Index Linked GLOBAL RACE which, being characterised by the comparison, in 3 worldwide major financial areas, of the performances of a stock market index built on a selection of high-dividend securities (Select Dividend) and the corresponding generic index representing the entire market, makes it possible to target the yield potential of the most profitable securities compared with the reference market as a whole.

In reference to the subject of the supplementary pension reform, in May 2007, COVIP decided to approve the regulation of the PIP "Più Pensione" product, with resultant listing in the Pension Funds Register. Since the last few weeks of May, the Agency Network has, therefore, been able to initiate the collection of contributions from self-employed workers and professionals. On the basis of current legislation, contributions can, on the other hand, only be collected from employed workers from the start of the second half of 2007.

In the corporate sector, Milano Assicurazioni activity has been focused on monitoring the "Pre-existing Pension Funds" segment, for which 30 June represented the deadline for individual workers to decide on their staff-leaving indemnity allocation. In particular, please note that, in fact, all the Clients in the portfolio were contacted, so as to create the best conditions to encourage the transfer of maturing staff-leaving indemnity to said Pension Funds.

Given the constraints imposed by current regulations, which only allow transfers to start in July, the effects of the activities conducted so far will only emerge from the 3rd quarter of the year onwards. We can, however, now report the considerable interest that this initiative has aroused in customers.

With regard to the capitalisation policies' sector, the increasing difficulty, even in the light of the current growth in the financial markets, of penetrating the client segment at which the product is aimed (institutional contracting parties with considerable sums of cash to invest) which tends to involve the distribution of policies with decreasing profit margins, was confirmed.

With regard to the distribution of VALORE TFM and VALORE TFR products, a drop in the number of new clients was witnessed, this being unexpected in the light of the supplementary pension initiative referred to above – which would imply that the trend is to transfer the quota of staff-leaving indemnity maturing, to supplementary pension schemes and not to this type of contract. Despite this fact, we did, however, succeed in maintaining a sizeable level of distribution, added to which a high workload in terms of consultancy to Client Companies regarding the contents of Supplementary Pension Schemes, enabling us, in particular, to put the emphasis on the allocation of pre-paid staff-leaving indemnity.

## Reinsurance

In Life business, premiums ceded amounted to € 6,186K, compared with € 5,557K recorded in the 1st half of 2006. Again in this case the reinsurance structure remained unchanged compared with the previous year, with proportional cover, cover in excess of loss and catastrophe cover in excess of loss.

## Subsidiaries

### **BIPIEMME VITA S.p.A. – Milan (direct shareholding 51%)**

In the first six months of 2007, Bipiemme Vita, one of the insurance market's most lively protagonists, focused its activity on streamlining its product portfolio which has been renewed and simplified to satisfy customers' emerging needs more effectively, and on the immense care given to financial management of policies with guaranteed capital and returns.

Relevant data for the 1st half of 2007, determined in accordance with IAS/IFRS accounting criteria, can be summarised as follows:

- the trend in premium income was positive, recording, as at 30 June 2007, a value of € 289m (€ 216m as at 30 June 2006), of which € 286m was due to Life policies and € 3m to Non-life policies;
- sums paid out amounted to € 63m (€ 43m as at 30 June 2006), including € 62m relating to Life business and € 1m relating to Non-life business;
- the result for the period determined a net profit of € 10.5m (€ 6.1m as at 30 June 2006).

**FONDIPREV S.p.A. - Florence** (direct shareholding 60%)

The Company operates in the Life sector via the banking channel. New contracts have been issued over the counter at branches of the Banca delle Alpi Marittime, whilst direct management of old contracts continues.

Two new bancassurance agreements were signed during the first half of 2007: with UBS for the placement of pure capitalisation products and with BPM Vita for the placement of individual pension plans. None of these agreements has yet produced any effects on the Company's portfolio as at 30 June but we are expecting positive results in the next few months.

Gross premiums posted to the accounts in the first half of the financial year amounted to € 152K compared with € 165K for the corresponding period of 2006 (-7.61%).

The profit and loss account as at 30 June closed with a net profit of € 57K, compared with the profit of € 93K achieved in the corresponding period the previous year.

## **Property Business**

The trend in Company subsidiaries operating in the property sector in the first half of 2007 is summarised by the table below:

	production value	var. %	result	net equity not inc. current year result
(€K)				
Meridiano Eur	-	-	2,150	109,962
Meridiano Orizzonti	1,026	-1.4	487	59,362
Campo Carlo Magno S.p.A.	627	-3.5	95	6,856

#### **MERIDIANO EUR – Milan** (direct shareholding 100%)

The Company owns premises built in Assago, previously Milano Assicurazioni's registered office and currently involved in a restructuring project, with a book value of € 34,344K. It also holds shares in the property investment fund "Tikal R.E. Fund", with a book value of € 76,506K, deriving from the contribution to said fund during the 2004 financial year, of the owned premises located in Rome at Piazzale dell'Industria.

The half year in question closed with a net profit of € 2,150K, up significantly on the result for the 1st half of 2006, amounting to € 878K, due to greater profits distributed by the Tikal Fund.

#### **MERIDIANO ORIZZONTI – Milan** (direct shareholding 100%)

The Company owns a property in Milan at Piazza S.M. Beltrade, 1 with a book value of € 55,208K. The first half of 2007 closed with a net profit of € 487K, in line with what was achieved in the corresponding half of the previous year.

#### **CAMPO CARLO MAGNO S.p.A. - Madonna di Campiglio** (direct shareholding 100%)

The Company, purchased by Milano Assicurazioni in December 2005, owns a hotel complex in Madonna di Campiglio called the GOLF HOTEL.

In December, it stipulated a company lease contract with Atahotels S.p.A. which laid down rent of 20% of the net annual revenue, with the provision, in any event, of a guaranteed minimum. The transaction guarantees the Company an adequate return on the line of company business leased, in accordance with what is comparable on the market for similar transactions.

During the half year, the company incorporated Campo Carlo Magno Sport s.r.l., a company entirely controlled by Milano Assicurazioni and owning concessions for managing ski slopes, ski lifts and golf courses belonging to the Golf Hotel complex. The deed of merger was stipulated in April and provides for accounting and fiscal effects backdated to 1 January 2007.

The result as at 30 June 2007 amounted to a profit of € 95K (€ 76K as at 30 June 2006).

## **Other Business Sector**

Companies included in this sector are shown in the table below:

	Production value	var. %	result	net equity not inc. current year result
(€K)				
Maa finanziaria s.p.a.	13	44.4	-1	924
Sogeint s.r.l.	1,627	3.8	-86	100

**MAA FINANZIARIA – Milan** (direct shareholding 100%)

The Company, originally active in the sector of financial leases on capital goods and corporate financing, currently limits itself to managing some existing portfolio finance contracts. The profit and loss account as at 30 June 2007 closed with a loss of € 1K.

As part of the process of reorganising the Fondiaria-Sai Group corporate structure, the opportunity to proceed with the merger by incorporation of Maa Finanziaria S.p.A. into Milano Assicurazioni S.p.A. has arisen.

Given that Milano Assicurazioni owns 100% of the share capital, the merger will take place in a simplified form, without any share swaps. In addition, the merger has been approved by the Milano Assicurazioni Board of Directors.

The plan is to stipulate the deed of merger, once the legal deadline for any opposition to be raised by creditors has passed, by the end of this year.

**SOGEINT – Milan** (direct shareholding 100%)

This Company operates in the sector of commercial assistance to agencies. The profit and loss account as at 30 June 2007 closed with a loss of € 86K (profit of € 77K in the 1st half of 2006).



## **Asset and financial management**

In the first half of 2007, the world economic trend benefited both from the continued growth of countries within the BRIC area (Brazil, Russia, India, China), and from the excellent performance recorded as a whole by European economies.

These growth generators have offset, for the major part of the half year, slower growth in the United States, hit by a profound economic slowdown in its manufacturing sectors, which have only started to show signs of an upturn in the last few weeks and, above all, in the land and buildings sector. The substantial capacity of the United States labour market has, however, maintained a satisfactory trend in household consumption, thereby limiting the negative consequences for the economic system as a whole.

Continued growth in the Far East has enabled the European economy to grow at a steady rate (3.1% in the 1st quarter), also following an increase in domestic consumption, encouraged by the drop in the European unemployment rate and by greater consumer optimism, first and foremost amongst the Germans.

The continued rise in the price of raw materials, as well as salary pressures linked to an almost saturated production capacity, caused the European Central Bank to continue to harmonise reference rates, currently at 4%, a level which cannot, however, be the high point of this restrictive cycle.

In the United States, on the other hand, in the 1st half of the year, the FED maintained a monetary policy "on hold" at 5.25%, assuming that, as a whole, the American economy could probably not afford to allow itself the rate cuts which, on the one hand, would have helped to promote an upturn in the land and buildings sector and, on the other, would have given too much space for dangerous increases on the inflation front.

In August, however, following the turbulence in the financial markets triggered by the so-called subprime loans crisis, the FED took the decision to make a 0.50% cut in the Official Bank Rate, with the intention of taking the pressure off financing by credit institutions at a time when there was a lack of liquidity, at the same time showing the market signs of confidence.

The bond market, involved in a monetary restriction process coordinated by the main Central Banks, with the exception, as has been said, of the USA and, at least for the time being, Japan, has not been able to do anything other than adjust to the new rates. On the whole, we witnessed a better performance from American rather than European government securities, following doubts over the strength of the American economy and, vice versa, the widespread consensus over Europe's capacity to continue to grow at a steady rate, with consequent continuation of the monetary restriction process by the European Central Bank.

The corporate market has experienced quite a positive six months, above all with regard to the investment grade sector, on the basis of the fact that companies are continuing to make profits, with very healthy balance sheets and a level of borrowing that is, in the main, quite low.

What's more, the American property crisis has caused tensions at the level of particular financial engineering structures such as CDO and CLO, the effects of which are reflected in a general repricing of corporate risk, with differing impacts on International Agency rating levels.

In the half year in question, the Euro has performed extremely well against the Dollar and the Yen, thanks to various Central Bank monetary strategies on the one hand, and the diverse state of the real economy on the other. Although on the one hand, the continued strength of the currency (new highs were achieved against Japanese and American currencies) helps to reduce fuel bills and the import of inflation, on the other, it starts to make international competition more difficult for lots of European companies, the French and Italians in particular.

The stock market recorded another positive half year, with growth in the major stock market indices of between 6% and 10% inclusive. Worldwide economic growth, which is extremely strong and balanced, from a geographical point of view, rates that are still reasonable, levels of corporate debt still under control and attractive dividend yields have, in fact, once again reassured operators in search of an efficient investment in terms of risk/return.

Any doubts and fears on the part of investors were, however, revealed in the last quarter, the latter having been expressed firstly by increased volatility and, in August, by a significant correction of the stock market indices in all the major stock markets worldwide. This may be the prelude to a phase of

maturity in the economic cycle, which will now no longer see two figure growth in corporate profits. In this scenario, selecting securities becomes even more important, as well as the capacity make the most of the increased volatility by trading.

From a sectoral perspective, financial securities have proved to be the hardest hit by the economic backdrop, having suffered the impact of the rates scenario as well as doubts over developments in the property market and future trends in bad debts (subprime in particular). On the other hand, a brilliant performance was demonstrated by Industrials and Primary Goods, due to their link with strong growth in BRIC area countries.

The trading desk has been able to seize upon interesting trading opportunities, in the half year in question, by realising capital gains on Utility and Oil financial market securities, reducing the percentage of these securities held and redirecting the portfolio towards non-cyclical sectors (Healthcare and TMT). In Non-life classes, between the end of May and the start of June, we reduced the current assets component, previously increased earlier in the half year.

At the level of Fixed Income, financial business developed in the first half of 2007, witnessed a slight increase in duration in the Non-life segment, with the aim of benefiting from an increase in ordinary profitability. Trading also took advantage of market opportunities.

The Government variable rate component was reduced slightly, having already benefited from the higher rate of return in terms of coupons whilst the market focused on the end of the rate rise policy implemented by the Central Banks.

In the Life segment, investments with high ordinary profitability and contained risk continued to be the preferred choice, seeking to monitor and fill the Duration Gaps of the various Segregated Accounts at the most opportune moments.

As at 30 June 2007, the volume of investments reached € 13,017,103K compared with € 11,291,660K as at 31 December 2006 (+15.28%). € 1,796,648K of this increase derived from the change in the method of consolidating Bipiemme Vita from proportional to full.

The table below also shows tangible assets due to the significance of the land and buildings for self use component as well as available cash and because of the importance of these assets in ensuring accurate representation of the level of increase in an insurance group's capital.

(€K)	30/06/2007	% comp.	31/12/2006	% comp.	Variation %
<b>INVESTMENTS</b>					
Investment property	376,279	2.81	375,294	3.24	0.26
Holdings in subsidiaries, associates and joint ventures	12,663	0.09	13,469	0.12	-5.98
Loans and receivables	147,263	1.10	148,619	1.28	-0.91
Investments held to maturity			-	-	-
Financial assets available for sale	9,497,347	71.00	8,836,179	76.29	7.48
Financial assets at fair value recognised through profit or loss	2,983,551	22.30	1,918,099	16.59	55.55
<b>Total investments</b>	<b>13,017,103</b>	<b>97.31</b>	<b>11,291,660</b>	<b>97.49</b>	<b>15.28</b>
Tangible assets: land and buildings and other tangible assets	169,898	1.26	154,077	1.33	9.62
<b>Total non-current assets</b>	<b>13,187,001</b>	<b>98.58</b>	<b>11,445,737</b>	<b>98.82</b>	<b>15.20</b>
Cash and cash equivalents	190,448	1.42	136,906	1.18	39.11
<b>Total non-current assets and cash and cash equivalents</b>	<b>13,377,449</b>	<b>100.00</b>	<b>11,582,643</b>	<b>100.00</b>	<b>15.49</b>

Available for sale financial assets and financial assets at fair value recognised through profit or loss can be broken down as follows:

(€K)	30/06/2007	31/12/2006	Variation %
<b>Available for sale financial assets</b>	<b>9,497,347</b>	<b>8,836,179</b>	<b>7.48</b>
Capital securities and investment fund units	2,037,708	1,856,892	9.74
Debt securities	7,459,639	6,979,287	6.88
<b>Financial assets at fair value recognised through profit or loss</b>	<b>2,983,551</b>	<b>1,918,099</b>	<b>55.55</b>
Capital securities and unit trusts	1,035,738	629,384	64.56
Debt securities	1,945,633	1,286,366	51.25
Other financial investments	2,180	2,349	-7.24

Available for sale financial assets comprise debt and capital securities not otherwise classified and are by far the largest category of financial instruments, in line with the characteristics and aims of the insurance business.

Financial assets at fair value recognised through profit or loss comprise securities held for trading as well as those designated by group companies in this category.

The table below highlights financial and property results:

(€K)	30/6/2007	30/6/2006	Variation %
Net income deriving from financial instruments at fair value recognised through profit or loss	15,364	-8,966	n.s.
Income from holdings in subsidiaries, associates and joint ventures	810	254	218.90
Income deriving from other financial instruments and investment property including:	243,875	211,299	15.42
Interest received	136,213	114,298	19.17
Other income	51,104	39,252	30.19
Profits realised	56,558	57,749	-2.06
Valuation profits	-	-	-
<b>Total income</b>	<b>260,049</b>	<b>202,587</b>	<b>28.36</b>
Liabilities from holdings in subsidiaries, associates and joint ventures	-66	-	n.s.
Liabilities deriving from other financial instruments and investment property including:	28,272	15,180	86.25
Interest paid	8,039	3,356	139.54
Other liabilities	4,335	4,388	-1.21
Losses	13,154	4,813	173.30
Unrealised losses	2,744	2,623	4.61
<b>Total charges and interest paid</b>	<b>-28,338</b>	<b>15,180</b>	<b>86.68</b>
<b>TOTAL NET INCOME</b>	<b>231,711</b>	<b>187,407</b>	<b>23.64</b>

## Stock Option Plans for Options on Fondiaria-Sai parent company shares

Please remember that, on 14 July 2006, the Fondiaria-Sai Board of Directors decided to allocate the options referred to in the Fondiaria 2006-2011 Stock Option plans to executive directors and management of said Fondiaria-Sai, of its subsidiaries and parent company, to purchase Fondiaria-Sai savings shares.

The Board made this allocation in execution of the decision taken by the Fondiaria-Sai extraordinary shareholders' meeting on 28 April 2006.

The share subscription price was determined by the Board, by applying the criterion for determining the subscription price decided by the Shareholders' meeting, at € 21.546 per share, amounting to the arithmetic mean of reference prices for Fondiaria-Sai savings shares on the market in the thirty days prior to the date on which the rights were allocated.

As a consequence of the amendments made to the regulations of Fondiaria-SAI Board of Directors' plans of 20 June 2007, options cannot be exercised prior to the completion of a vesting period, in accordance with the following procedures:

- 40% of the options can be exercised from 14 July 2007 (12 months after the allocation date);
- 30% of the options cannot be exercised within 24 months of the allocation date;
- 30% of the options cannot be exercised within 36 months of the allocation date.

Alternatively, once the vesting period is over, the beneficiaries may:

- keep the options until maturity;
- exercise the options, subscribing the shares and keeping them in a portfolio;
- exercise the options, subscribing the shares and selling them on the market;

Exercising of the options is, therefore, bound up with the main objectives of the Fondiarai-Said 2006-2008 Industrial Plan being achieved.

In any event, options not exercised within 5 years of the date of the Shareholders' meeting will lapse automatically.

In this context, the stock option allocated to Milano Assicurazioni executive directors and managers amounted to 2,872,920 shares with an overall estimated value of € 8m, to be distributed throughout the duration of the vesting periods of the various tranches.

## Own and parent company shares

As at 30 June 2007, the group leader Milano Assicurazioni held own shares, shares in the direct parent company Fondiaria-Sai and in the indirect parent company Premafin as in the amounts shown in the table below:

(€K)	(Number)	Amount
Own Shares	2,080,460	12,010
Fondiaria-Sai shares	6,958,723	249,540
Premafin shares	9,157,710	22,720
<b>SUM TOTAL</b>		<b>284,270</b>

The following market transactions were completed during the half year in question in accordance with procedures laid down by related decisions taken at Shareholders' meeting:

- purchase of 489,500 Fondiaria-Sai shares with a value totalling € 17,790K and sale of 333,334 Fondiaria-Sai shares, with an equivalent value of € 12,088K and realising capital gains of € 6,788K;
- purchase of 605,000 own shares, with an equivalent value of € 3,739K.

### **Milano Assicurazioni share performance**

As at 30 June 2007, the share capital of the parent company, Milano Assicurazioni, was made up of 472,205,009 shares with a nominal value of € 0.52, of which 441,465,127 were ordinary shares and 30,739,882 savings shares. During the first half of 2007, the share capital increased by € 2,567K following the subscription of 4,935,682 ordinary shares further to the conversion of 12,339,205 Milano Assicurazioni 1998-2007 warrants.

As at 30 June 2007, a further 10,905,498 ordinary shares were subscribed following the conversion, by related holders, of 27,263,745 Milano Assicurazioni 1998-2007 warrants, whose final conversion period expired on 30 June 2007. The new share capital, inclusive of the new shares subscribed, was deposited with the Register of Companies on 26.07.07.

During the first half of 2007, the stock market listing fluctuated between a minimum of € 6.017 (13.06.07) and a maximum of € 7.356 (03.05.07) for ordinary shares and between a minimum of € 6.115 (04.01.07) and a maximum of € 7.331 (04.05.07) for savings shares.

As at 30 June 2007 the following stock market listings were recorded:

<i>(Euro units)</i>	<b>30/06/2007</b>	<b>31/12/2006</b>	<b>Variation %</b>
Milano Assicurazioni ord.	6.131	6.174	-0.70
Milano Assicurazioni sav.	6.260	6.128	+2.15

The corresponding stock market capitalisation at the end of the half year amounted to € 2,899.1m (€ 2,883.5m as at 31.12.06).

Stock market capitalisation, based on prices on 31 August 2007 of € 6.021 for ordinary shares and € 5.823 for savings shares, amounted to € 2,902.7m.

### **CONSOB Communication no. 7079556 of 30 August 2007**

With regard to CONSOB requirements in relation to the so-called subprime loan segment crisis, we hereby state that neither Milano Assicurazioni nor the other group companies have any exposure as suppliers of the so-called subprime loans, nor as investors at risk on our own behalf, nor as managers of financial products which have said loans as the underlying asset.

## **Other information**



## **Current disputes**

As at 30 June 2007, 28,500 legal actions had been instituted in respect of claims, 21,173 of which relating to Motor TPL business. Over the year, 6,582 actions were settled, 5,626 relating to Motor TPL business.

The disputes constituted by civil actions brought by Company policyholders claiming partial reimbursement of the Motor TPL premium for alleged antitrust activities in Motor TPL which Milano Assicurazioni may have been involved, in league with other major Companies within the insurance sectors, are still ongoing, albeit to a much lesser extent. There was a drop in the number of cases both with the entry into force of Legislative Decree No. 18 of 8/2/2003 converted into Law No. 63 of 7/4/2003 n. 63, which made this type of dispute subject to the legal rules of process and due to ruling No. 2207/05 of the Court of Cassation United Sections, according to which the Appeal Courts rather than Justices of the Peace are deemed competent to rule on the aforementioned cases in execution of art. 33 of Law 287/1990. Following this decision, disputes brought before Justices of the Peace have been practically non-existent whilst some cases have been brought before Appeal Courts but this has been limited to certain geographical areas.

In greater detail, there were 1,598 cases pending as at 30.06.07. Outlay sustained to date amounts to € 5,281,000K (approximately € 868.46 per case).

It should also be noted that the United Sections of the Court of Cassation pronounced on the matter by refusing the appeals filed by Companies sanctioned and rendering the sanction issued by the Italian Competition Authority as well as decisions given by Lazio regional administrative court and the Council of State which, in turn, refused the Companies' appeals, final.

## **Manager responsible for preparing company accounts**

On 20 June 2007, the Board of Directors appointed Dr. Pier Giorgio Bedogni as the Manager responsible for preparing company accounts, in accordance with art. 154-bis of Legislative Decree no. 58/98.

## **Significant events occurring after the end of the half year**

No significant events occurred between the half year end and the date on which this report was drafted.

## **Business outlook**

Within the scope of Non-life insurance business, the second half of the year will see the continuation of risk-taking policies that enable satisfactory profitability levels to be maintained.

In Motor classes, the downsizing of the fleet portfolio is almost complete and the painstaking monitoring of results on a geographical and price basis will continue, with the aim of acting promptly where economic results prove to be unsatisfactory and achieving gradual improvement of the combined ratio.

Calling upon the wide-ranging database at the Fondiaria-Sai group's disposal, the tariff offered will be increasingly based on customisation criteria, from the perspective of seizing the opportunities offered by an ever greater correlation between the premium and the contracting party's risk profile. The second half of the year will also see the consolidation of the new direct claims settlement procedure which was launched this February. Investments made by the Fondiaria-Sai Group to update its IT systems and train the human resources involved, is making it possible to manage the new settlement process with high and steadily increasing levels of efficiency. With regard to related economic impacts, the short space of time since the start of Direct Compensation and the considerable extent of the innovations introduced would suggest that we will have to wait a bit longer before we can accurately plot levels of profitability and trends in management and economic indicators, which are showing signs of major disparity compared with previous years.

In other Non-life classes, the objective is to continue with steady growth, above all in the retail sector which offers satisfactory levels of profitability. To this end sales campaigns and specific sales initiatives will be promoted, during which the agency network may, amongst other things, take advantage of particular support from managerial structures. Initiatives to review contracts which, although not performing negatively, were issued a long time ago and, therefore, offer the opportunity to bring terms and performances into line with current risk-taking criteria, will continue.

In the corporate sector, priority will be given to safeguarding profit margins by adopting and, if necessary, reinforcing criteria aimed at maintaining a policy of underwriting risks on the basis of rigorous technical criteria. In particular, contracts with Hospital Trusts and Local authorities that are showing signs of criticality, will continue to be monitored closely.

In the life sector, attention will continue to be given to the portfolio with regard to products of a traditional nature with annual or recurrent premiums, capable of providing adequate levels of profitability and guaranteeing added value for the portfolio in the long term. The second half of the year will benefit from the new regulations on allocation of the staff-leaving indemnity and will, in addition, witness the consolidation of the Milano Assicurazioni open-ended pension fund, which started accepting members in June and which will make it possible to complete the Company's offer in the Supplementary Pension sector, from which major growth opportunities are expected over the next few years. Initiatives to protect capital amounts upon expiry, seizing the opportunities arising from being able to offer customers an up-to-date range of products from the Company's product list, capable of meeting various insurance and social welfare requirements, will also be expanded.

Underwriting pure capitalisation premiums, above all in respect of institutional clients with considerable amounts of cash to invest, will continue to be the subject of particular attention, but will be limited to accounts that achieve sufficient levels of profitability.

Finally, sales campaigns and training initiatives will continue, mainly for points of sale offering significant growth potential.

Asset and financial management will aim to achieve a meticulous balance of risks and a diversification of investments, in line with the strategic objectives of the Fondiaria-Sai Group industrial plan.

Against an economic and financial backdrop that is increasingly subject to unexpected mood swings and is characterised by rising volatility, the rates curve trend, the soundness of corporate issues and

related spread movements, the sustainability of the generous policy of company dividends as well as developments in the USA subprime loan market crisis, which is resulting in a general repricing of credit risk, will be monitored very carefully.

The economic result achieved in the half year in question is in line with Group planning and means that a satisfactory result can be anticipated for the financial year, unless any particularly negative events occur which are not currently foreseeable.

## **Accounts Tables**

In accordance with IAS 34 (Interim Financial Reporting) please find below:

- Balance sheet
- Profit and loss account
- Table of changes in net equity
- Financial statement
- Explanatory notes, compiled in accordance with full disclosure.

The balance sheet, profit and loss account, table of changes in net equity and financial statement presented below have been prepared in accordance with models approved by ISVAP in Directive No. 2460 of 10 August 2006 and by following, wherever compatible, the instructions contained in ISVAP Directive No. 2404 of 22 December 2005.

The explanatory notes take into account the information explicitly requested by the aforementioned ISVAP Directive 2460 and contain additional information considered best practice.



**CONSOLIDATED HALF YEAR REPORT AS AT 30 JUNE 2007**

Amounts in €K

**BALANCE SHEET - ASSETS**

		<b>30/6/2007</b>	<b>31/12/2006</b>
<b>1</b>	<b>INTANGIBLE ASSETS</b>	<b>336,143</b>	<b>241,896</b>
1.1	Goodwill	196,184	195,926
1.2	Other intangible assets	139,959	45,970
<b>2</b>	<b>TANGIBLE ASSETS</b>	<b>169,898</b>	<b>154,077</b>
2.1	Immovable assets	29,822	29,706
2.2	Other tangible assets	140,076	124,371
<b>3</b>	<b>REINSURERS' SHARE OF THE TECHNICAL PROVISIONS</b>	<b>358,980</b>	<b>344,656</b>
<b>4</b>	<b>INVESTMENTS</b>	<b>13,017,103</b>	<b>11,291,660</b>
4.1	Investments in property	376,279	375,294
4.2	Shareholdings in subsidiaries, affiliated companies and <i>joint venture</i>	12,663	13,469
4.3	Investments held to maturity		
4.4	Financing and loans	147,263	148,619
4.5	Financial assets available for sale	9,497,347	8,836,179
4.6	Financial assets recorded at fair value in the profit and loss account	2,983,551	1,918,099
<b>5</b>	<b>SUNDRY RECEIVABLES</b>	<b>724,834</b>	<b>869,635</b>
5.1	Receivables arising out of direct insurance	540,154	632,261
5.2	Receivables arising out of reinsurance	33,420	41,893
5.3	Other receivables	151,260	195,481
<b>6</b>	<b>OTHER ASSET ITEMS</b>	<b>332,528</b>	<b>281,295</b>
6.1	Non-current assets or of an outgoing group owned for sale	16,668	772
6.2	Deferred acquisition costs	82,725	79,088
6.3	Deferred fiscal assets	25,508	26,841
6.4	Current fiscal assets	123,026	117,929
6.5	Other assets	84,601	56,665
<b>7</b>	<b>CASH AT BANK AND IN HAND AND EQUIVALENT</b>	<b>190,448</b>	<b>136,906</b>
	<b>TOTAL ASSETS</b>	<b>15,129,934</b>	<b>13,320,125</b>

**CONSOLIDATED HALF YEAR REPORT AS AT 30 JUNE 2007***Amounts in €K***BALANCE SHEET - NET EQUITY AND LIABILITIES**

		<b>30/6/2007</b>	<b>31/12/2006</b>
<b>1</b>	<b>NET EQUITY</b>	<b>2,101,625</b>	<b>1,989,151</b>
<b>1.1</b>	<b>relating to the group</b>	<b>2,008,190</b>	<b>1,985,504</b>
1.1.1	Capital	245,548	242,981
1.1.2	Other equity instruments		
1.1.3	Capital reserves	425,373	360,041
1.1.4	Reserves for profits and other equity reserves	949,763	838,567
1.1.5	(Own shares)	-12,010	-8,271
1.1.6	Reserve for net exchange differences		
1.1.7	Profits or losses on financial assets available for sale	247,249	306,681
1.1.8	Other profits or losses recorded directly in the equity	-582	-2,349
1.1.9	Profit (loss) in the year relating to the group	152,849	247,854
<b>1.2</b>	<b>relating to third parties</b>	<b>93,435</b>	<b>3,647</b>
1.2.1	Capital and reserves of third parties	94,966	3,572
1.2.2	Profits or losses recorded directly in the equity	-1,563	-6
1.2.3	Profit (loss) in the year relating to third parties	32	81
<b>2</b>	<b>PROVISIONS</b>	<b>76,604</b>	<b>79,271</b>
<b>3</b>	<b>TECHNICAL PROVISIONS</b>	<b>9,764,021</b>	<b>9,081,110</b>
<b>4</b>	<b>FINANCIAL LIABILITIES</b>	<b>2,595,705</b>	<b>1,547,796</b>
4.1	Financial liabilities recorded at fair value in the profit and loss account	2,274,281	1,233,285
4.2	Other financial liabilities	321,424	314,511
<b>5</b>	<b>PAYABLES</b>	<b>316,173</b>	<b>391,797</b>
5.1	Payables arising out of direct insurance	42,820	73,429
5.2	Payables arising out of reinsurance	11,785	14,278
5.3	Other payables	261,568	304,090
<b>6</b>	<b>OTHER ITEMS IN THE LIABILITIES</b>	<b>275,806</b>	<b>231,000</b>
6.1	Liabilities of an outgoing group owned for sale	2,862	762
6.2	Deferred fiscal liabilities	99,534	53,597
6.3	Current fiscal liabilities	1,449	1,474
6.4	Other liabilities	171,961	175,167
	<b>TOTAL NET EQUITY AND LIABILITIES</b>	<b>15,129,934</b>	<b>13,320,125</b>

**CONSOLIDATED HALF YEAR REPORT AS AT 30 JUNE 2007**

Amounts in €K

**PROFIT AND LOSS ACCOUNT**

		<b>30/6/2007</b>	<b>30/6/2006</b>
1.1	Net premiums	1,755,000	1,677,517
1.1.1	<i>Gross premiums for the period</i>	1,806,811	1,726,659
1.1.2	<i>Premiums ceded in reinsurance for the period</i>	-51,811	-49,142
1.2	Commission receivable	9,380	467
1.3	Income and expenditure deriving from financial instruments recorded at fair value in the profit and loss account	15,364	-8,966
1.4	Income deriving from shareholdings in subsidiaries, associated companies and joint ventures	810	254
1.5	Income deriving from other financial instruments and property investments	243,875	211,299
1.5.1	<i>Interest receivable</i>	136,213	114,298
1.5.2	<i>Other income</i>	51,104	39,252
1.5.3	<i>Profits realised</i>	56,558	57,749
1.5.4	<i>Valuation gains</i>		
1.6	Other revenue	57,951	43,991
<b>1</b>	<b>TOTAL REVENUE AND INCOME</b>	<b>2,082,380</b>	<b>1,924,562</b>
2.1	Net charges relating to claims	1,408,405	1,312,102
2.1.2	<i>Amounts paid and change in technical reserves</i>	1,447,439	1,338,459
2.1.3	<i>Reinsurers' share</i>	-39,034	-26,357
2.2	Commission payable	6,851	87
2.3	Charges deriving from shareholdings in subsidiaries, associated companies and joint ventures	66	
2.4	Charges deriving from other financial instruments and property investments	28,272	15,180
2.4.1	<i>Interest payable</i>	8,039	3,356
2.4.2	<i>Other charges</i>	4,335	4,388
2.4.3	<i>Losses realised</i>	13,154	4,813
2.4.4	<i>Valuation losses</i>	2,744	2,623
2.5	Management costs	276,351	261,837
2.5.1	<i>Commission and other acquisition costs</i>	230,822	224,087
2.5.2	<i>Investment management charges</i>	3,226	2,968
2.5.3	<i>Other administration costs</i>	42,303	34,782
2.6	Other costs	129,849	127,817
<b>2</b>	<b>TOTAL COSTS AND CHARGES</b>	<b>1,849,794</b>	<b>1,717,023</b>
	<b>PRE-TAX PROFIT (LOSS) FOR THE YEAR</b>	<b>232,586</b>	<b>207,539</b>
<b>3</b>	Taxes	79,508	69,296
	<b>PROFIT (LOSS) FOR THE YEAR NET OF TAXES</b>	<b>153,078</b>	<b>138,243</b>
<b>4</b>	<b>PROFIT (LOSS) FROM DISCONTINUED OPERATIONS</b>	<b>-197</b>	
	<b>CONSOLIDATED PROFIT (LOSS)</b>	<b>152,881</b>	<b>138,243</b>
	<b>pertaining to the group</b>	<b>152,849</b>	<b>138,196</b>
	<b>pertaining to third parties</b>	<b>32</b>	<b>47</b>

### **Table of variations in consolidated Net Equity for the first half of 2007**

With regard to the table of changes in net equity, the annex to ISVAP Directive No. 2460/06 which satisfies the directions given by IAS 1 and, then, by IAS 34 (Interim Financial Reporting) is given below.

In particular, the reserve for other unrealised gains or losses on available for sale financial assets shows the effects of the valuation of related financial instruments net of the amount attributable to policyholders and posted to deferred liabilities to policyholders.

The allocations column shows the profit allocations for the year, the profit for the previous year allocated to equity reserves, increases in capital and other reserves and changes in the reserve for unrealised gains and losses through equity. The transfers to profit and loss column shows the reserve for unrealised gains and losses previously recorded direct through net equity in accordance with what is laid down by international accounting standards. Other transfers shows the ordinary distribution of dividends and decreases in capital and other reserves, including the acquisition of own shares.

It should be noted that dividends distributed during the course of the first half of 2007, relating to allocation of the 2006 profit, amounted to € 141,771K, of which € 131,934K related to ordinary shares (€ 0.30 per unit) and € 9,837K related to savings shares (€ 0.32 per unit).

**CONSOLIDATED HALF YEAR REPORT AS AT 30 JUNE 2007***Amounts in €K***TABLE OF CHANGES IN NET EQUITY**

		Situation as at 31-12-05	Change in closing balances	Charges	Transfers to the profit & loss account	Other transfers	Situation as at 30-06-2006	
<b>Net equity relating to the group</b>	Capital	238,575		4,400			242,975	
	Other equity instruments	0					0	
	Capital reserves	325,145		34,835			359,980	
	Reserves for profits and other equity reserves	684,889		152,096		-154	836,831	
	(Own shares)	-374				-951	-1,325	
	Reserve for net exchange differences	0					0	
	Profits or losses on financial assets available for sale	191,125		-14,202	-4,901		172,022	
	Other profits or losses recorded directly in the equity	Profits or losses on hedge instruments with a financial flow	0					0
		Profits or losses on hedge instruments on a net investment managed abroad	0					0
		Reserve arising out of changes in the net equity of participating interests	0					0
		Revaluation reserve for intangible assets	0					0
		Revaluation reserve for tangible assets	0					0
		Income and charges relating to non-current assets of an	0					0

		outgoing group owned for sale						
		Other reserves	-5,298		1,343			-3,955
	Profit (loss) in the year		283,522		-13,911		-131,415	138,196
	<b>Total relating to the group</b>		<b>1,717,584</b>	<b>0</b>	<b>164,561</b>	<b>-4,901</b>	<b>-132,520</b>	<b>1,744,724</b>
<b>Net equity relating to third parties</b>	Capital and reserves of third parties		3,391		179			3,570
	Profits or losses recorded directly in the equity		17		-19			-2
	Profit (loss) in the year		179		-132			47
	<b>Total relating to third parties</b>		<b>3,587</b>	<b>0</b>	<b>28</b>	<b>0</b>	<b>0</b>	<b>3,615</b>
<b>Total</b>			<b>1,721,171</b>	<b>0</b>	<b>164,589</b>	<b>-4,901</b>	<b>-132,520</b>	<b>1,748,339</b>
			<b>Situation as at 31-12-06</b>	<b>Change in closing balances</b>	<b>Charges</b>	<b>Transfers to the profit and loss account</b>	<b>Other transfers</b>	<b>Situation as at 30-06-2007</b>
<b>Net equity relating to the group</b>	Capital		242,981		2,567			245,548
	Other equity instruments		0					0
	Capital reserves		360,041		65,332			425,373
	Reserve for profits and other equity reserves		838,567		111,196			949,763
	(Own shares)		-8,271				-3,739	-12,010
	Reserve for net exchange differences		0					0
	Profits or losses on financial assets available for sale		306,681		-86,169	-16,054	42,791	247,249
	Other profits or losses recorded	Profits or losses on hedge instruments with a financial	0					0

	directly in the equity	flow						
		Profits or losses on hedge instruments on a net investment managed abroad	0					0
		Reserve arising out of changes in the net equity of participating interests	0					0
		Revaluation reserve for intangible assets	0					0
		Revaluation reserve for tangible assets	0					0
		Income and charges relating to non-current assets of an outgoing group owned for sale	0					0
			-2,349		1,767			-582
	Profit (loss) in the year		247,854		46,766		-141,771	152,849
	<b>Total relating to the group</b>		<b>1,985,504</b>	<b>0</b>	<b>141,459</b>	<b>-16,054</b>	<b>-102,719</b>	<b>2,008,190</b>
<b>Net equity relating to third parties</b>	Capital and reserves of third parties		3,572		91,394			94,966
	Profits or losses recorded directly in the equity		-6		-1,557			-1,563
	Profit (loss) in the year		81		-49			32
	<b>Total relating to third parties</b>		<b>3,647</b>	<b>0</b>	<b>89,788</b>	<b>0</b>	<b>0</b>	<b>93,435</b>
<b>Total</b>			<b>1,989,151</b>	<b>0</b>	<b>231,247</b>	<b>-16,054</b>	<b>-102,719</b>	<b>2,101,625</b>

**CONSOLIDATED HALF YEAR REPORT AS AT 30 JUNE 2007***Amounts in €K***FINANCIAL STATEMENT (indirect method)**

	<b>30/6/2007</b>	<b>30/6/2006</b>
<b>Pre-tax profit (loss) in the year</b>	<b>232,586</b>	<b>207,539</b>
<b>Change in non-monetary items</b>	<b>118,815</b>	<b>-90,740</b>
Change in the provision for unearned premiums in the non-life business	7,513	8,134
Change in the provision for outstanding claims and other non-life technical provisions	-34,357	20,828
Change in mathematical provisions and other life technical provisions	166,873	-114,052
Change in deferred acquisition costs	-12,991	-14,909
Change in appropriations to provisions	-2,667	-4,189
Non-monetary income and expenditure derived from financial instruments, investments in property and shareholdings	3,753	-5,483
Other changes	-9,309	18,931
<b>Change in debtors and creditors generated by operating activities</b>	<b>15,986</b>	<b>147,276</b>
Change in debtors and creditors deriving from direct insurance and reinsurance operations	68,684	95,556
Change in other debtors and creditors	-52,698	51,720
<b>Taxes paid</b>	<b>-64,825</b>	<b>-55,177</b>
<b>Net liquidity generated/absorbed by monetary elements relating to investment and financial activity</b>	<b>-5,422</b>	<b>154,462</b>
Liabilities on financial contracts issued by insurance companies	-90,632	8,611
Debtors to bank and interbank clients		0
Financing and loans to bank and interbank clients		0
Other financial instruments recorded at fair value in the profit and loss account	85,210	145,851
<b>TOTAL NET LIQUIDITY DERIVING FROM OPERATING ACTIVITIES</b>	<b>297,140</b>	<b>363,360</b>
Net liquidity generated/absorbed by investments in property	-3,729	-2,444
Net liquidity generated/absorbed by shareholdings in subsidiaries, affiliated companies and <i>joint ventures</i>	806	-98,929
Net liquidity generated/absorbed by financing and loans	1,345	-42,428
Net liquidity generated/absorbed by investments held to maturity		0



Net liquidity generated/absorbed by financial assets available for sale	-185,831	-171,470
Net liquidity generated/absorbed by tangible and intangible assets	-14,946	-14,701
Other flows of net liquidity generated/absorbed by the investment activity	-13,796	19
<b>TOTAL NET LIQUIDITY DERIVING FROM INVESTMENT ACTIVITY</b>	<b>-216,151</b>	<b>-329,953</b>
Net liquidity generated/absorbed by capital instruments owned by the group	73,012	39,094
Net liquidity generated/absorbed by own shares	-3,739	-951
Distribution of dividends relating to the group	-141,771	-131,415
Net liquidity generated/absorbed by capital and reserves of third parties	7,034	-20
Net liquidity generated/absorbed by subordinated liabilities and participating financial instruments	8,518	0
Net liquidity generated/absorbed by sundry financial liabilities	-9,864	1,094
<b>TOTAL NET LIQUIDITY DERIVING FROM FINANCING</b>	<b>-66,810</b>	<b>-92,198</b>
<b>Effect of exchange differences on cash at bank and in hand and equivalent</b>		
CASH AT BANK AND IN HAND AND EQUIVALENTS AT THE START OF THE YEAR	176,269	156,649
INCREASE(DECREASE) IN CASH AT BANK AND IN HAND AND EQUIVALENTS	14,179	-58,791
CASH AT BANK AND IN HAND AND EQUIVALENTS AT THE END OF THE YEAR	190,448	97,858
N.B.: The financial statement as at 30 June 2007 produced at parity with the basis of consolidation		

## **Explanatory notes**

## News about the group and its activities

Milano Assicurazioni S.p.A. is a leading insurance operator on the Italian market and is active both in the Non-life insurance sector and in the Life insurance sector with consolidated premium income of approximately € 3.4bn (data for 2006 financial year) and a sales network made up of around 1,400 agencies operating throughout the national territory.

The registered office is in Milan, at Via Senigallia 18/2.

Over the last few years, Milano Assicurazioni has also strengthened its position on the domestic market via corporate merger transactions. In particular, please note the incorporation of Nuova Maa and Maa Vita in 2003; the incorporation of SIS, an Insurance Company, in 2004 and finally, the incorporation of First Life, on 31 December 2005, enabling Milano Assicurazioni to operate within the Open-ended Pension Fund sector direct.

As at 30 June 2007 Milano Assicurazioni also held a 51% capital interest in Bipiemme Vita, acquired within the scope of the agreements stipulated with Banca Popolare di Milano (BPM) to grow, jointly and exclusively, the BPM Group's Life segment bancassurance business.

On the basis of these agreements, Milano Assicurazioni initially acquired, in June 2006, a 46% capital interest in Bipiemme Vita followed by the acquisition of a further 4% in September 2006 and a further 1% in June 2007.

Bipiemme Vita operates via around 700 Banca Popolare di Milano Group counters. The accounts as at 31 December 2006 (compiled in accordance with Italian accounting principles) showed premium income amounting to € 761.5m and a net profit of € 15.2m. Net equity amounted to € 71.5m whilst total technical reserves amounted to € 3,500.3m.

Milano Assicurazioni's parent company is Fondiaria-Sai which acts, amongst other things, as its manager and coordinator, in accordance with art. 2497 bis of the Italian civil code.

## **Part A - Accounting Policies**

## **Declaration of conformity to international accounting principles and general accounting principles**

This interim balance sheet as at 30.06.07 was prepared in accordance with IAS/IFRS international accounting standards issued by the IASB (International Accounting Standard Board), approved to date by the European Union and in terms of their interpretation, by official bodies.

The accounts tables used are those contained in ISVAP Directive No. 2460 of 10 August 2006, compiled, wherever compatible, on the basis of instructions contained in ISVAP Directive No. 2404 of 22 December 2005.

This interim balance sheet was prepared in the expectation that the business would continue. There were no uncertainties regarding events or conditions which could result in doubts arising over the ability to continue to operate as a working entity.

## **Basis and methods of consolidation**

### **CONSOLIDATION PRINCIPLES**

The consolidation procedure followed conforms to what is laid down by IAS 27 (consolidated and separate accounts) and by IAS 28 (Accounting for investments in associates). In addition to the Parent company, all subsidiaries are included in the basis of consolidation. IAS 27 defines control as the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. For the purposes of ascertaining the existence of control, reference is made to what is laid down by paragraph 13 of the aforementioned IAS 27.

Data relating to Bipiemme Vita, in which the parent company Milano Assicurazioni acquired a further 1% at the end of June, thereby increasing its overall holding from the 50% held at the start of the year, to 51%, were treated as follows:

- full consolidation of equity data as at 30 June 2007;
- 50% proportional consolidation of economic data relating to the 1st half of 2007.

In accordance with what is laid down by IAS 28, the net equity method is used when accounting for associates.

### **ACCOUNTS USED FOR THE CONSOLIDATION**

Interim balance sheets, as at 30 June, approved by the Board of Directors of the respective Companies, were used to prepare this interim balance sheet. Consolidated company interim balance sheets may have been adjusted due to consolidation requirements and to bring the latter into line with the Parent company's accounting principles.

### **CONSOLIDATION TECHNIQUES**

#### **Full consolidation**

All subsidiaries were fully consolidated. This interim balance sheet does, therefore, include the Parent company's interim balance sheet and those of companies in which Milano Assicurazioni S.p.A. holds, directly or indirectly, the majority of the voting rights exercisable at ordinary shareholders' meetings or, in any event, sufficient to exercise de facto control, in accordance with what is laid down by IAS 27.13.

With the full consolidation method, the book value of the holdings is eliminated against the related net equity, taking on all the assets and liabilities, guarantees, commitments and other memorandum items, as well as income and expenditure, of the subsidiary companies.

Minority shareholders' interest in the net equity and the economic result are posted to appropriate balance sheet and profit and loss account items.

Differences between the book value of the holdings and the respective net equity shares emerging on the date of acquisition of said holdings, are allocated to equity assets or intangible assets where the higher cost reflects the actual higher value of said assets, or to the goodwill item in cases where the higher price paid reflects the prospective value of future economic results.

### **Accounting using the net equity method**

Associate companies or those over which the parent company exercises considerable influence, having the power to take part in determining the company's financial and operating policies, without, however, having control or joint control, were valued using the net equity method. Based on what is laid down by IAS 28.6, significant influence is presumed when the shareholder owns, directly or indirectly, at least 20% of the voting rights exercisable at the associate's shareholders' meeting.

Using the net equity method, the holding in an associate company is initially recorded at cost and the book value is increased or decreased to record the applicable share of the associate's profits or losses realised after the date of acquisition, posted to the shareholder's profit and loss account. The consolidated interim balance sheet, therefore, only incorporates the relevant share of the associate's net book equity and result for the period, but not the values of the individual balance sheet items.

### **Consolidation adjustments**

So that group accounting information can be obtained as if this information related to a single economic entity, the following adjustment principles were implemented:

- dividends received by Companies consolidated or valued using the net equity method were eliminated;
- significant inter-company asset and economic accounts were eliminated, with the exception of those relating to transactions with Companies valued using the net equity method;
- profits deriving from sale and purchase transactions between Group Companies were eliminated, even if valued using the net equity method. Likewise, any losses deriving from transactions carried out by Group Companies were eliminated, unless the latter reflected a permanent drop in the intrinsic value of the property transferred.

Merger deficits generated following mergers between companies belonging to the group and posted to the Parent company's accounts, thereby increasing the asset items, were eliminated in the consolidated accounts, since in the latter consolidation differences deriving from the elimination of the book values of individual holdings incorporated against related net equity shares, posted to equity assets or entered under Goodwill, were maintained.

In fact, the merger transaction only produces, on a legal level, what is already expressed in the consolidated accounts. Failure to eliminate said deficits would have essentially constituted a duplication of values already existing within the consolidated accounts.

### **Date of the interim balance sheet**

The interim balance sheet closed on 30.06.07, coinciding with the date of the interim balance sheets used for fully consolidated Companies.

### **Currency of account**

This interim balance sheet is expressed in Euro (€) since this is the currency in which most of the Group's transactions are performed. A precise indication of all the amounts appearing in the interim balance sheet is given in thousands or millions of Euro. Where necessary, interim balance sheets expressed in currencies other than that of the Euro zone are converted by applying current exchange rates at the end of the half year.

### **Accounting principles and valuation criteria**

This half-yearly report was prepared in accordance with ISVAP Directive No. 1207 G of 6 July 1999, as amended by ISVAP Directive No. 2460 of 10 August 2006. The instructions annexed to ISVAP Directive No. 2404, wherever compatible, were taken into consideration when preparing the tables.

Individual balance sheet and profit and loss accounting items were valued by adopting the criteria used when preparing the 2006 consolidated accounts, to which we therefore refer for a detailed illustration of individual methodologies not stated below.

With regard to the valuation of technical reserves for Motor TPL, please remember that the new system of direct compensation started on 1 February which, in the event of a road accident, enables non-liable or only partially liable injured parties to be compensated direct by their own insurer. The fact that the compensation procedure only started a short time ago, means that it has not yet been possible to express a complete and definitive valuation of the related economic and financial impacts and to trace an accurate path in terms of the expected trend in key indicators, which are showing signs of major disparity compared with past years.

Within this context, the current year reserve was valued separately for the various types of business covered by the new system. In particular:

- for claims up to 31 January, i.e. prior to the new system coming into force, the final cost was determined by making a value adjustment on claims opened by the various settlement departments on the basis of the usual, and now consolidated, key indicators;
- for claims under the 'CARD Debitore' system, the valuation was made on the basis of the fixed amounts defined by the Technical Committee set up in accordance with Presidential Decree 254/2006;
- for 'CARD Gestionario' claims, the expected final cost, net of recoverable fixed amounts, was recorded;
- for claims after 31 January, but not coming under the new system (mainly because more than two vehicles were involved or the claims are distinguished by permanent biological damage resulting from over 9% injuries), the final cost was valued by making a value adjustment of the amounts indicated by the settlement offices, taking into consideration the average costs that can be assumed for these types of claims which are, of course, more expensive.

For claims for previous financial years, already posted to the reserves, trends relating to the reduction of claims settled during the half year were followed, checking the capacity of reserves posted as at 31.12.06.

Reinsurers' share of technical reserves is calculated on the basis of the shares ceded for proportional treaties and provisionally for stop-loss or in excess of loss treaties, based on the information available and with the same criteria used for posting direct business to the reserves, in consideration of contractual clauses.

Items pertaining to indirect business represent the relevant share of estimated year end results. Values were determined in consideration of data ascertained with regard to obligatory contracts accepted by companies outside the Group whose technical results relate to the 2006 financial year.

With regard to staff-leaving indemnity, procedures for calculating related liabilities were amended further to the supplementary pension reform referred to in Legislative Decree No. 252 of 5 December 2005. In short, staff-leaving indemnity units maturing on 31 December 2006 continue to be configured as defined benefit plans whilst units maturing as of 1 January 2007 are configured as a defined contributions plan and, therefore, no longer subject to actuarial valuation. Recalculation of the value on the basis of the new regulations resulted in a drop in liabilities of € 12,472K which, also on the basis of the instructions supplied by ABI and Assirevi, was charged to profit and loss.



## **Group Structure**

**CONSOLIDATED HALF YEAR REPORT AS AT 30 JUNE 2007****Basis of consolidation**

Name	Country	Method (1)	Business (2)	% direct shareholding	% total interest (3)	% votes available at the ordinary meeting (4)	% consolidation
BIPIEMME VITA S.p.A.	ITALIA	G/P	1	51.00	51.00	51.00	100.00
CAMPO CARLO MAGNO S.p.A.	ITALIA	G	10	100.00	100.00	100.00	100.00
DIALOGO ASSICURAZIONI S.p.A.	ITALIA	G	1	99.85	99.85	99.85	100.00
FONDIPREV S.p.A.	ITALIA	G	1	60.00	60.00	60.00	100.00
MAA FINANZIARIA S.p.A.	ITALIA	G	11	100.00	100.00	100.00	100.00
MERIDIANO EUR S.r.l.	ITALIA	G	10	100.00	100.00	100.00	100.00
MERIDIANO ORIZZONTI S.r.l.	ITALIA	G	10	100.00	100.00	100.00	100.00
SOGEINT S.r.l.	ITALIA	G	11	100.00	100.00	100.00	100.00
SYSTEMA COMPAGNIA DI ASSICURAZIONI S.p.A.	ITALIA	G	1	100.00	100.00	100.00	100.00

(1) Consolidation method: global integration=G, proportional integration=P, global integration by unit management=U

(2) 1=Italian ins; 2=EU ins; 3=ins third country; 4= insurance holding; 5=EU reins; 6=reins third country; 7=banks; 8=SGR; 9= other holdings; 10=property 11=other

(3) is the product of shareholding relationships relating to all companies which, located along the shareholding chain, come between the company that prepares the consolidated accounts and the company in question. Should several subsidiaries have a direct holding in the latter, the individual products must be added together.

(4) total percentage of votes at an ordinary shareholders' meeting if different from the direct or indirect shareholding

## CONSOLIDATED HALF YEAR REPORT AS AT 30 JUNE 2007

Amounts in €K

### Non-consolidated holdings

Name	Country	Business (1)	Type (2)	% direct shareholding	% total interest (3)	% votes available at the ordinary meeting (4)	Book value
GARIBALDI S.C.S.	LUXEMBOURG	10	B	47.95	47.95	47.95	-322
NOVARA ASSICURA S.p.A.	ITALY	1	(*)	100.00	100.00	100.00	13,806
SAI INVESTIMENTI S.G.R. S.p.A.	ITALY	8	B	29.00	29.00	29.00	1,495
SERVICE GRUPPO FONDIARIA-SAI S.r.l.	ITALY	11	B	30.00	30.00	30.00	220
SISTEMI SANITARI S.p.A.	ITALY	11	B	25.71	25.71	25.71	539
UNISERVIZI S.c.r.l.	ITALY	11	B	28.00	28.39	28.40	10,731

(1) 1=Italian ins; 2=EU ins; 3=ins third country; 4= insurance holding; 5=EU reins; 6=reins third country; 7=banks; 8=SGR; 9= other holdings; 10=property 11=other

(2) a=subsidiaries (IAS27) ; b=affiliated companies (IAS28); c=*joint ventures* (IAS 31); (\*) company classified as owned for sale in accordance with IFRS 5.

(3) is the product of shareholding relationships relating to all companies which, located along the shareholding chain, come between the company that prepares the consolidated accounts and the company in question. Should several subsidiaries have a direct holding in the latter, the individual products must be added together.

(4) total percentage of votes at an ordinary shareholders' meeting if different from the direct or indirect shareholding

## **Basis of consolidation**

As at 30.06.07 the Milano group comprised, including the Parent company, 10 Companies, all of which were fully consolidated. 5 of these were insurance companies, 3 were property companies and the remaining 2 operate in diversified sectors.

Compared with the position as at 31 December 2006, the basis of consolidation has undergone the following changes:

- Campo Carlo Magno Sport s.r.l. was excluded from the basis of consolidation following incorporation into the subsidiary Campo Carlo Magno S.p.A.
- Novara Assicura was deconsolidated and classified as an asset held for sale further to the stipulation of the preliminary contract providing for the sale of the entire holding before the end of the year.
- Change in the method used to consolidate Bipiemme Vita, from proportional to full for equity data, further to exclusive control being taken with the acquisition of an additional 1% shareholding which rose from the 50% held at the previous year-end, to 51% on 30 June 2007.

In particular, Bipiemme Vita data were treated as follows:

in the 2006 accounts:

- 50% proportional consolidation of equity data as at 31 December 2006;
- valuation of the net equity share on the basis of the share of the result achieved in the 3rd quarter and 50% proportional consolidation of economic data relating to the 4th quarter of the year.

in this half-yearly report:

- full consolidation of equity data as at 30 June 2007;
- 50% proportional consolidation of economic data relating to the 1st half of 2007.

**Part B - Notes to the consolidated balance sheet**

**Balance Sheet Assets****1. INTANGIBLE ASSETS**

Comprising:

(€K)	30/06/2007	31/12/2006	Variation
Goodwill	196,184	195,926	258
Other intangible assets	139,959	45,970	93,989
<b>TOTAL</b>	<b>336,143</b>	<b>241,896</b>	<b>94,247</b>

The table below gives details of the *goodwill* item:

(€K)	30/06/2007	31/12/2006	Variation
Goodwill posted following the merger by incorporation into the parent company of Lloyd Intenazionale S.p.A. in 1991	17,002	17,002	-
Goodwill posted in 1992 following the acquisition by the parent company of the portfolio of Card S.p.A.	33,053	33,053	-
Goodwill deriving from the acquisition by the parent company of the portfolio of Latina Assicurazioni S.p.A., in 1992	34,522	34,522	-
Goodwill relating to the life portfolio of La Previdente Assicurazioni S.p.A. originally acquired from Previdente Vita (formerly Latina Vita) in 1993	16,463	16,463	-
Goodwill deriving from the acquisition, in 1995, of the portfolio of Maa Assicurazioni by Nuova Maa, incorporated in the parent company in 2003	65,134	65,134	-
Goodwill deriving from the acquisition, in 2001, of the Profilo Life portfolio by Maa Vita, incorporated in the parent company in 2003	1,052	1,052	-
Goodwill posted following the merger by incorporation into the parent company of Maa Vita, in 2003	4,636	4,636	-
Goodwill relating to the acquisition by SIS of the Ticino portfolio, in 1995	152	152	-
The consolidation difference deriving from the acquisition, in 1996, of La Previdente Vita (then incorporated into Milano Ass.) by La Previdente Assicurazioni (then incorporated into Milano Ass.)	3,275	3,275	-
The consolidation difference deriving from the acquisition of Dialogo Ass. by La Previdente Ass. in 1997	49	49	-
The consolidation difference deriving from the acquisition of a 51% interest in BPM Vita in 2006 and 2007.	20,846	20,588	258
<b>TOTAL</b>	<b>196,184</b>	<b>195,926</b>	<b>258</b>

Based on what is laid down by IAS 38 (Intangible assets), goodwill, in so far as it is an asset with an undefined useful life, is not amortised systematically but is subject to an impairment test to be performed annually and every time there is an indication that the latter may have been the subject of a write-down, for the purposes of identifying the existence of any loss in value.

In the half-year in question, there were no indications that the goodwill posted had been the subject of write-downs in respect of the book value as at 31 December 2006, having already undergone an impairment test, in accordance with the procedures required by IAS 36 (Impairment of assets). The increase of € 258K was due to the consolidation difference arising in relation to the acquisition of an additional 1% shareholding in Bipiemme Vita in June 2007.

Other intangible assets, which on 30.06.07 amounted to € 139,959K are made up, by type, of the following:

(€K)	Gross book value	Accumulated amortisation and impairment	Nominal value
Research and development expenditure	-	-	-
User rights	-	-	-
Other intangible assets	155,278	15,319	139,959
<b>TOTAL</b>	<b>155,278</b>	<b>15,319</b>	<b>139,959</b>

Other intangible assets are depreciated in equal instalments on the basis of their useful life. None of the intangible assets proved to have been generated internally.

The item's net amount of € 139,098K, relates to the value of Bipiemme Vita's existing insurance portfolio at the time of the acquisition by Milano Assicurazioni, which is depreciated in line with the related average maturity.

The increase compared with 31/12/2006 was due, in the main, to the change in the method of consolidating the Bipiemme Vita balance sheet from proportional to full, following exclusive takeover of control of the company.

## 2. TANGIBLE ASSETS

These amount in total to € 169,898K (€ 154,077K as at 31.12.06) and can be broken down as follows:

(€K)	Buildings		Land		Other tangible assets		Total	
	30/06/07	31/12/06	30/06/07	31/12/06	30/06/07	31/12/06	30/06/07	31/12/06
Gross book value	33,636	33,010	7,748	7,748	184,392	164,044	225,776	204,822
Accumulated amortisation and impairment	-11,562	-11,052	-	-	-44,316	-39,693	-55,878	-50,745
<b>NET VALUE</b>	<b>22,074</b>	<b>21,958</b>	<b>7,748</b>	<b>7,748</b>	<b>140,076</b>	<b>124,371</b>	<b>169,898</b>	<b>154,077</b>

Land and buildings appearing as tangible assets are those intended for company use (self-used). Said land and buildings are recorded at cost and are systematically amortised on the basis of their useful life solely for components subject to wear and tear.

No Group property appearing under this macroitem is subject to restrictions of title or ownership rights, nor has redress obtained for a drop in value, losses or damages been posted to the profit and loss account.

With reference to self used land and buildings, please note that the book value, at year end, was € 16,616K less than the valuation determined on the basis of market values at the end of the previous year.

Other tangible assets relate to € 134,454K for advance payments for property transactions relating to the following areas - Milan, via Lancetti; Milan, via Confalonieri-via de Castilia (Lunetta dell'Isola) and Rome, via Fiorentini. Please remember that these transactions, implemented in previous financial years, resulted in the sale to third parties, by Milano Assicurazioni, of the aforementioned areas zoned for building and the purchase of the premises that are in the process of being built on these areas by the purchasers of said land. The increase in value as at 31 December 2006 mainly relates to advance payments made over the year in relation to the aforementioned property transactions.

### 3. REINSURERS' SHARE OF TECHNICAL RESERVES

These amount, in total, to € 358,980K (€ 344,656K as at 31/12/06) with a positive variation of € 14,324K. They are made up as follows:

(€K)	30/06/2007	31/12/2006	Variation
Reinsurers' share of non-life premiums	24,298	22,614	1,684
Reinsurers' share of non-life claims	197,148	181,749	15,399
Reinsurers' share of other non-life claims	-	-	-
Reinsurers' share of mathematical reserves	136,687	139,542	-2,855
Reserve for amounts payable by reinsurers	846	750	96
Reinsurers' share of Class D provisions	-	-	-
Reinsurers' share of other reserves	1	1	-
<b>TOTAL</b>	<b>358,980</b>	<b>344,656</b>	<b>14,324</b>



#### 4. INVESTMENTS

Comprising:

(€K)	30/06/2007	31/12/2006	Variation
Investment property	376,279	375,294	985
Holdings in subsidiaries, associates and joint ventures	12,663	13,469	-806
Investments held to maturity	-	-	-
Loans and receivables	147,263	148,619	-1,356
Available for sale financial assets	9,497,347	8,836,179	661,168
Financial assets at fair value recognised through profit or loss	2,983,551	1,918,099	1,065,452
<b>TOTAL</b>	<b>13,017,103</b>	<b>11,291,660</b>	<b>1,725,443</b>

Increases in Available for sale financial assets and Financial assets at fair value recognised through profit or loss mainly relate to the change in the method of consolidating the Bipiemme Vita balance sheet from proportional to full, following exclusive takeover of control of the company in June 2007.

#### Investment property

This item includes all Group-owned property intended for rental to third parties or held as an investment with the aim of increasing the value of said property over time.

Investment properties are shown at purchase cost in accordance with what is laid down by IAS 16 to which IAS 40 refers in the event of adoption of the cost model. It follows that, for accounting purposes, the Group has made provision to unbundle the value of the land from the value of the property owned outright, since this component, having an indefinite useful life, has been deemed not to be subject to amortisation.

The land component was unbundled from the building component on the basis of an expert evaluation updated on the date of transition to international accounting standards (and, therefore, on 1/1/2004). The part of the property relating to the building is systematically amortised in line with the useful life of the components characterising said building. In particular, please note that the amortisation rate used is, on average, 2%.

In total, the book value as at 30/06/07 was € 189.9m less than the expert evaluation determined at the end of the previous financial year.

As at 30 June 2007, capital gains of € 21.3m deriving from the purchase, during 2005, of a 100% holding in Campo Carlo Magno S.p.A. were allocated to investment property.

A breakdown of investment property is given below:

	30/06/2007	31/12/2006
Gross book value	425,447	421,722
Accumulated amortisation and impairment	-49,168	-46,428
<b>Net Value</b>	<b>376,279</b>	<b>375,294</b>

In the first half of the year income from rentals amounted to € 7.9m.

There are no significant limits on the realisability of investment property due to legal or contractual restrictions or obligations of any other nature.

#### Holdings in subsidiaries, associates and joint ventures

In line with what is required by IAS 27.20 (consolidated and separate financial statements) all the Group's companies are fully consolidated, including those that perform dissimilar activities. The amount posted relates, therefore, solely to holdings in associate companies, valued using the net equity method or maintained at cost.

(€K)	30/06/2007	31/12/2006
Sai Investimenti SGR S.p.A.	1,495	2,242
Uniservizi S.c.r.l.	10,731	10,731
Other associated companies	437	496
<b>TOTAL</b>	<b>12.663</b>	<b>13.469</b>

#### Loans and receivables

These amount to € 147,263K (€ 148,619K as at 31/12/2006) and are made up as follows:

(€K)	30/06/2007	31/12/2006	Variation
Unlisted debt securities	31,695	32,278	-583
Loans on life policies	25,711	25,631	80
Deposits with reinsurers	3,260	3,336	-76
Receivables from successor agents for recoupment of claims paid to agents who have ceased trading	57,317	56,470	847
Other loans and receivables	29,280	30,904	-1,624
<b>TOTAL</b>	<b>147,263</b>	<b>148,619</b>	<b>-1,356</b>

The *debt securities* item includes the book value of some issues (in particular, securities from Ania special issues) for which a valuation at amortised cost rather than at fair value was deemed appropriate, in the absence of an active reference market. This is the only financial asset appearing in the consolidated accounts for which it is believed that the related fair value cannot be accurately calculated.

Receivables from successor agents for recoupment of claims paid to agents who have ceased trading appear under this item both in consideration of their interest-bearing nature and further to the express instructions supplied by ISVAP with Directive No. 2404/05.

The *other loans and receivables* item includes € 26,685K for the loans granted to the associate company Garibaldi S.c.s., relating to the property development project for the area located at the northern boundary of the historic centre of Milan, known as “Garibaldi Repubblica”. These interest-bearing loans are for 5 years and can be renewed for a further 5 years but must not run beyond the project’s completion date. There is, however, provision for the debtor to make early repayment.

#### Available for sale financial assets

Available for sale financial assets comprise bonds and shares, as well as unit trusts, not classified separately. This is the category with the most financial instruments, in line with the characteristics and aims of the insurance business.

Comprising:

(€K)	30/06/2007	31/12/2006	Variation
Listed capital securities at fair value	1,530,691	1,393,615	137,076
Unlisted capital securities at fair value	11,279	11,047	232
Listed debt securities	7,333,415	6,957,401	376,014
Unlisted debt securities	126,224	21,886	104,338
Unit trusts	495,738	452,230	43,508
<b>TOTAL</b>	<b>9,497,347</b>	<b>8,836,179</b>	<b>661,168</b>

Please note that the change in the method of consolidating Bipiemme Vita, from proportional to full, resulted, as at 30 June 2007, in an increase in Listed capital securities at fair value of € 67,152K and Listed debt securities of € 632,416K.

**Financial assets at fair value recognised through profit or loss**

The table below gives a breakdown by type, of book values on 30 June 2007 and on 31 December 2006 as well as fair values at the close of the half year in question, determined with reference to stock market listings on 30 June:

(€K)	30/06/2007	31/12/2006	Variation
Listed capital securities	118,118	101,600	16,518
Unlisted capital securities	-	-	-
Listed debt securities	1,888,862	910,707	978,155
Unlisted debt securities	56,771	375,659	-318,888
Unit trusts	917,620	527,784	389,836
Other financial instruments	2,180	2,349	-169
<b>TOTAL</b>	<b>2,983,551</b>	<b>1,918,099</b>	<b>1,065,452</b>

Please note that the change in the method of consolidating Bipiemme Vita, from proportional to full, resulted, as at 30 June 2007, in an increase in Listed debt securities of € 659,939K and Unit trusts of € 429,119K.

**5. OTHER RECEIVABLES**

These are made up as follows:

(€K)	30/06/2007	31/12/2006	Variation
Receivables from direct insurance operations	540,154	632,261	-92,107
Receivables from reinsurance operations	33,420	41,893	-8,473
Other receivables	151,260	195,481	-44,221
<b>TOTAL</b>	<b>724,834</b>	<b>869,635</b>	<b>-144,801</b>

It is believed that the book value of trade receivables and other receivables approximate their fair value. Trade receivables do not bear interest and generally have a due date of less than 90 days. Receivables deriving from insurance operations include receivables from policyholders of € 277,478K, including € 228,758K relating to premiums for the financial year and € 48,720K for premiums for previous financial years. In addition, € 191,841K of receivables from insurance brokers; € 24,638K of receivables from insurance companies and € 46,197K of receivables from policyholders and third parties for sums to be recovered, are included.

With reference to receivables from policyholders for premiums, from agents and other intermediaries as well as receivables from insurance and reinsurance companies, the Group does not present significant concentrations of credit risk, its credit exposure being divided between a large number of counterparties and clients.

Other receivables can be broken down as follows:

(€K)	30/06/2007	31/12/2006	Variation
Receivables from Fondiaria-Sai for advance tax payments and for tax receivables and withholding tax transferred following participation in fiscal consolidation	33,961	108,229	-74,268
Trade receivables	46,380	54,927	-8,547
Other receivables	70,919	32,325	38,594
<b>TOTAL</b>	<b>151,260</b>	<b>195,481</b>	<b>-44,221</b>

## 6. SUNDRY RECEIVABLES

In total, these amounted to € 332,528K (€ 281,295K in 2006) with a rise of € 51,233K compared with 31 December 2006.

They comprise:

(€K)	30/06/2007	31/12/2006	Variation
Non-current assets or those held in a disposal group for sale	16,668	772	15,896
Deferred acquisition costs	82,725	79,088	3,637
Deferred tax assets	25,508	26,841	-1,333
Current tax assets	123,026	117,929	5,097
Other assets	84,601	56,665	27,936
<b>TOTAL</b>	<b>332,528</b>	<b>281,295</b>	<b>51,233</b>

### Non-current assets or assets held in a disposal group for sale

These include the value of the assets held by the subsidiary Novara Assicura, for which a preliminary contract was stipulated in June for the sale of the 100% holding to a Banco Popolare di Verona e Novara Group company. The transaction should be complete by 30 November 2007.

### Deferred acquisition costs

Deferred acquisition costs of € 82,725K (€ 79,088K as at 31/12/06) relate to purchase commissions on multi-year contracts which, in accordance with principles responding to matching concepts, are amortised in seven years for Non-life business and on the basis of the life of each contract or, in any event, over no more than 10 years, for Life business.

### Current tax assets

Current tax assets, amounting to € 123,026K (€ 117,929K as at 31/12/2006) relate to receivables from the Treasury for advance taxes, withholdings and income tax receivables. Also posted to this item are amounts paid for tax referred to in art. 1 paragraph 2 of Legislative Decree No. 209/02 as converted by art. 1 of law 265/2002 and subsequent amendments, posted to this item in accordance with what is laid down by ISVAP Directive No. 2404/05. Where permitted by IAS 12, provision has been made to

offset current tax assets and liabilities.

**Deferred tax assets**

These amount to € 25,508K (€ 26,841K in 2006) and are calculated on the total amount of temporary differences between the book value of assets and liabilities and the respective taxable value, determined in relation to the likelihood of their recovery. Where permitted by IAS 12, provision was made to offset deferred tax assets and liabilities.

**Other assets**

These amount to € 84,601K (€ 56,665K as at 31/12/06) and include, amongst other things, claims paid to agents in anticipation of recoupments (€ 4,045K), retirement pension policies (€ 4,672K), transitory reinsurance accounts (€ 15K) and deferred commission expenses on contracts not falling within the scope of IFRS 4 (€ 31,494K).

**7. CASH AND CASH EQUIVALENTS**

These include deposit and current bank accounts with a due date of less than 15 days and totalled € 190,448K (€ 136,906K as at 31/12/2006).

## Balance sheet - Liabilities

### NET EQUITY AND LIABILITIES

#### 1. NET EQUITY

The consolidated net equity, amounting to € 2,101,625K, inclusive of the result for the year and minority interests, rose by € 112,474K compared with 2006.

A breakdown of equity reserves is given below:

(€K)	30/06/2007	31/12/2006	Variation
<b>Group net equity</b>	<b>2,008,190</b>	<b>1,985,504</b>	<b>22,686</b>
Capital	245,548	242,981	2,567
Other equity instruments	-	-	-
Capital reserves	425,373	360,041	65,332
Profit and other equity reserves	949,763	838,567	111,196
<i>Own Shares</i>	-12,010	-8,271	-3,739
Reserve for net exchange differences	-	-	-
Reserve for unrealised gains and losses on available for sale financial assets	247,249	306,681	-59,432
Reserve for other unrealised gains and losses through equity	-582	-2,349	1,767
Group profit (loss) for the financial year	152,849	247,854	-95,005
<b>Minorities' capital and reserves</b>	<b>93,435</b>	<b>3,647</b>	<b>89,788</b>
Minorities' share of capital and reserves	94,966	3,572	91,394
Reserve for unrealised gains and losses through equity	-1,563	-6	-1,557
Minorities' profit (loss) for the financial year	32	81	-49
<b>TOTAL</b>	<b>2,101,625</b>	<b>1,989,151</b>	<b>112,474</b>

For variations in consolidated net equity please refer to the relevant table.

The information required by IAS 1.76A is given below:

	Ordinary 30/06/2007	Savings 30/06/2007	Ordinary 31/12/2006	Savings 31/12/2006
<b>Number of shares issued</b>	441,465,127	30,739,882	436,529,445	30,739,882

As at 30 June 2007, a further 10,905,498 ordinary shares were subscribed following the conversion, by related holders, of 27,263,745 Milano Assicurazioni 1998-2007 warrants. The new share capital, inclusive of the new shares subscribed, was deposited with the Register of Companies on 26 July 2007.

The table below summarises the movement of shares comprising the parent company Milano Assicurazioni's share capital, during the course of the half year:

	Ordinary	Savings	Total
Shares existing as at 01/01/07	436,529,445	30,739,882	467,269,327
Own shares (-)	-1,475,460	-	-1,475,460
Shares in circulation: existing as at 01/01/07	435,053,985	30,739,882	465,793,867
Increases:			
Sale of own shares		-	
Exercise of warrants	4,935,682	-	4,935,682
Decreases:			
Purchase own shares	-605,000	-	-605,000
<b>Shares in circulation: existing as at 30/06/07</b>	<b>439.384.667</b>	<b>30,739,882</b>	<b>470,124,549</b>

Capital reserves amounting to € 425,373K, relate to the share issue premium reserve recorded in the Parent company's accounts.

#### **Profit and other equity reserves**

The comprise the other net equity reserves appearing in the Parent company's accounts and so please refer to the notes to the Parent company's separate accounts for further information.

Profit and equity reserves also comprise:

- a consolidation reserve amounting to € 36,845K;
- the reserve for profits and losses deriving from first-time application of international accounting standards, which is € 40,880K in the red.

#### **Own Shares**

These amount to 2,080,460 ordinary Parent company shares with a value of € 12,010K (€ 8,271K as at 31/12/2006). This item is deduced from the net equity in accordance with what is laid down by IAS 32.

#### **Reserve for unrealised gains and losses on available for sale financial assets**

This item, amounting to € 247,249K, includes profits or losses deriving from the valuation of available for sale financial assets. It is expressed net of the part attributable to policyholders and allocated to insurance liabilities.

#### **Reserve for other unrealised gains and losses through equity**

This item, negative to the tune of € 582K, includes the effect of charging profits and losses of an actuarial nature, direct to equity, further to the application of IAS 19 (Employee benefits).

Reconciliation tables for Parent company accounts and consolidated accounts relating to the net equity and the profit for the half year, are given below.



<b>PARENT COMPANY AND CONSOLIDATED NET EQUITY RECONCILIATION</b>				
<i>Amounts in €K</i>	30/06/2007			31/12/2006
	Net equity pre-result	Result for the period	Total net equity	Total net equity
<b>The parent company's balances according to Italian accounting principles</b>	<b>1,537,456</b>	<b>140,973</b>	<b>1,678,429</b>	<b>1,605,665</b>
<b>Effects of the application of IAS/IFRS principles on the parent company:</b>				
<i>IAS 38 "Intangible assets"</i>				
- Goodwill	72,128	11,996	84,124	72,128
- Other intangible assets	-666	233	-433	-666
<i>IAS 16-40 "Property and investments in property"</i>				
- Property	-36,945	-1,872	-38,817	-36,945
<i>IAS 1 "Presentation of financial statements"</i>				
- Own shares	-12,010		-12,010	-8,271
<i>IAS 19 "Employee benefits"</i>				
- TFR and other employee benefits	-10,364	12,389	2,025	-9,457
<i>IAS 39 "Financial instruments"</i>				
Financial assets:				
- Available for sale	274,178	8,731	282,909	417,078
- Fair value through profit or loss	9,077	2,976	12,053	9,077
- Other financial assets	-258	86	-172	-258
- Financial liabilities	-675	-315	-990	-675
<i>IFRS 4 "Insurance Contracts"</i>				
- Provision for outstanding premiums and equalisation provisions	32,755	1,386	34,141	32,755
- Actuarial provisions	5,337	-902	4,435	-57,234
- Service component of linked policies (IAS 18)	-87	41	-46	-87
<i>IFRS 2 "Payments based on shares"</i>				
- Other reserves for profits and equity	2,019	-2,019		
<i>Fiscal effect of IAS/IFRS adjustments</i>	-61,134	-21,067	-82,201	-84,234
<b>Consolidation adjustments:</b>				
- Difference between write-down and pro-quota result of the companies:				

Consolidated fully	-62,127	5,259	-56,868	-51,833
Valued using the net equity method	-273	268	-5	339
- Differences allocated to the assets	64,335	-2,510	61,825	63,384
- Consolidation difference	24,169		24,169	23,911
- Application of different accounting principles	69,918	7,771	77,689	69,918
- Differences on assets ceded	162	-162		
- Elimination effects of inter-group transactions:				
Dividends	7,441	-7,441		
Write-off of goodwill arising from merger deficit	-25,451		-25,451	-25,451
Other inter-group transacitons	-10,807		-10,807	-10,807
- Fiscal effects of consolidation adjustments	-22,837	-2,972	-25,809	-22,833
<b>Balances consolidated according to the IAS/IFRSinternational accounting principles (group share)</b>	<b>1,855,341</b>	<b>152,849</b>	<b>2,008,190</b>	<b>1,985,504</b>

## 2. PROVISIONS

(€K)	30/06/2007	31/12/2006	Variation
Provisions relating to tax issues	77	77	-
Other provisions	76,527	79,194	-2,667
<b>TOTAL</b>	<b>76,604</b>	<b>79,271</b>	<b>-2,667</b>

The item *other provisions* includes a reasonable valuation of future risks and charges existing at year end, also deriving from current disputes. In particular:

- € 53,739K for amounts allocated to the risks fund mainly relating to disputes with agency networks and current disputes.
- € 22,788K relates to allocations to the future charges fund.

## 3. TECHNICAL RESERVES

These amounted to € 9,764,021K and recorded an increase of € 682,911K over the amount recorded at the previous year end, € 674,325K of which relates to reserves contributed by Bipiemme Vita, due the change in the method of consolidating the balance sheet from proportional to full, following exclusive takeover of control of the company in June 2007.

Details appear below:

(€K)	30/06/2007	31/12/2006	Variation
<b>NON-LIFE BUSINESS</b>			
Unearned premium reserve	968,265	958,933	9,332
Claims reserve	3,383,056	3,402,204	-19,148
Other reserves	3,066	2,750	316
<b>Total Non-life business</b>	<b>4,354,387</b>	<b>4,363,887</b>	<b>-9,500</b>
<b>LIFE BUSINESS</b>			
Mathematical reserves	5,098,184	4,337,552	760,632
Reserve for sums payable	37,494	35,687	1,807
Technical reserves where the investment risk is borne by policyholders and deriving from pension fund management	253,307	255,730	-2,423
Other reserves	20,649	88,254	-67,605
<b>Total Life business</b>	<b>5,409,634</b>	<b>4,717,223</b>	<b>692,411</b>
<b>TOTAL TECHNICAL RESERVES</b>	<b>9,764,021</b>	<b>9,081,110</b>	<b>682,911</b>

The *unearned premium reserve* includes the reserve for direct business premium portions amounting to € 964,164K and the reserve for premiums relating to indirect business amounting to € 4,101K. Further to the favourable trend recorded over the half year and assumptions regarding forecasts for the current year, the conditions required in order to set aside a reserve for current risks did not exist.

Other non-Life technical reserves relate entirely to the ageing reserve referred to in art. 25 of Legislative Decree 175/95.

Other Life business technical reserves mainly comprise the reserve for future expenses as well as the reserve for deferred liabilities to policyholders, negative to the tune of € 10,280K, calculated by applying the accounting practice known as shadow accounting, referred to in paragraph 30 of IFRS 4.

#### 4. FINANCIAL LIABILITIES

(€K)	30/06/2007	31/12/2006	Variation
Financial liabilities at fair value recognised through profit or loss	2,274,281	1,233,285	1,040,996
Other financial liabilities	321,424	314,511	6,913
<b>TOTAL</b>	<b>2,595,705</b>	<b>1,547,796</b>	<b>1,047,909</b>

##### Financial liabilities at fair value recognised through profit or loss

These include € 26,375K for derivative hedge contracts relating to shareholdings and € 2,247,906K relating to life policies which, although insurance contracts in legal terms, do not present a significant insurance risk and, therefore, do not fall within the scope of application of IFRS 4. The increase is entirely due to the change in the method of consolidating Bipiemme Vita, from proportional to full, following exclusive takeover of control of the company in June 2007.

##### Other financial liabilities

This item includes the financial liabilities defined and governed by IAS 39 that are not included in the *Financial liabilities at fair value recognised through profit or loss* category. Also included are deposits set up to guarantee risks ceded in reinsurance of € 148,676K and subordinated liabilities amounting to € 171,023K. The latter mainly relate to a loan granted during the 2006 financial year by Mediobanca to Milano Assicurazioni, amounting to € 155,012K

#### 5. PAYABLES

These amount to € 316,173K and are made up as follows:

(€K)	30/06/2007	31/12/2006	Variation
Payables deriving from direct insurance operations	42,820	73,429	-30,609
Payables deriving from reinsurance operations	11,785	14,278	-2,493
Other payables	261,568	304,090	-42,522
<b>TOTAL</b>	<b>316,173</b>	<b>391,797</b>	<b>-75,624</b>

Payables deriving from direct insurance operations comprise:

- € 36.668K in respect of insurance intermediaries;
- € 5,119K of current account payables in respect of insurance companies;
- € 148K for policyholders' deposits and premiums;

- € 885K in guarantee funds for policyholders.

Details of *other payables* are given below:

(€K)	30/06/2007
For policyholders' share of taxes	43,355
For sundry tax liabilities	9,426
To social security and welfare institutions	10,861
Trade payables	55,354
Staff-leaving indemnity	27,166
Ires payable to Fondiaria–Sai further to participation in tax consolidation	54,238
Other	61,168
<b>TOTAL</b>	<b>261,568</b>

## 6. OTHER LIABILITIES

Comprising:

(€K)	30/06/2007	31/12/2006	Variation
Liabilities for a group spin-off held for sale	2,862	762	2,100
Deferred tax liabilities	99,534	53,597	45,937
Current tax liabilities	1,449	1,474	-25
Other liabilities	171,961	175,167	-3,206
<b>TOTAL</b>	<b>275,806</b>	<b>231,000</b>	<b>44,806</b>

### Liabilities for a group spin-off held for sale

These include the value of the liabilities held by the subsidiary Novara Assicura, for which a preliminary contract was stipulated in June for the sale of Milano Assicurazioni's 100% holding to a Banco Popolare di Verona e Novara Group company. The transaction should be complete by 30 November 2007.

### Other liabilities

These amount to € 171,961K (€ 175,167K as at 31/12/06) and comprise:

- commissions for premiums in the process of being collected of € 52,973K;
- deferred inward commissions on insurance policies not covered by IFRS 4 of € 43,363K;
- liabilities for cheques cashed by beneficiaries after 30 June 2007, of € 57,416m
- other sundry liabilities of € 18,209K.

**Part C - Notes to the consolidated profit and loss account**

## NET PREMIUMS

Consolidated net premiums amount to € 1,755,000K (€ 1,677,517K in the first half of 2006).

The Group's gross premium income amounts to € 1,806,811 and can be broken down as follows:

(€K)	30/06/2007	30/06/2006	Variation
Life-business gross premiums	428,131	289,698	138,433
Non-Life business gross premiums	1,388,284	1,439,808	-51,524
Variation in gross amount of unearned premium reserve	-9,604	-2,847	-6,757
Total non-Life business	1,378,680	1,436,961	-58,281
<b>Gross earned premiums</b>	<b>1,806,811</b>	<b>1,726,659</b>	<b>80,152</b>
(€K)	30/06/2007	30/06/2006	Variation
Life business premiums ceded	6,186	5,557	629
Non-Life business premiums ceded	46,874	44,753	2,121
Variation in reinsurers' share of the premium reserve	-1,249	-1,168	-81
Total non-Life business	45,625	43,585	2,040
<b>Earned reinsurance premiums ceded</b>	<b>51,811</b>	<b>49,142</b>	<b>2,669</b>

The increase in life premiums is mainly due to the 50% proportional consolidation of the Bipiemme Vita profit and loss account from the 4th quarter of 2006 onwards. Net of this contribution, amounting to € 143,184K, life premiums amount to € 284,947K.

The *gross premiums recorded* item does not include the cancellation of securities issued in previous years, which have been posted to *Other costs*.

For a breakdown of gross premiums recorded in the various classes of business in the accounts and the split between direct and indirect business, please refer to the tables contained in the first part of this report.

## COMMISSION INCOME

(€K)	30/06/2007	30/06/2006	Variation
Commission income	9,380	467	8,913

These relate to explicit and implicit loadings for investment contracts and to internal fund management commissions. The increase over the first half of the year was entirely due to the contribution made by Bipiemme Vita, following 50% proportional consolidation from the 4th quarter of 2006 onwards.

**NET INCOME DERIVING FROM FINANCIAL INSTRUMENTS AT FAIR VALUE RECOGNISED THROUGH PROFIT OR LOSS**

These amount to € 15,364K of net expenditure compared with net income, recorded at the end of the corresponding period the previous year, of € 8,966K. The table below shows the individual components:

(€K)	Net interest	Other net income	Profits realised	Losses	Capital gains on valuations and write-ups	Capital losses on valuations and write-downs	Total as at 30 June 2007	Total as at 30 June 2006	Variation
<i>Result of investments deriving from</i>									
Financial assets held for trading	6,673	30,102	6,674	-27,291	9,124	-12,260	13,022	-20,672	33,694
Financial assets at fair value recognised through profit or loss	4,773	-165	1,598	-2,813	5,365	-7,167	1,591	11,706	-10,115
Financial liabilities held for trading	-	-	-	-	751	-	751	-	751
<b>TOTAL</b>	<b>11,446</b>	<b>29,937</b>	<b>8,272</b>	<b>-30,104</b>	<b>15,240</b>	<b>-19,427</b>	<b>15,364</b>	<b>-8,966</b>	<b>24,330</b>

**INCOME AND EXPENDITURE FROM OTHER FINANCIAL INSTRUMENTS, INVESTMENT PROPERTY AND SHAREHOLDINGS**

These are summarised by the table below:

(€K)	Net interest	Other net income	Profits realised	Losses	Losses on valuations and write-downs	Total as at 30 June 2007	Total as at 30 June 2006	Variation
<i>Result deriving from:</i>								
Investment property	-	4,800	-	-	-2,744	2,056	13,235	-11,179
Holdings in subsidiaries, associates and joint	-	261	483	-	-	744	254	490



ventures									
Loans and receivables	2,204	-	-	-	-	2,204	6,758	-4,554	
Available for sale financial assets	128,331	41,969	56,558	-13,154	-	213,704	1	38,023	175,68
Other receivables	1,866	-	-	-	-	1,866	1,704	162	
Cash and cash equivalents	3,812	-	-	-	-	3,812	2,097	1,715	
Other financial liabilities	-7,762	-	-	-	-	-7,762	-3,056	-4,706	
Payables	-277	-	-	-	-	-277	-300	23	
							<b>196,37</b>		
<b>TOTAL</b>	<b>128,174</b>	<b>47,030</b>	<b>57,041</b>	<b>-13,154</b>	<b>-2,744</b>	<b>216,347</b>	<b>3</b>	<b>19,974</b>	

The increase in net income from other financial instruments and investment property of € 19,974K, compared with the corresponding period the previous year, was due, in the amount of € 18,246K, to the contribution made by Bipiemme Vita, following 50% consolidation of the profit and loss account from the 4th quarter of 2006 onwards.

#### OTHER INCOME

Other income amounted to € 57,951K (€ 43,991K as at 30/06/06) and comprised:

(€K)	30/06/2007	30/06/2006
Other technical income	7.764	10.904
Fund withdrawals	10.749	9.365
Exchange differences	2.041	-
Contingent assets	799	2.026
Gains realised on tangible assets	2	49
Recovery of administrative expenses and charges	19.956	19.443
Other income	16.640	2.204
<b>TOTAL</b>	<b>57.951</b>	<b>43.991</b>

Recovery of administrative expenses and charges, offset against other charges, mainly relates to charges to Fondiaria-Sai Group companies for their share, based on objective criteria, of costs relating to amalgamated functions and are, in the main, staff costs.

The residual *Other income* item, amounting to € 16,640K, includes € 12,472K recorded in the light of the recalculation of staff-leaving indemnity following the supplementary pension reform.

#### NET CHARGES RELATING TO CLAIMS

Claims paid, including Life business amounts and related expenses reached, net of units ceded to reinsurers, the sum of € 1,333,921K, up by 3.8% on the first six months of the previous year.

(€K)	30/06/2007	30/06/2006	Variation
<b>Non-life business</b>			

Amounts paid	1,013,557	1,018,074	-4,517
Variation in claims reserve	-36,267	22,606	-58,873
Variation in recoveries	-21,299	-34,584	13,285
Variation in other technical reserves	316	214	102
<b>Total Non-Life business</b>	<b>956,307</b>	<b>1,006,310</b>	<b>-50,003</b>
<b>Life Business</b>			
Sums paid	320,364	267,111	53,253
Variation in the reserve for payables	-1,110	18,523	-19,633
Variation in mathematical reserves	133,771	68,062	65,709
Variation in technical reserves where the investment risk is borne by policyholders and arises from pension fund management	-1,207	-34,326	33,119
Variation in other technical reserves	280	-13,578	13,858
<b>Total Life</b>	<b>452,098</b>	<b>305,792</b>	<b>146,306</b>
<b>Total Non-life + Life</b>	<b>1,408,405</b>	<b>1,312,102</b>	<b>96,303</b>
Amounts paid	1,333,921	1,285,185	48,736
Variation in reserves	74,484	26,917	47,567

The increase in Life sums paid and the Variation in mathematical reserves compared with the corresponding period the previous year was due, in the amount of € 30,897K and € 119,598K respectively, to the contribution made by Bipiemme Vita, following 50% consolidation of the profit and loss account from the 4th quarter of 2006 onwards.

### COMMISSIONS PAYABLE

Commissions payable amount to € 6,851K with an increase over the first half of 2006 of € 6,764K, entirely due to the inclusion of Bipiemme Vita in the basis of consolidation. These are accounted for by commissions paid for the period in question on financial contracts not covered by IFRS 4.

### OPERATING EXPENSES

The table below gives details by type of business:

(€K)	30/06/2007	30/06/2006	Variation
<b>Non-life business</b>			
Purchase commissions and variations in deferred acquisition costs	178,132	175,213	2,919
Other acquisition costs	31,031	31,261	-230
Collecting commissions	19,431	19,565	-134
Commissions and profit shares received by reinsurers	-9,165	-9,674	509
<b>Total Non-Life business</b>	<b>219,429</b>	<b>216,365</b>	<b>3,064</b>

**Life Business**

Purchase commissions and variations in deferred acquisition costs	5,229	3,492	1,737
Other acquisition costs	4,252	2,713	1,539
Collecting commissions	2,889	2,960	-71
Commissions and profit shares received by reinsurers	-977	-1,443	466
<b>Total Life</b>	<b>11,393</b>	<b>7,722</b>	<b>3,671</b>
Investment management costs	3,226	2,968	258
Other administration costs	42,303	34,782	7,521
<b>TOTAL</b>	<b>276,351</b>	<b>261,837</b>	<b>14,514</b>

The increase in operating expenses compared with the corresponding period the previous year was due, in the amount of € 3,334K to the contribution made by Bipiemme Vita, following 50% consolidation of the profit and loss account from the 4th quarter of 2006 onwards.

**OTHER COSTS**

Other costs amounted to € 129,849K (€ 127,817K as at 30/06/06) and comprise:

(€K)	30/06/2007	30/06/2006
Other technical charges	81,464	88,532
Provisions	8,032	5,180
Losses on receivables	2,500	4,016
Contingent liabilities	2,972	1,104
Amortisation tangible assets	1,114	1,131
Amortisation intangible assets	3,864	-
Exchange differences	3,886	4,324
Minorities' administrative charges and expenses	19,956	19,443
Other costs	6,061	4,087
<b>TOTAL</b>	<b>129,849</b>	<b>127,817</b>

The residual item *Other costs* includes € 2,019K, set aside for the relevant share of the cost of options to purchase Fondiaria-Sai savings shares assigned to Milano Assicurazioni executive directors and managers, determined on the basis of factors already stated in the chapter dedicated to Stock Option Plans, inserted into the first part of this report and to which we, therefore, refer back.

**INCOME TAXES**

(€K)	30/06/2007
Current income taxes	64,825

Deferred income taxes arising over the year	27,485
Deferred income taxes used over the year	-13,160
Advance income taxes arising over the year	-25,326
Advance income taxes used over the year	25,684

<b>TOTAL</b>	<b>79,508</b>
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Income taxes amounted to € 79,508K (€ 69,296K as at 30/06/06) being the combined effect of current income taxes of € 64,825K and deferred taxes of € 14,683K.

Current income taxes (Ires and Irap) are calculated by applying current nominal rates of 33% for Ires and 5.25% for Irap to the basic taxable amounts.

The tax rate for the half year in question is lower than the nominal rate mainly because of dividends cashed which are nearly all tax exempt and because of capital gains realised on holdings falling within the "participation exemption" scheme.

## FURTHER INFORMATION

### Earnings per share

The basic earnings per share is calculated by dividing the group net profit attributable to the Parent company's ordinary shareholders by the weighted average number of shares in circulation during the half year. Please note that the weighted average number of shares in circulation is decreased by the weighted average number of own shares held and that the savings shareholders' relevant share of the profit is deducted from the group net profit.

On 30 June the Milano Assicurazioni 1998 –2007 warrant conversion period ended and so there is no longer such a great requirement for calculation of diluted earnings per share.

Share results and information for the purposes of calculating earnings per share are given below:

	30/06/2007	30/06/2006
Net profit attributable to the Parent company's ordinary shareholders (€K)	142,576	128,815
Weighted average number of ordinary shares for calculation of basic earnings per share	437,250,899	432,144,900
Basic earnings per share (in Euro)	0.33	0.30
<i>Dilution effect:</i>		
Adjusted weighted average number of ordinary shares for the purposes of calculating diluted earnings per share		452,366,746
Diluted earnings per share (in Euro)		0.28

## **Part D - Sector report**

According to what is laid down by IAS 14, business segment disclosures provide an additional tool to aid understanding of the Group's economic/financial performance.

The logic underlying the application of the standard is that by indicating how and where the Group's results are formed, it is then possible to obtain information on both the Group's overall operability and, more especially, areas where risks and returns are concentrated.

The Group's primary reporting is by business segment. Group companies are organised and managed separately on the basis of the nature of the products and services supplied, for each business segment representing a strategic business unit and offering different products and services. In order to identify primary segments, the Group conducted an analysis of the risk/return profile of these segments and took into consideration the internal disclosure structure. Identification of the remaining segment is the result of a discretionary valuation aimed at showing the primary source of risks and benefits to which the Group is exposed.

The Non-life segment provides insurance cover for the events shown in art. 2 paragraph 3 of Legislative Decree 209/2005.

The Life segment consists of the insurances and operations indicated in art. 2, paragraph 1 of Legislative Decree 209/2005.

The Land and buildings segment includes the activities of subsidiary property companies actively operating in the investment property management and development market.

The Other Business segment, being of a residual nature, includes the business of subsidiaries operating in the financial and commercial assistance for agencies segment.

Transactions between segments are generally concluded under the same terms applied to third parties.

This section reports on the balance sheet and profit and loss account broken down by segment, prepared in accordance with models approved by ISVAP with Directive No. 2460 of 10 August 2006. Notes and further data on individual segments are given in the Management Report. Please refer to this report for further information.

**Balance sheet and Profit and Loss account by business sector**

<b>PARENT COMPANY AND CONSOLIDATED NET EQUITY RECONCILIATION</b>				
<i>Amounts in €K</i>	<b>30/06/2007</b>			<b>31/12/2006</b>
	<b>Net equity pre-result</b>	<b>Result for the period</b>	<b>Total net equity</b>	<b>Total net equity</b>
<b>The parent company's balances according to Italian accounting principles</b>	<b>1,537,456</b>	<b>140,973</b>	<b>1,678,429</b>	<b>1,605,665</b>
<b>Effects of the application of IAS/IFRS principles on the parent company:</b>				
<i>IAS 38 "Intangible assets"</i>				
- Goodwill	72,128	11,996	84,124	72,128
- Other intangible assets	-666	233	-433	-666
<i>IAS 16-40 "Property and investments in property"</i>				
- Property	-36,945	-1,872	-38,817	-36,945
<i>IAS 1 "Presentation of financial statements"</i>				
- Own shares	-12,010		-12,010	-8,271
<i>IAS 19 "Employee benefits"</i>				
- TFR and other employee benefits	-10,364	12,389	2,025	-9,457
<i>IAS 39 "Financial instruments"</i>				
Financial assets:				
- Available for sale	274,178	8,731	282,909	417,078
- Fair value through profit or loss	9,077	2,976	12,053	9,077



- Other financial assets	-258	86	-172	-258
- Financial liabilities	-675	-315	-990	-675
<i>IFRS 4 "Insurance Contracts"</i>				
- Provision for outstanding premiums and equalisation provisions	32,755	1,386	34,141	32,755
- Actuarial provisions	5,337	-902	4,435	-57,234
- Service component of linked policies (IAS 18)	-87	41	-46	-87
<i>IFRS 2 "Payments based on shares"</i>				
- Other reserves for profits and equity	2,019	-2,019		
<i>Fiscal effect of IAS/IFRS adjustments</i>				
	-61,134	-21,067	-82,201	-84,234
<b>Consolidation adjustments:</b>				
- Difference between write-down and pro-quota result of the companies:				
Consolidated fully	-62,127	5,259	-56,868	-51,833
Valued using the net equity method	-273	268	-5	339
- Differences allocated to the assets	64,335	-2,510	61,825	63,384
- Consolidation difference	24,169		24,169	23,911
- Application of different accounting principles	69,918	7,771	77,689	69,918
- Differences on assets ceded	162	-162		
- Elimination effects of inter-group transactions:				
Dividends	7,441	-7,441		
Write-off of goodwill arising from merger deficit	-25,451		-25,451	-25,451

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Other inter-group transacitons	-10,807		-10,807	-10,807
- Fiscal effects of consolidation adjustments	-22,837	-2,972	-25,809	-22,833
<b>Balances consolidated according to the IAS/IFRSinternational accounting principles (group share)</b>	<b>1,855,341</b>	<b>152,849</b>	<b>2,008,190</b>	<b>1,985,504</b>

**CONSOLIDATED HALF YEAR REPORT AS AT 30 JUNE 2007**

Amounts in €K

**Balance sheet by business sector**

	Non-life business		Life business		Property Sector		Other		Intersegment overlaps		Total	
	30/06/2007	31/12/2006	30/06/2007	31/12/2006	30/06/2007	31/12/2006	30/06/2007	31/12/2006	30/06/2007	31/12/2006	30/06/2007	31/12/2006
INTANGIBLE ASSETS	153,185	153,185	182,275	88,006	683			705			336,143	241,896
TANGIBLE ASSETS	165,963	150,162	346	118	3,526	2,193	63	1,604			169,898	154,077
REINSURERS' SHARE OF TECHNICAL RESERVES	221,446	204,363	137,534	140,293							358,980	344,656
INVESTMENTS	4,816,770	4,858,938	7,998,344	6,216,484	201,312	201,785	677	14,453	-	-	13,017,103	11,291,660
Investments in property	273,665	271,952			102,614	103,342					376,279	375,294
Shareholdings in subsidiaries, associates and joint ventures	12,663			-		- 256		13,725	-	-	12,663	13,469
Investments held to maturity											-	-
Loans and receivables	92,559	93,400	54,704	55,219							147,263	148,619
Financial assets available for sale	4,292,431	4,341,518	5,105,541	4,395,234	98,698	98,699	677	728			9,497,347	8,836,179
Financial assets recorded at fair value in the profit and loss account	145,452	152,068	2,838,099	1,766,031							2,983,551	1,918,099
SUNDRY RECEIVABLES	624,173	756,145	90,946	103,933	9,042	8,711	673	860		- 14	724,834	869,635
OTHER ASSETS	252,003	213,046	111,055	147,150	414	1,252	79	140	- 31,023	- 80,293	332,528	281,295

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Deferred acquisition costs	75,964	72,277	6,761	6,811							82,725	79,088
Other assets	176,039	140,769	104,294	140,339	414	1,252	79	140	- 31,023	- 80,293	249,803	202,207
CASH AT BANK AND IN HAND AND EQUIVALENTS	86,374	90,951	98,877	42,593	2,664	934	2,533	2,428			190,448	136,906
<b>TOTAL ASSETS</b>	<b>6,319,914</b>	<b>6,426,790</b>	<b>8,619,377</b>	<b>6,738,577</b>	<b>217,641</b>	<b>214,875</b>	<b>4,025</b>	<b>20,190</b>	<b>- 31,023</b>	<b>- 80,307</b>	<b>15,129,934</b>	<b>13,320,125</b>
NET EQUITY											2,101,625	1,989,151
PROVISIONS	70,358	73,787	6,041	5,329	128	77	77	78			76,604	79,271
TECHNICAL RESERVES	4,354,387	4,363,887	5,409,634	4,717,223							9,764,021	9,081,110
FINANCIAL LIABILITIES	158,569	157,514	2,435,484	1,386,111	1,652	3,653	-	518	-	-	2,595,705	1,547,796
Financial liabilities recorded at fair value in the profit and loss account	26,375	25,540	2,247,906	1,207,745							2,274,281	1,233,285
Other financial liabilities	132,194	131,974	187,578	178,366	1,652	3,653		518			321,424	314,511
PAYABLES	238,992	303,623	71,171	82,844	3,084	2,140	2,926	3,204		- 14	316,173	391,797
OTHER LIABILITIES	164,837	241,244	131,696	59,943	10,209	9,747	87	359	- 31,023	- 80,293	275,806	231,000
<b>TOTAL NET EQUITY AND LIABILITIES</b>											<b>15,129,934</b>	<b>13,320,125</b>

**CONSOLIDATED HALF YEAR REPORT AS AT 30 JUNE 2007**

Amounts in €K

**Profit and loss account by business sector**

	Non-life business		Life business		Property Sector		Other		Intersegmental elisions		Total	
	30/06/2007	30/06/2006	30/06/2007	30/06/2006	30/06/2007	30/06/2006	30/06/2007	30/06/2006	30/06/2007	30/06/2006	30/06/2007	30/06/2006
Net premiums	1,333,055	1,393,376	421,945	284,141	-	-	-	-	-	-	1,755,000	1,677,517
<i>Gross premiums for the period</i>	1,378,680	1,436,961	428,131	289,698							1,806,811	1,726,659
<i>Premiums ceded to reinsurers for the period</i>	- 45,625	- 43,585	- 6,186	- 5,557							- 51,811	- 49,142
Commission receivable			9,380	467							9,380	467
Income and charges resulting from financial instruments recorded at fair value in the profit and loss account	14,732	- 2,129	632	- 6,837							15,364	- 8,966
Income from shareholdings in subsidiaries, associates and joint ventures	810							254			810	254
Income from other financial instruments and property investments	103,863	99,592	134,832	108,348	5,167	3,350	13	9			243,875	211,299
Other income	53,294	38,906	2,991	3,381	28	22	1,638	1,682			57,951	43,991
<b>TOTAL INCOME AND REVENUE</b>	<b>1,505,754</b>	<b>1,529,745</b>	<b>569,780</b>	<b>389,500</b>	<b>5,195</b>	<b>3,372</b>	<b>1,651</b>	<b>1,945</b>	-	-	<b>2,082,380</b>	<b>1,924,562</b>
Net charges relating to claims	956,307	1,006,311	452,098	305,791	-	-	-	-	-	-	1,408,405	1,312,102
<i>Amounts paid and variation in technical reserves</i>	989,202	1,026,323	458,237	312,136							1,447,439	1,338,459
<i>Reinsurers' share</i>	- 32,895	- 20,012	- 6,139	- 6,345							- 39,034	- 26,357
Commission payable			6,851	87							6,851	87
Charges resulting from shareholdings in subsidiaries, associates and joint ventures	66										66	-

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Charges resulting from other financial instruments and property investments	11,390	7,805	15,474	5,899	1,397	1,462	11	14			28,272	15,180
Management costs	256,483	247,058	19,839	14,423	15	14	14	342			276,351	261,837
Other costs	99,412	111,281	28,487	14,994	239	283	1,711	1,259			129,849	127,817
<b>TOTAL COSTS AND CHARGES</b>	<b>1,323,658</b>	<b>1,372,455</b>	<b>522,749</b>	<b>341,194</b>	<b>1,651</b>	<b>1,759</b>	<b>1,736</b>	<b>1,615</b>	-	-	<b>1,849,794</b>	<b>1,717,023</b>
<b>PRE-TAX PROFIT (LOSS) FOR THE FINANCIAL YEAR</b>	<b>182,096</b>	<b>157,290</b>	<b>47,031</b>	<b>48,306</b>	<b>3,544</b>	<b>1,613</b>	<b>- 85</b>	<b>330</b>	-	-	<b>232,586</b>	<b>207,539</b>

## **Part E - Information on company merger operations**

**Acquisition of exclusive control of Bipiemme Vita S.p.A.**

On 14 June 2006, Banca Popolare di Milano and Milano Assicurazioni had completed an agreement to grow, jointly and exclusively, the BPM Group's bancassurance business in the Life business segment, signed on 21 December 2005.

In accordance with this agreement, Milano had initially purchased from BPM and from the subsidiary Banca di Legnano, a 46% capital interest in Bipiemme Vita S.p.A. at a price of € 90.5m (fully paid up on the date of the purchase contract) with the option of transferring exclusive control of the latter from the BPM Group to Milano itself, by means of the sale of a further two shareholdings, of 4% and 1% respectively, on two later dates, by 31 December 2006 and 30 June 2007 respectively, by exercising put and call options, in two tranches, which the parties had mutually agreed under specific terms.

On 18 October 2006, Milano Assicurazioni had exercised the first tranche of the aforementioned call option, purchasing 4% of Bipiemme Vita, thereby increasing its holding to 50%. The purchase price, in accordance with contractual estimates, was fixed at € 7.9m and settled on the same date.

Exercising of said option resulted in joint governance of Bipiemme Vita which, in accordance with what is laid down by IAS 31, in the accounts as at 31 December 2006, had been consolidated using the proportional method.

On 29 June 2007, Milano Assicurazioni, exercising the second and final tranche of the call option, acquired 1% of the company at a price of € 2.2m, increasing its overall shareholding to 51%. Bipiemme Vita's balance sheet as at 30 June 2007, was fully consolidated, whilst the profit and loss account continued to be consolidated on a proportional basis since exclusive control had only been taken at the end of the half year.



Below is a summary of net assets acquired from Bipiemme Vita, shown separately for 2006 and 2007.

Net assets acquired in 2006, already incorporated into the consolidated accounts as at 31 December 2006 following 50% proportional consolidation:

(€K)	Book value	Fair value adjustments	Total Fair Value
<b>Assets</b>			
Intangible assets	103	76,428	76,531
Tangible assets:	11		11
Reinsurers' share of technical reserves	1,227		1,227
Investments	1,684,102		1,684,102
Other receivables	10,096		10,096
Deferred tax assets			
Other assets	22,946		22,946
Cash and cash equivalents	14,419		14,419
<b>Total</b>	<b>1,732,904</b>	<b>76,428</b>	<b>1,809,332</b>
<b>Liabilities</b>			
Technical reserves	497,540		497,540
Financial liabilities	1,186,626		1,186,626
Other payables	146		146
Deferred tax liabilities	1,299	28,855	30,154
Other liabilities	16,831		16,831
<b>Total</b>	<b>1,702,442</b>	<b>28,855</b>	<b>1,731,297</b>
<b>Net assets acquired</b>	<b>30,462</b>	<b>47,573</b>	<b>78,035</b>
<b>Minorities' share</b>			<b>-</b>
<b>Purchase price</b>			<b>98,622</b>
<b>Goodwill</b>			<b>20,587</b>

Net assets acquired in 2007 following a change in the method of consolidating Bipiemme Vita, from proportional to full, made upon taking of exclusive control with the acquisition of a 1% shareholding:

(€K)	Book value	Fair value adjustments	Total Fair Value
<b>Assets</b>			
Intangible assets	90	76,428	76,518
Tangible assets:	126		126
Reinsurers' share of technical reserves	1,710		1,710
Investments	1,796,648		1,796,648
Other receivables	20,850		20,850
Deferred tax assets	59		59
Other assets	17,902		17,902
Cash and cash equivalents	32,944		32,944
<b>Total</b>	<b>1,870,329</b>	<b>76,428</b>	<b>1,946,757</b>
<b>Liabilities</b>			
Technical reserves	674,325		674,325
Financial liabilities	1,095,180		1,095,180
Other payables	20,959		20,959
Deferred tax liabilities	2,538	28,855	31,393
Other liabilities	29,416		29,416
<b>Total</b>	<b>1,822,418</b>	<b>28,855</b>	<b>1,851,273</b>
<b>Net assets acquired</b>	<b>47,911</b>	<b>47,573</b>	<b>95,484</b>
<b>Minorities' share</b>			<b>93,575</b>
<b>Purchase price</b>			<b>2,167</b>
<b>Goodwill</b>			<b>258</b>

Fair value adjustments relate to the value of Bipiemme Vita's existing insurance portfolio at the time of acquisition, which is amortised in line with the related average maturity.

**Assets and liabilities being sold**

In June, the preliminary contract for the sale of the 100% shareholding in Novara Assicura to a Banco Popolare di Verona e Novara Group company was stipulated. The transaction should be complete by 30 November 2007.

Novara Assicura's assets and liabilities as at 30 June 2007 are shown below:

(€K)

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<b>Assets (Non-life segment)</b>	
Investments	15,327
Other receivables	240
Other assets	319
Cash and cash equivalents	782
<b>Total</b>	<b>16,668</b>
<b>Liabilities (Non-life segment)</b>	
Technical reserves	1,885
Other payables	166
Other liabilities	811
<b>Total</b>	<b>2,862</b>
<b>Net equity for accounting purposes</b>	<b>13,806</b>
<b>Sale price</b>	<b>15,600</b>

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## **Part F - Information regarding transactions with related parties**

Transactions between the Parent company and its subsidiaries, which are entities related to said Parent company, were eliminated in the consolidated accounts and are not, therefore, shown in these notes.

Details of transactions between the Group and other related entities are shown below.

**Transactions of a commercial and financial nature**

(€K)	Assets	Liabilities
Parent company	146,394	44,489
Associated companies and joint ventures	27,765	-
Affiliated companies	151,263	44,097
Other participating interests	698	-
Other related parties	134,455	-

(€K)	Income	Expenditure
Parent company	9,348	2,283
Associated companies and joint ventures	587	-
Affiliated companies	44,880	47,971
Other participating interests	86	-
Other related parties	-	-

Please note that the transactions shown above mainly relate to:

- transactions linked to reinsurance business, all conducted at market prices;
- income, expenditure and credit/debit accounts resulting from Fondiaria-Sai Group companies' share of the cost of standardised services at group level;
- credit/debit accounts deriving from Milano Assicurazioni Group companies' participation in the fiscal consolidation of the Fondiaria-Sai Group.

These were all concluded under normal market conditions. Credit amounts posted to the assets are not guaranteed and will be paid in cash. No amounts have been set aside over the year for any losses on receivables from related companies.

Below is a summary of significant operations with related parties, as defined by International Accounting Standard 24 (Disclosure of related party transactions) to which art. 2 point h) of Consob Decision 11971 of 14 May 1999, introduced by Consob Decision No. 14990 of 14 April 2005, relates.

The *Other tangible assets* item includes:

- advance payments of € 74,452K to the Company "Avvenimenti e Sviluppo Alberghiero S.r.l." in relation to the performance of property contracts relating to the area zoned for building in Rome at Via Fiorentini. Please remember that this transaction, which took place in 2003, had provided for the sale to "Avvenimenti e Sviluppo Alberghiero S.r.l." of the area zoned for building and the purchase by said purchaser of the building complex in the process of being built on the area in question at a price of € 96,200K.

- advance payments of € 30,097K to "IM.CO. S.p.A." in relation to the property project relating to the area zoned for building in Milan, at Via Lancetti. This transaction, which also took place in 2003, provided for the sale to "IM.CO. S.p.A." of the area zoned for building and the purchase by said "IM.CO. S.p.A." of the building complex in the process of being built on the area in question at a price of € 36,400K.
- advance payments of € 29,906K to "IM.CO. S.p.A." in relation to the property transaction relating to the land situated in Milan at Via Confalonieri- Via de Castilia (Lunetta dell'Isola). The project involved the sale, in 2005, to "IM.CO. S.p.A." of the aforementioned land and provided for the acquisition by said "IM.CO. S.p.A.", at a price of € 93,700K, of a property fit for service industry use which will be built on the land that was sold.

Financial flows occurring in the first half of 2006 in relation to the aforementioned operations amounted to € 15,970K of outgoings for advance payments made by Milano Assicurazioni.

Considering that the shareholder composition of the counterparty companies in the aforementioned transactions makes these companies related parties of Milano Assicurazioni, as well as of the parent company Fondiaria-SAI, appropriate fairness and legal opinions were obtained from independent experts. The fairness opinions confirmed the adequacy both of the sale prices of the areas of land and the purchase prices of the properties.

## **Part G - Other information**

**Staffing levels**

On 30 June 2007, the Parent company and consolidated companies had 1,670 employees (1,658 on 31/12/06) broken down by category as follows:

	<b>30/06/2007</b>	<b>31/12/2006</b>
Executives	30	28
White collar workers and professionals	1,635	1,625
Concierges	5	5
	<b>1,670</b>	<b>1,658</b>

**Exchange**

The exchange rates for the main currencies used to convert balance sheet items are shown below:

	<b>30/06/2007</b>	<b>31/12/2006</b>
United States Dollar	1.3505	1.317
British Sterling	0.6740	0.6715
Japanese Yen	166.63	156.93
Swiss Franc	1.6553	1.6069

Milan, 10 September 2007

MILANO ASSICURAZIONI S.p.A.  
Board of Directors



## **Annexes**

**CONSOLIDATED HALF YEAR REPORT AS AT 30 JUNE 2007***Amounts in €K***Details of tangible and intangible assets**

	<b>At cost</b>	<b>At restated or fair value</b>	<b>Total book value</b>
Property investments	376,279		376,279
Other property	29,822		29,822
Other tangible assets	140,076		140,076
Other intangible assets	139,959		139,959

**CONSOLIDATED HALF YEAR REPORT AS AT 30 JUNE 2007**

Amounts in €K

**Details of reinsurers' share of technical reserves**

	Total book value	
	30/06/2007	31/12/2006
<b>Non-life reserves</b>	<b>221,446</b>	<b>204,363</b>
<b>Life reserves</b>	<b>137,534</b>	<b>140,293</b>
Technical reserves where the investment risk is borne by policyholders and arising out of pension fund management		0
Mathematical and other reserves	137,534	140,293
<b>Reinsurers' total share of technical reserves</b>	<b>358,980</b>	<b>344,656</b>

**CONSOLIDATED HALF YEAR REPORT AS AT 30 JUNE 2007**

Amounts in €K

**Details of financial assets**

	Investments held to maturity		Loans and receivables		Financial assets available for sale		Financial assets recorded at fair value in the profit and loss account				Total book value	
							Financial assets held for trading		Financial assets recorded at fair value in the profit and loss account			
	30/06/2007	31/12/2006	30/06/2007	31/12/2006	30/06/2007	31/12/2006	30/06/2007	31/12/2006	30/06/2007	31/12/2006	30/06/2007	31/12/2006
Capital securities and derivatives valued at cost											0	0
Capital securities at fair value					1,541,970	1,404,662	118,118	101,485		115	1,660,088	1,506,262
<i>including listed securities</i>					1,530,691	1,393,615	118,118	101,485		115	1,648,809	1,495,215
Debt securities			31,695	32,278	7,459,639	6,979,287	331,819	329,573	1,613,814	956,793	9,436,967	8,297,931
<i>including listed securities</i>					7,333,415	6,957,401	320,750	328,165	1,568,112	582,542	9,222,277	7,868,108
Unit trusts					495,738	452,230			917,620	527,784	1,413,358	980,014
Loans and receivables from client banks											0	0
Inter-bank loans and receivables											0	0
Deposits with ceding companies			3,260	3,336							3,260	3,336
Financial asset components of insurance contracts											0	0
Other loans and receivables			112,308	113,005							112,308	113,005
Non-hedge derivatives									263	69	263	69
Hedge derivatives										513	0	513
Other financial investments									1,917	1,767	1,917	1,767
<b>Total</b>	<b>0</b>	<b>0</b>	<b>147,263</b>	<b>148,619</b>	<b>9,497,347</b>	<b>8,836,179</b>	<b>449,937</b>	<b>431,058</b>	<b>2,533,614</b>	<b>1,487,041</b>	<b>12,628,161</b>	<b>10,902,897</b>

**CONSOLIDATED HALF YEAR REPORT AS AT 30 JUNE 2007**

Amounts in €K

**Detail of assets and liabilities relating to contracts issued by insurance companies where the investment risk is borne by the client and arising out of pension fund management**

	Payments related to investment funds and market indices		Payments related to pension fund management		Total	
	30/06/2007	31/12/2006	30/06/2007	31/12/2006	30/06/2007	31/12/2006
Assets in the accounts	2,501,161	1,463,129			2,501,161	1,463,129
Inter-group assets *					0	0
<b>Total Assets</b>	<b>2,501,161</b>	<b>1,463,129</b>	<b>0</b>	<b>0</b>	<b>2,501,161</b>	<b>1,463,129</b>
Financial liabilities in the accounts	2,247,567	1,207,176			2,247,567	1,207,176
Technical provisions in the accounts	253,307	255,730			253,307	255,730
Inter-group liabilities *					0	0
<b>Total Liabilities</b>	<b>2,500,874</b>	<b>1,462,906</b>	<b>0</b>	<b>0</b>	<b>2,500,874</b>	<b>1,462,906</b>

\* Assets and liabilities elided in the consolidation process

**CONSOLIDATED HALF YEAR REPORT AS AT 30 JUNE 2007***Amounts in €K***Details of technical reserves**

	<b>Total book value</b>	
	<b>30/06/2007</b>	<b>31/12/2006</b>
<b>Non-life reserves</b>	<b>4,354,387</b>	<b>4,363,887</b>
Reserve for outstanding premiums	968,265	958,933
Reserve for claims	3,383,056	3,402,204
Other reserves	3,066	2,750
<i>including reserves posted following liability adequacy tests</i>		<i>0</i>
<b>Life reserves</b>	<b>5,409,634</b>	<b>4,717,223</b>
Reserve for amounts payable	37,494	35,687
Mathematical reserves	5,098,184	4,337,552
Technical reserves where the investment risk is borne by policyholders and arising out of pension fund management	253,307	255,730
Other reserves	20,649	88,254
<i>including reserves posted following liability adequacy tests</i>		<i>0</i>
<i>including deferred liabilities to policyholders</i>	<i>-10,280</i>	<i>61,122</i>
<b>Total Technical Reserves</b>	<b>9,764,021</b>	<b>9,081,110</b>

**CONSOLIDATED HALF YEAR REPORT AS AT 30 JUNE 2007**

Amounts in €K

**Details of financial liabilities**

	Financial liabilities recorded at fair value in the profit and loss account				Other financial liabilities		Total book value	
	Financial liabilities held for trading		Financial liabilities recorded at fair value in the profit and loss account		30/06/2007	31/12/2006	30/06/2007	31/12/2006
	30/06/2007	31/12/2006	30/06/2007	31/12/2006				
Equity financial instruments							0	0
Subordinated liabilities					171,023	162,505	171,023	162,505
Liabilities from financial contracts issued by insurance companies deriving	0	0	2,247,567	1,207,176	73	72	2,247,640	1,207,248
<i>From contracts for which the investment risk is borne by policyholders</i>			2,247,567	1,207,176			2,247,567	1,207,176
<i>From pension fund management</i>							0	0
<i>From other contracts</i>					73	72	73	72
Deposits received from reinsurers					148,676	147,763	148,676	147,763
Financial liability components of insurance contracts							0	0
Debt securities issued							0	0
Loans from client banks							0	0
Inter-bank loans							0	0
Other loans obtained							0	0
Non-hedge derivatives							0	0
Hedge derivatives	26,375	25,540					26,375	25,540
Sundry financial liabilities			339	569	1,652	4,171	1,991	4,740
<b>Total</b>	<b>26,375</b>	<b>25,540</b>	<b>2,247,906</b>	<b>1,207,745</b>	<b>321,424</b>	<b>314,511</b>	<b>2,595,705</b>	<b>1,547,796</b>

**CONSOLIDATED HALF YEAR REPORT AS AT 30 JUNE 2007***Amounts in €K***Details of insurance technical items**

	<b>30/06/2007</b>	<b>30/06/2006</b>
<b>Non-life business</b>		
NET PREMIUMS	1,333,055	1,393,376
a Premiums recorded in the accounts	1,341,410	1,395,055
b Change in the provision for outstanding premiums	-8,355	-1,679
NET CHARGES RELATING TO CLAIMS	956,307	1,006,310
a Amounts paid	1,013,557	1,018,074
b Change in the provision for outstanding claims	-36,267	22,606
c Change in recoveries	-21,299	-34,584
d Change in other technical provisions	316	214
<b>Life business</b>		
NET PREMIUMS	421,945	284,141
NET CHARGES RELATING TO CLAIMS	452,098	305,792
a Sums paid	320,364	267,111
b Change in the provision for sums payable	-1,110	18,523
c Change in mathematical reserves	133,771	68,062
d Change in technical provisions where the investment risk is borne by the policyholders and arising out of pension fund management	-1,207	-34,326
e Change in other technical provisions	280	-13,578



**CONSOLIDATED HALF YEAR REPORT AS AT 30 JUNE 2007**

Amounts in €K

**Financial and investment income and expenditure**

	Interest	Other income	Other charges	Profits realised	Losses realised	Total income and expenditure	Valuation profits		Valuation losses		Total unrealised income and expenditure	Total income and expenditure 30/06/2007	Total income and expenditure 30/06/2006
							Valuation gains	Write-up	Valuation losses	Write-down			
<b>Investment results</b>	<b>141,981</b>	<b>82,055</b>	<b>-5,088</b>	<b>65,313</b>	<b>-43,258</b>	<b>241,003</b>	<b>14,489</b>	<b>0</b>	<b>-22,171</b>	<b>0</b>	<b>-7,682</b>	<b>233,321</b>	<b>186,962</b>
a From property investments		8,922	-4,122			4,800			-2,744		-2,744	2,056	13,235
b From shareholdings in subsidiaries, associates and joint ventures		327	-66	483		744					0	744	254
c From investments held to maturity						0					0	0	0
d From loans and receivables	2,204					2,204					0	2,204	6,758
e From financial assets available for sale	128,331	42,182	-213	56,558	-13,154	213,704					0	213,704	175,681
f From financial assets held for trading	6,673	30,568	-466	6,674	-27,291	16,158	9,124		-12,260		-3,136	13,022	-20,672
g From financial assets recorded at fair value in the profit and loss account	4,773	56	-221	1,598	-2,813	3,393	5,365		-7,167		-1,802	1,591	11,706
<b>Result for sundry receivables</b>	<b>1,866</b>					<b>1,866</b>					<b>0</b>	<b>1,866</b>	<b>1,704</b>
<b>Result for cash at bank and in hand and equivalents</b>	<b>3,812</b>					<b>3,812</b>					<b>0</b>	<b>3,812</b>	<b>2,097</b>
<b>Result for financial liabilities</b>	<b>-7,762</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-7,762</b>	<b>751</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>751</b>	<b>-7,011</b>	<b>-3,056</b>
a From financial liabilities held for trading						0	751				751	751	0
b From financial liabilities recorded at fair value in the profit and loss account						0					0	0	0
c From other financial liabilities	-7,762					-7,762					0	-7,762	-3,056
<b>Result for payables</b>	<b>-277</b>					<b>-277</b>					<b>0</b>	<b>-277</b>	<b>-300</b>
<b>Total</b>	<b>139,620</b>	<b>82,055</b>	<b>-5,088</b>	<b>65,313</b>	<b>-43,258</b>	<b>238,642</b>	<b>15,240</b>	<b>0</b>	<b>-22,171</b>	<b>0</b>	<b>-6,931</b>	<b>231,711</b>	<b>187,407</b>

**CONSOLIDATED HALF YEAR REPORT AT AT 30 JUNE 2007***Amounts in €K***Details of insurance management costs**

	Non-life business		Life business	
	30/06/2007	30/06/2006	30/06/2007	30/06/2006
Gross commission and other acquisition costs net of commission and profit shares received from reinsurers	219,430	216,364	11,393	7,722
Investment management costs	1,416	1,793	1,810	1,175
Other administration costs	35,637	28,901	6,636	5,526
<b>Total</b>	<b>256,483</b>	<b>247,058</b>	<b>19,839</b>	<b>14,423</b>

## **Declaration of the Manager Responsible**

**in accordance with article 154- bis, para 2, of Legislative Decree no. 58 of 24/2/1998**

The undersigned Pier Giorgio BEDOGNI, in his capacity as Manager Responsible for producing the company accounting documents of Milano Assicurazioni S.p.A. hereby

CERTIFIES

in accordance with the stipulations of the second paragraph of article 154- bis of the "Compendium of Laws on financial brokerage" that the Consolidated Half Year Report to 30 June 2007 corresponds to the results in the accounting documents, books and records.

Milan, 10 September 2007

Dr. Pier Giorgio BEDOGNI  
Manager Responsible for producing the  
company accounting documents